Sabre Corp
Form 10-Q
October 31, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2017
or
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission File Number: 001-36422

Sabre Corporation
(Exact name of registrant as specified in its charter)

Delaware	20-8647322
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3150 Sabre Drive
Southlake, TX 76092
(Address, including zip code, of principal executive offices)
(682) 605-1000
(Registrant’s telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 (the “Exchange Act”) during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes x No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes x No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer”, “smaller reporting company”, and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨
		Emerging growth company	¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

As of October 26, 2017, 274,821,778 shares of the registrant's common stock, par value $0.01 per share, were outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SABRE CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Revenue	$900,606	$838,982	$2,716,622	$2,543,767
Cost of revenue	631,970	593,650	1,882,623	1,704,232
Selling, general and administrative	91,840	155,182	383,137	435,924
Impairment and related charges	—	—	92,022	—
Operating income	176,796	90,150	358,840	403,611
Other income (expense):				
Interest expense, net	(38,919)	(38,002)	(116,577)	(116,414)
Loss on extinguishment of debt	(1,012)	(3,683)	(1,012)	(3,683)
Joint venture equity income	357	718	1,768	2,244
Other, net	(3,802)	281	(19,788)	4,517
Total other expense, net	(43,376)	(40,686)	(135,609)	(113,336)
Income from continuing operations before income taxes	133,420	49,464	223,231	290,275
Provision for income taxes	40,595	7,208	56,836	79,905
Income from continuing operations	92,825	42,256	166,395	210,370
(Loss) Income from discontinued operations, net of tax	(529)	(394)	(2,228)	10,858
Net income	92,296	41,862	164,167	221,228
Net income attributable to noncontrolling interests	1,307	1,047	3,726	3,227
Income attributable to common stockholders	$90,989	$40,815	$160,441	$218,001
Basic net income per share attributable to common stockholders:				
Income from continuing operations	$0.33	$0.15	$0.59	$0.75
(Loss) income from discontinued operations	—	—	(0.01)	0.04
Net income per common share	$0.33	$0.15	$0.58	$0.79
Diluted net income per share attributable to common stockholders:				
Income from continuing operations	$0.33	$0.15	$0.58	$0.73
(Loss) income from discontinued operations	—	—	(0.01)	0.04
Net income per common share	$0.33	$0.14	$0.57	$0.77
Weighted-average common shares outstanding:				
Basic	277,477	278,399	277,754	277,125
Diluted	278,369	283,462	279,648	282,919
Dividends per common share	$0.14	$0.13	$0.42	$0.39

See Notes to Consolidated Financial Statements.

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SABRE CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net income	$92,296	$41,862	$164,167	$221,228
Other comprehensive income, net of tax:				
Foreign currency translation adjustments ("CTA"), net of tax				
Foreign CTA gains (losses)	2,781	(819)	10,450	720
Reclassification adjustment for realized losses on foreign CTA, net of tax	—	—	—	(198)
Net change in foreign CTA gains (losses), net of tax	2,781	(819)	10,450	522
Retirement-related benefit plans:				
Amortization of prior service credits, net of taxes of $129, $130, $388 and $389	(229)	(229)	(686)	(686)
Amortization of actuarial losses, net of taxes of $(392), $(520), $(1,747) and $(1,551)	745	1,033	3,141	2,852
Total retirement-related benefit plans	516	804	2,455	2,166
Derivatives and available-for-sale securities:				
Unrealized gains, net of taxes of $(1,045), ($1,663), $(2,693) and $658	2,561	11,076	9,561	11,361
Reclassification adjustment for realized (gains) losses, net of taxes of $67, $(154), $(1,531) and $(494)	(216)	227	3,461	1,240
Net change in derivatives and available-for-sale securities, net of tax	2,345	11,303	13,022	12,601
Share of other comprehensive income of joint ventures	323	(336)	372	(336)
Other comprehensive income	5,965	10,952	26,299	14,953
Comprehensive income	98,261	52,814	190,466	236,181
Less: Comprehensive income attributable to noncontrolling interests	(1,307)	(1,047)	(3,726)	(3,227)
Comprehensive income attributable to Sabre Corporation	$96,954	$51,767	$186,740	$232,954

See Notes to Consolidated Financial Statements.

SABRE CORPORATION
CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)
(Unaudited)

	September 30, 2017	December 31, 2016
Assets		
Current assets		
Cash and cash equivalents	$ 268,268	$ 364,114
Accounts receivable, net	567,266	400,667
Prepaid expenses and other current assets	111,358	88,600
Total current assets	946,892	853,381
Property and equipment, net of accumulated depreciation of $1,173,326 and $986,890	800,094	753,279
Investments in joint ventures	26,776	25,582
Goodwill	2,553,867	2,548,447
Acquired customer relationships, net of accumulated amortization of $680,756 and $646,850	357,039	387,632
Other intangible assets, net of accumulated amortization of $580,158 and $538,380	346,028	387,805
Deferred income taxes	73,658	95,285
Other assets, net	562,134	673,159
Total assets	$ 5,666,488	$ 5,724,570
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	$ 150,265	$ 168,576
Accrued compensation and related benefits	104,415	102,037
Accrued subscriber incentives	269,778	216,011
Deferred revenues	163,556	187,108
Other accrued liabilities	251,525	222,879
Current portion of debt	59,019	169,246
Tax Receivable Agreement	59,452	100,501
Total current liabilities	1,058,010	1,166,358
Deferred income taxes	84,782	88,957
Other noncurrent liabilities	468,075	567,359
Long-term debt	3,410,532	3,276,281
Commitments and contingencies (Note 11)		
Stockholders' equity		
Common Stock: $0.01 par value; 450,000,000 authorized shares; 288,896,172 and 285,461,125 shares issued, 274,756,197 and 276,949,802 shares outstanding at September 30, 2017 and December 31, 2016, respectively	2,889	2,854
Additional paid-in capital	2,162,128	2,105,843
Treasury Stock, at cost, 14,139,975 and 8,511,323 shares at September 30, 2017 and December 31, 2016, respectively	(329,857)	(221,746)
Retained deficit	(1,097,149)	(1,141,116)
Accumulated other comprehensive loss	(96,500)	(122,799)
Noncontrolling interest	3,578	2,579
Total stockholders' equity	645,089	625,615

Total liabilities and stockholders’ equity	$ 5,666,488	$ 5,724,570

See Notes to Consolidated Financial Statements.

SABRE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2017	2016
Operating Activities		
Net income	$164,167	$221,228
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	295,729	303,956
Amortization of upfront incentive consideration	50,298	43,372
Litigation-related credits	—	(25,527)
Stock-based compensation expense	34,413	36,012
Allowance for doubtful accounts	7,879	9,232
Impairment and related charges	92,022	—
Deferred income taxes	8,340	66,676
Joint venture equity income	(1,768)	(2,244)
Dividends received from joint venture investments	1,088	—
Amortization of debt issuance costs	4,916	6,738
Loss on modification of debt	14,758	—
Loss on extinguishment of debt	1,012	3,683
Other	10,680	4,303
Loss (income) from discontinued operations	2,228	(10,858)
Changes in operating assets and liabilities:		
Accounts and other receivables	(188,021)	(70,906)
Prepaid expenses and other current assets	518	(19,508)
Capitalized implementation costs	(47,968)	(64,577)
Upfront incentive consideration	(61,087)	(55,284)
Other assets	(20,957)	(18,105)
Accrued compensation and related benefits	2,161	(21,540)
Accounts payable and other accrued liabilities	53,444	8,424
Deferred revenue including upfront solution fees	32,054	17,459
Cash provided by operating activities	455,906	432,534
Investing Activities		
Additions to property and equipment	(242,811)	(254,232)
Acquisition, net of cash acquired	—	(164,481)
Other investing activities	(141)	—
Cash used in investing activities	(242,952)	(418,713)
Financing Activities		
Proceeds of borrowings from lenders	1,897,625	1,055,000
Payments on borrowings from lenders	(1,868,655)	(994,287)
Payments on Tax Receivable Agreement	(99,241)	—
Debt issuance and modification costs	(19,052)	(11,377)
Net proceeds on the settlement of equity-based awards	11,466	17,111
Cash dividends paid to common stockholders	(116,474)	(108,358)
Repurchase of common stock	(97,671)	—

Other financing activities	(8,934)	(4,736)
Cash used in financing activities	(300,936)	(46,647)
Cash Flows from Discontinued Operations		
Cash used in operating activities	(3,636)	(15,766)
Cash provided by investing activities	—	—
Cash used in discontinued operations	(3,636)	(15,766)
Effect of exchange rate changes on cash and cash equivalents	(4,228)	(536)
Decrease in cash and cash equivalents	(95,846)	(49,128)
Cash and cash equivalents at beginning of period	364,114	321,132
Cash and cash equivalents at end of period	$268,268	$272,004

See Notes to Consolidated Financial Statements.

SABRE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. General Information
Sabre Corporation is a Delaware corporation formed in December 2006. On March 30, 2007, Sabre Corporation acquired Sabre Holdings Corporation (“Sabre Holdings”). Sabre Holdings is the sole subsidiary of Sabre Corporation. Sabre GLBL Inc. ("Sabre GLBL") is the principal operating subsidiary and sole direct subsidiary of Sabre Holdings. Sabre GLBL or its direct or indirect subsidiaries conduct all of our businesses. In these consolidated financial statements, references to “Sabre,” the “Company,” “we,” “our,” “ours,” and “us” refer to Sabre Corporation and its consolidate subsidiaries unless otherwise stated or the context otherwise requires.
We are a leading technology solutions provider to the global travel and tourism industry. We operate through two business segments: (i) Travel Network, our global travel marketplace for travel suppliers and travel buyers, and (ii) Airline and Hospitality Solutions, an extensive suite of travel industry leading software solutions primarily for airlines and hoteliers.
Basis of Presentation—The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (“GAAP”) for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, these financial statements contain all adjustments, consisting of normal recurring accruals, necessary to present fairly the financial position, results of operations and cash flows for the periods indicated. Operating results for the three and nine months ended September 30, 2017 are not necessarily indicative of results that may be expected for any other interim period or for the year ending December 31, 2017. The accompanying interim financial statements should be read in conjunction with the consolidated financial statements and related notes thereto included in our Annual Report on Form 10-K filed with the SEC on February 17, 2017.
We consolidate all majority-owned subsidiaries and companies over which we exercise control through majority voting rights. No entities are consolidated due to control through operating agreements, financing agreements, or as the primary beneficiary of a variable interest entity.
The consolidated financial statements include our accounts after elimination of all significant intercompany balances and transactions. All dollar amounts in the financial statements and the tables in the notes, except per share amounts, are stated in thousands of U.S. dollars unless otherwise indicated. All amounts in the notes reference results from continuing operations unless otherwise indicated.
Use of Estimates—The preparation of these interim financial statements in conformity with GAAP requires that certain amounts be recorded based on estimates and assumptions made by management. Actual results could differ from these estimates and assumptions. Our accounting policies, which consist of significant estimates and assumptions, include, among other things, the estimation of the collectability of accounts receivable, estimation of future cancellations of bookings processed through the Sabre global distribution system (“GDS”), revenue recognition for software arrangements, determination of the fair value of assets and liabilities acquired in a business combination, determination of the fair value of derivatives, the evaluation of the recoverability of the carrying value of intangible assets and goodwill, assumptions utilized in the determination of pension and other postretirement benefit liabilities, the evaluation of the recoverability of customer implementation costs, assumptions utilized to evaluate the recoverability of deferred customer advance and discounts, and estimation of uncertainties surrounding the calculation of our tax assets and liabilities. Our use of estimates and the related accounting policies are discussed in the consolidated financial statements and related notes thereto included in our Annual Report on Form 10-K filed with the SEC on February 17, 2017.
Stockholders’ Equity—During the nine months ended September 30, 2017, we issued 3,435,047 shares of our common stock as a result of the exercise and settlement of employee equity-based awards. In addition, we received $22 million in proceeds from the exercise of employee stock-option awards and paid $11 million of income tax withholdings associated with the settlement of employee restricted-stock awards. We paid quarterly cash dividends on our common stock of $0.14 per share, totaling $116 million, and $0.13 per share, totaling $108 million, during the nine months

ended September 30, 2017 and 2016, respectively.

Share Repurchase Program

In February 2017, we announced the approval of a multi-year share repurchase program to purchase up to $500 million of Sabre's common stock outstanding. Repurchases under the program may take place in the open market or privately negotiated transactions. For the nine months ended September 30, 2017, we repurchased 5,153,241 shares totaling $98 million pursuant to this share repurchase program.

Recent Accounting Pronouncements

In August 2017, the Financial Accounting Standards Board ("FASB") issued updated guidance to expand and simplify the application of hedge accounting. The updated standard eliminates the requirement to separately measure and report hedge ineffectiveness and generally requires the entire change in the fair value of a hedging instrument to be presented in the same income statement line as the hedged item. The guidance also eases certain documentation and assessment requirements and modifies the accounting for components excluded from the assessment of hedge effectiveness. The Accounting Standards Update ("ASU") is effective for annual periods beginning after December 15, 2018, with early adoption permitted. We do not expect that the adoption of this updated standard will have a material impact on our consolidated financial statements.

In May 2017, the FASB issued updated guidance regarding changes to the terms or conditions of a share-based payment award which requires an entity to apply modification accounting under the current standard on stock compensation. Under this updated standard, a new fair value measurement is assessed on the modified award, with any incremental fair value of the new award recognized as additional compensation cost. The ASU is effective for annual periods beginning after December 15, 2017, with early adoption permitted. We adopted this standard in the third quarter of 2017, which did not have a material impact on our consolidated financial statements.

In March 2017, the FASB issued updated guidance improving the presentation requirements related to reporting the service cost component of net benefit costs to require that the service cost component be reported in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period, disaggregating the component from other net benefit costs. Net benefit cost is composed of several items, which reflect different aspects of an employer's financial arrangements as well as the cost of benefits earned by employees. The updated guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those annual periods for public business entities. We do not expect that the adoption of this updated standard will have a material impact on our consolidated financial statements.

In January 2017, the FASB issued updated guidance to state that registrants should consider additional qualitative disclosures if the impact of an issued but not yet adopted ASU is unknown or cannot be reasonably estimated and to include a description of the effect of the accounting policies that the registrant expects to apply, if determined. Transition guidance included in certain issued but not yet adopted ASUs was also updated to reflect this amendment. The updated guidance was effective upon issuance and we have adopted this standard and have made the required disclosures.

In January 2017, the FASB issued an updated guidance simplifying the subsequent measurement of goodwill by eliminating “Step 2” from the goodwill impairment test. The updated guidance is effective for public companies’ annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for annual or interim goodwill impairment tests performed on testing dates after January 1, 2017. We plan to adopt this standard in 2017 and do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

In January 2017, the FASB issued updated guidance clarifying the definition of a business to help companies evaluate whether transactions should be accounted for as acquisitions or disposals of assets or businesses. The amendments in this update are effective for public companies for annual periods beginning after December 15, 2017, including interim periods within those periods. Early adoption is permitted in any interim or annual period provided that the entire ASU is adopted. We early adopted this standard effective first quarter of 2017, which did not have a material impact on our consolidated financial statements.

In October 2016, the FASB issued updated guidance which requires the recognition of the income tax consequences of an intra-entity transfer of an asset, other than inventory, when the transfer occurs. The updated guidance will be effective in the first quarter of 2018 and early adoption is permitted. We early adopted this standard effective first quarter of 2017, which did not impact our consolidated financial statements.

In February 2016, FASB issued updated guidance requiring organizations that lease assets—referred to as "lessees"—to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases, when the lease has a term of more than 12 months. The updated standard is effective for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. We are currently evaluating the impact of this standard on our consolidated financial statements.

In January 2016, the FASB issued updated guidance on accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure for financial instruments. Under this updated standard, entities must measure equity investments at fair value and recognize changes in fair value in net income. For equity investments without readily determinable fair values, entities have the option to either measure these investments at fair value or at cost adjusted for changes in observable prices less impairment. The updated guidance does not apply to equity method investments or investments in consolidated subsidiaries. This new standard is effective for public companies for annual periods, including interim periods, beginning after December 15, 2017. We do not expect that the adoption of this updated standard will have a material impact on our consolidated financial statements.

In May 2014, the FASB issued a comprehensive update to revenue recognition guidance that will replace current standards. Under the updated standard, revenue is recognized when a company transfers promised goods or services to customers in an amount that reflects the consideration that is expected to be received for those goods and services. The updated standard also requires additional disclosures on the nature, timing, and uncertainty of revenue and related cash flows. On July 9, 2015, the FASB approved to defer the effective date of the new standard which is now effective for annual and interim reporting periods beginning after December 15, 2017. We expect to adopt this new standard using the modified retrospective transition method which will result in a cumulative adjustment as of the date of the adoption. We have substantially completed our evaluation of the guidance and determined the key areas of impact on our financial results and are currently in the process of quantifying the impacts. Our quantification of the impacts is ongoing and will not be finalized until the period of adoption. To date, our assessments have identified the following anticipated impacts:

- We do not expect significant changes to revenue recognition for our Travel Network and Hospitality Solutions businesses
- Our Airline Solutions business is expected to primarily be impacted by the new standard due to the following:
  - Under current revenue recognition guidance, we recognize revenue related to license fee and maintenance agreements ratably over the life of the contract. Under the new guidance, revenue for license fees will be recognized upon delivery of the license and ongoing maintenance services will continue to be recognized ratably over the length of the contract. For existing open agreements, this change will result in a beginning balance sheet adjustment and reduced revenue in subsequent years from these agreements, and before the impact of new sales.
  - Allocation of contract revenues among various products and solutions, and the timing of the recognition of those revenues, will be impacted by agreements with tiered pricing or variable rate structures that do not correspond with the goods or services delivered to the customer. For existing open agreements, this change will also result in a beginning balance sheet adjustment and reduced revenue in subsequent years from these agreements.
  - In the year of adoption, as a result of the new revenue recognition standard, the changes detailed above will result in a significant beginning balance sheet adjustment and we preliminarily estimate our consolidated revenue could be reduced by approximately $40 million to $80 million. Our assessment is ongoing and subject to finalization, such that the actual impact of the adoption may differ materially from this estimated range. This estimate will be updated in our Annual Report on Form 10-K for the year ending December 31, 2017.
- Capitalization of incremental costs to obtain a contract (such as sales commissions), and recognition of these costs over the contract period will result in the recognition of an asset on our balance sheet and will impact our Airline and Hospitality Solutions segment. We currently expect that our results of operations will not be significantly impacted from the capitalization of these incremental costs.

We are continuing to evaluate the impacts of the new guidance to our results of operations, current accounting policies, processes, controls, systems and financial statement disclosures.

2. Acquisitions

Airpas Aviation

In April 2016, we completed the acquisition of Airpas Aviation, a software provider and consultancy company which offers route profitability and cost management software solutions. We acquired all of the outstanding stock and ownership interest of Airpas Aviation for net cash consideration of $9 million. Assets acquired and liabilities assumed were recorded at their estimated fair values as of the acquisition date. The allocation of purchase price includes $12 million of assets acquired, primarily consisting of $5 million of goodwill, not deductible for tax purposes, and $5 million of intangible assets. The intangible assets consist mainly of $4 million of acquired customer relationships with a useful life of 10 years and $1 million of purchased technology with a useful life of 5 years. Airpas Aviation is integrated and managed as part of our Airline and Hospitality Solutions segment. The acquisition of Airpas Aviation did not have a material impact to our consolidated financial statements, and therefore pro forma information is not presented.

Trust Group

In January 2016, we completed the acquisition of the Trust Group, a central reservations, revenue management and hotel marketing provider, expanding our presence in Europe, the Middle East, and Africa ("EMEA") and Asia Pacific ("APAC"). The net cash consideration for the Trust Group was $156 million. The acquisition was funded using proceeds from our 5.25% senior secured notes due in 2023 and cash on hand. The Trust Group is integrated and managed as part of our Airline and Hospitality Solutions segment.

Purchase Price Allocation

A summary of the acquisition price and estimated fair values of assets acquired and liabilities assumed as of the date of acquisition is as follows (in thousands):

Cash and cash equivalents	$4,209
Accounts receivable	10,564
Other current assets	917
Goodwill	98,930
Intangible assets:	
Customer relationships	52,292
Purchased technology	23,362
Trademarks and brand names	2,183
Property and equipment, net	1,556
Current liabilities	(11,091)
Deferred income taxes	(22,548)
Total acquisition price	$160,374

The goodwill recognized reflects expected synergies from combined operations and also the acquired assembled workforce of the Trust Group in EMEA and APAC. The goodwill is assigned to our Airline and Hospitality Solutions segment, of which $10 million is deductible for tax purposes. The weighted-average useful lives of the intangible assets acquired are 13 years for customer relationships, 2 years for purchased technology and 2 years for trademarks and brand names.

The acquisition of the Trust Group did not have a material impact to our consolidated financial statements, and therefore pro forma information is not presented.

Abacus

On July 1, 2015, we completed the acquisition of the remaining 65% interest in Abacus International Pte Ltd, a Singapore-based business-to-business travel e-commerce provider that serves the Asia-Pacific region, which is now named Sabre Asia Pacific Pte Ltd ("SAPPL"). Prior to the acquisition, SAPPL was 65% owned by a consortium of 11 airlines and the remaining 35% was owned by us. Separately, SAPPL has signed new long-term agreements with the consortium of 11 airlines to continue to utilize the Abacus GDS. In the third and fourth quarters of 2015, SAPPL completed the acquisition of the remaining interest in three national marketing companies, Abacus Distribution Systems (Hong Kong), Abacus Travel Systems (Singapore) and Abacus Distribution Systems Sdn Bhd (Malaysia) (the “NMCs” and, together with SAPPL, “Abacus”). SAPPL previously owned noncontrolling interests in the NMCs. The net cash consideration for Abacus was $443 million, which includes the effect of net working capital adjustments. The acquisition was funded with a combination of cash on hand and a $70 million draw on our revolving credit facility, which has since been repaid.

Purchase Price Allocation

A summary of the acquisition price and estimated fair values of assets acquired and liabilities assumed as of the date of acquisition is as follows (in thousands), which includes estimates for contingent liabilities of $25 million related to tax uncertainties:

Cash and cash equivalents	$65,641
Accounts receivable, net	49,099
Other current assets	12,522
Intangible assets:	
Customer relationships	319,000
Reacquired rights[(1)]	113,500
Purchased technology	14,000
Supplier agreements	13,000
Trademarks and brand names	4,000
Property and equipment, net	6,402
Other assets	66,423
Current liabilities	(123,307)
Noncurrent liabilities	(44,245)
Noncurrent deferred income taxes	(78,054)
Goodwill	292,267
	710,248
Fair value of Sabre Corporation's previously held equity investment in AIPL	(200,000)
Fair value of AIPL's previously held equity investment in NMCs	(1,880)
Total acquisition price	$508,368

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(1) In connection with the acquisition of Abacus, we reacquired certain contractual rights that provided Abacus the exclusive right, within the Asia-Pacific region, to operate and profit from the Sabre GDS.

In connection with our acquisition of Abacus, we recognized a gain of $78 million for the year ended December 31, 2015, as a result of the remeasurement of our previously-held 35% equity interest in Abacus to its fair value as of the acquisition date. The fair value of the previously-held equity interest of $202 million in Abacus was estimated by applying a market approach and an income approach. The fair value measurement of the previously-held equity interest is based on significant inputs not observable in the market, and therefore represents Level 3 measurements (see Note 8, Fair Value, for a description of the fair value hierarchy). The fair value estimate for the previously-held equity interest is based on (i) a discount rate commensurate with the risks and inherent uncertainty in the business, (ii) an assumed long-term sustainable growth rate based on our most recent views of the long-term outlook, and (iii) assumed financial multiples of reporting entities deemed to be similar to Abacus. In addition, we recognized a gain of $12 million for the year ended December 31, 2015, associated with the settlement of a pre-existing agreement between us and SAPPL related to data processing services. The $78 million remeasurement gain and the $12 million settlement gain are reflected in other, net in our consolidated statements of operations in the year ended December 31, 2015. In the first quarter of 2017, we recognized a $16 million reversal of a liability resulting from renegotiation of an agreement with a travel agency in March 2017 that was considered to be out of market in our purchase accounting. The $16 million reversal is included as a reduction of cost of revenue in our consolidated statements of operations for the nine months ended September 30, 2017.

The goodwill recognized reflects expected synergies from combined operations and also the acquired assembled workforce of Abacus. The goodwill recognized is assigned to our Travel Network business and is not deductible for tax purposes. The useful lives of the intangible assets acquired are 20 years for customer relationships, 7 years for reacquired rights, 3 years for purchased technology, 7 years for supplier agreements and 2 years for trademarks and brand names.

3. Discontinued Operations

In the first quarter of 2015, we completed the divestiture of our Travelocity business through the sale of Travelocity.com and lastminute.com. Our Travelocity business has no remaining operations subsequent to these dispositions. The financial results of our Travelocity business are included in net income from discontinued operations in our consolidated statements of operations for all periods presented. For the three and nine months ended September 30, 2017, discontinued operations for our Travelocity business did not have material pretax income or loss. Our provision for income tax, for the nine months ended September 30, 2016, as it relates to our discontinued operations, included a $17 million tax benefit associated with the resolution of uncertain tax positions in our discontinued Travelocity business.

4. Impairment and Related Charges

Capitalized implementation costs and deferred customer advances and discounts are reviewed for impairment if events and circumstances indicate that their carrying amounts may not be recoverable. See Note 2, General Information in our consolidated financial statements included in our Annual Report on Form 10-K filed with the SEC on February 17, 2017 for more information. In May 2017, we notified an airline customer from our Airline Solutions' business that, given the substantial amount of uncertainty of reaching an agreement regarding the implementation of services pursuant to the contract with the customer, we commenced a formal contract dispute resolution process. As a result of the uncertainty regarding this customer, we evaluated the recoverability of net capitalized contract costs related to the customer and recorded a charge of $92 million ($59 million, net of tax), during the second quarter of 2017. This charge was estimated based on a review of all balances with the customer including capitalized implementation costs, deferred customer advances and discounts, deferred revenue, contract liabilities, and other deferred charges. In the third quarter of 2017, the customer entered insolvency proceedings and our assessment did not result in a change to the impairment charge. We will continue to monitor our position through the insolvency proceedings. Given the uncertainty associated with the ultimate resolution of this dispute, there could be further adjustments to our consolidated statement of operations. This impairment charge was primarily non-cash and was recorded to Impairment and related charges in our consolidated statement of operations in the second quarter of 2017.

5. Income Taxes

Our effective tax rates for the nine months ended September 30, 2017 and 2016 were 25% and 28%, respectively. The decrease in the effective tax rate for the nine months ended September 30, 2017 as compared to the same period in 2016 was primarily driven by a relative increase in full year forecasted earnings in lower tax jurisdictions. The difference between our effective tax rates and the U.S. federal statutory income tax rate primarily results from our geographic mix of taxable income in various tax jurisdictions.

We recognize liabilities when we believe that an uncertain tax position may not be fully sustained upon examination by the tax authorities. This requires significant judgment, the use of estimates, and the interpretation and application of complex tax laws. When facts and circumstances change, we reassess these probabilities and record any changes in the consolidated financial statements as appropriate. In the third quarter of 2017, we recognized a tax expense of $1 million associated with the accrual of income tax reserves across our jurisdictions. Our net unrecognized tax benefits, excluding interest and penalties, included in our consolidated balance sheets, were $57 million and $49 million as of September 30, 2017 and December 31, 2016, respectively.

Tax Receivable Agreement

Immediately prior to the closing of our initial public offering in April 2014, we entered into a tax receivable agreement ("TRA") that provides the right to receive future payments from us to stockholders and equity award holders that were our stockholders and equity award holders, respectively, immediately prior to the closing of our initial public offering (collectively, the "Pre-IPO Existing Stockholders"). The future payments will equal 85% of the amount of cash savings, if any, in U.S. federal income tax that we and our subsidiaries realize as a result of the utilization of certain tax assets attributable to periods prior to our initial public offering, including federal net operating losses ("NOLs"), capital losses and the ability to realize tax amortization of certain intangible assets (collectively, the "Pre-IPO Tax Assets"). Consequently, stockholders who are not Pre-IPO Existing Stockholders will only be entitled to the economic benefit of the Pre-IPO Tax Assets to the extent of our continuing 15% interest in those assets. These payment obligations are our obligations and not obligations of any of our subsidiaries. The actual utilization of the Pre-IPO Tax Assets, as well as the timing of any payments under the TRA, will vary depending upon a number of factors, including the amount, character and timing of our and our subsidiaries' taxable income in the future.

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 payments under the TRA relating to the Pre-IPO Tax Assets total $387 million, excluding interest. The TRA payments accrue interest in accordance with the terms of the TRA. The estimate of future payments considers the impact of Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"), which imposes an annual limit on the ability of a corporation that undergoes an ownership change to use its net operating loss carryforwards to reduce its liability. We do not anticipate any material limitations on our ability to utilize U.S federal net operating loss carryforwards ("NOLs") under Section 382 of the Code. We expect a majority of the future payments under the TRA to be made over the next six years. No payments occurred in years 2014 to 2016 and we made payments of $101 million, which included accrued interest of approximately $1 million, in January 2017. As of September 30, 2017, the current portion of our TRA liability totaled $59 million, which includes $1 million of accrued interest. The remaining portion of $229 million is included in other noncurrent liabilities in our consolidated balance sheet as of September 30, 2017. Payments under the TRA are not conditioned upon the parties' continuing ownership of the company. Changes in the utility of the Pre-IPO Tax Assets will impact the amount of the liability recorded in respect of the TRA. Changes in the utility of these Pre-IPO Tax Assets are recorded in income tax expense and any changes in the obligation under the TRA are recorded in other expense.

6. Debt

As of September 30, 2017 and December 31, 2016, our outstanding debt included in our consolidated balance sheets totaled $3,470 million and $3,446 million, respectively, which are net of debt issuance costs of $24 million and $27 million, respectively, and unamortized discounts of $10 million and $6 million, respectively. The following table sets forth the face values of our outstanding debt as of September 30, 2017 and December 31, 2016 (in thousands):

	Rate	Maturity	September 30, 2017	December 31, 2016
Senior secured credit facilities:				
New Term Loan A	L + 2.25%	July 2022	$ 562,875	$ —
New Term Loan B	L + 2.25%	February 2024	1,885,774	—
Term Loan A[(1)]	L + 2.50%	July 2021	—	585,000
Term Loan B[(1)]	L + 2.75%	February 2024	—	—
Prior Term Loan B[(2)]	L + 3.00%	February 2019	—	1,420,896
Incremental Term Loan Facility[(2)]	L + 3.50%	February 2019	—	282,354
Term Loan C[(2)]	L + 3.00%	December 2017	—	49,313
Revolver, $400 million[(3)]	L + 2.25%	July 2022	—	—
5.375% senior secured notes due 2023	5.375%	April 2023	530,000	530,000
5.25% senior secured notes due 2023	5.25%	November 2023	500,000	500,000
Mortgage facility[(4)]	5.80%	April 2017	—	79,741
Capital lease obligations			24,485	31,190
Face value of total debt outstanding			3,503,134	3,478,494
Less current portion of debt outstanding			(59,019)	(169,246)
Face value of long-term debt outstanding			$ 3,444,115	$ 3,309,248

(1) Refinanced on August 23, 2017 by the New Term Loan A and the New Term Loan B. Term Loan B was executed on February 22, 2017.

(2) Refinanced on February 22, 2017 by the Term Loan B.

(3) Pursuant to the August 23, 2017 refinancing, the interest rate on the Preexisting Revolver was reduced from L+2.50% to L+2.25% and the maturity was extended from July 2021 to July 2022.

(4) Extinguished on March 31, 2017 using proceeds from the Term Loan B.

Senior Secured Credit Facilities

On August 23, 2017, Sabre GLBL entered into a Fourth Incremental Term Facility Amendment to our Amended and Restated Credit Agreement, Term Loan A Refinancing Amendment to the Credit Agreement, and Second Revolving Facility Refinancing Amendment to the Credit Agreement to refinance and modify the terms of the Term Loan B, the Term Loan A, and the existing Revolver ("Preexisting Revolver"), resulting in a reduction of the applicable margins for each of these instruments and approximately a one-year extension of the maturity of the Term Loan A and Preexisting Revolver (the “Refinancing”). We incurred no additional indebtedness as a result of the Refinancing. The Refinancing included a $400 million revolving credit facility ("Revolver") that replaced the $400 million Preexisting Revolver, as well as the application of the proceeds of the approximately $1,891 million incremental Term Loan B facility (“New Term Loan B”) and $570 million Term Loan A facility (“New Term Loan A”) to pay in full the $1,891 million of the Term Loan B and $570 million of Term Loan A incurred prior to August 23, 2017 under the Term Facility Agreement. The maturity of the Revolver and the New Term Loan A was extended from July 18, 2021 to July 1, 2022.

The applicable margins for the New Term Loan B were reduced to 2.25% per annum for Eurocurrency rate loans and 1.25% per annum for base rate loans. The applicable margins for the New Term Loan A and the Revolver were reduced to (i) between 2.50% and 1.75% per annum for Eurocurrency rate loans and (ii) between 1.50% and 0.75% per annum for base rate loans, in each case with the applicable margin for any quarter reduced by 25 basis points (up to 75 basis points total) if the Senior Secured First-Lien Net Leverage Ratio (as defined in the Amended and Restated Credit Agreement) is less than 3.75 to 1.0, 3.00 to 1.0, or 2.25 to 1.0, respectively. The applicable interest rate margins opened at 2.25% per annum for Eurocurrency rate loans and 1.25% per annum for base rate loans until receipt of the first compliance certificate, which is expected to be delivered by November 14, 2017.

On February 22, 2017, Sabre GLBL entered into a Third Incremental Term Facility Amendment to our Amended and Restated Credit Agreement (the “Term Facility Amendment”). The new agreement replaced the Prior Term Loan B, Incremental Term Loan Facility and Term Loan C (each as defined below) with a single class of term loan (the "Term Loan B") with an aggregate principal amount of $1,900 million maturing on February 22, 2024. Principal payments on the Term Loan B were due on a quarterly basis equal to 0.25% of the aggregate amount outstanding with the remaining amount outstanding due at maturity. The applicable margins for the Term Loan B were 2.75% between February 22, 2017 and August 23, 2017. The proceeds of $1,898 million, net of $2 million discount on the Term Loan B, were used to pay off approximately $1,761 million of all existing classes of outstanding term loans (other than the Term Loan A) and related accrued interest incurred prior to February 22, 2017 and $12 million in associated financing fees, which were recorded as debt modification costs in Other, net in the consolidated statement of operations. The remaining proceeds were used for purposes of repaying approximately $80 million of Sabre’s outstanding mortgage on its corporate headquarters on March 31, 2017, and for other general corporate purposes. Unamortized debt issuance costs and discount related to existing classes of outstanding term loans prior to the Term Facility Amendment of $9 million and $3 million, respectively, will continue to be amortized over the remaining term of the Term Loan B along with the Term Loan B discount of $2 million. See Note 7, Derivatives for information regarding the discontinuation of hedge accounting related to our existing interest rate swaps as a result of the Term Facility Amendment.

On February 19, 2013, Sabre GLBL entered into the Amended and Restated Credit Agreement. The agreement replaced (i) the existing term loans with new classes of term loans of $1,775 million (the "Prior Term Loan B") and $425 million (the "Term Loan C") and (ii) the existing revolving credit facility with a new revolving credit facility of $352 million, which we now refer to as the Prior Revolver. On September 30, 2013, Sabre GLBL entered into an agreement to amend the Amended and Restated Credit Agreement to add a new class of term loans in the amount of $350 million (the "Incremental Term Loan Facility").

On July 18, 2016, Sabre GLBL entered into a series of amendments to our Amended and Restated Credit Agreement (the "Credit Agreement Amendments") to provide for an incremental term loan under a new class with an aggregate principal amount of $600 million (the "Term Loan A") and to replace the Prior Revolver with a new revolving credit facility totaling $400 million (the "Revolver"), both of which mature in July 2021. Principal payments on the Term Loan A were due on a quarterly basis equal to 1.25% of its initial aggregate principal amount during the first two years of its term and 2.50% of its initial aggregate principal amount during the next three years of its term. The applicable margins for the Term Loan A and the Revolver are 2.50% for Eurocurrency borrowings and 1.50% for base rate borrowings, with a step down to 2.25% for Eurocurrency borrowings and 1.25% for base rate borrowings if the Senior Secured Leverage Ratio (as defined in the Amended and Restated Credit Agreement) is less than 2.50 to 1.00. The Term Loan A and the Revolver included an accelerated maturity of November 19, 2018, if on November 19, 2018 the Prior Term Loan B and Incremental Term Loan Facility had not been repaid in full or refinanced with a maturity date subsequent to July 18, 2021. As a result of the Term Facility Amendment, this refinancing has occurred. The amount of the Revolver commitments available as a letter of credit subfacility was set at $150 million.

The proceeds of $597 million, net of $3 million discount, on Term Loan A, were used to repay $350 million of outstanding principal on our Prior Term Loan B and Incremental Term Loan Facility, on a pro rata basis, repay the $120 million outstanding balance on our Prior Revolver immediately prior to the execution of the Credit Agreement Amendments, and to pay $11 million in associated financing fees. We are utilizing the remaining proceeds for general corporate purposes. We recognized a $4 million loss on extinguishment of debt in connection with these transactions.

We had no balance outstanding under the Revolver as of September 30, 2017 and as of December 31, 2016. We had outstanding letters of credit totaling $24 million and $35 million as of September 30, 2017 and December 31, 2016, respectively, which reduced our overall credit capacity under the Revolver.

7. Derivatives

Hedging Objectives—We are exposed to certain risks relating to ongoing business operations. The primary risks managed by using derivative instruments are foreign currency exchange rate risk and interest rate risk. Forward contracts on various foreign currencies are entered into to manage the foreign currency exchange rate risk on operational exposure denominated in foreign currencies. Interest rate swaps are entered into to manage interest rate risk associated with our floating-rate borrowings.

In accordance with authoritative guidance on accounting for derivatives and hedging, we designate foreign currency forward contracts as cash flow hedges on operational exposure and certain interest rate swaps as cash flow hedges of floating-rate borrowings.

Cash Flow Hedging Strategy—To protect against the reduction in value of forecasted foreign currency cash flows, we hedge portions of our revenues and expenses denominated in foreign currencies with forward contracts. For example, when the dollar strengthens significantly against the foreign currencies, the decline in present value of future foreign currency expense is offset by losses in the fair value of the forward contracts designated as hedges. Conversely, when the dollar weakens, the increase in the present value of future foreign currency expense is offset by gains in the fair value of the forward contracts.

We enter into interest rate swap agreements to manage interest rate risk exposure. The interest rate swap agreements modify our exposure to interest rate risk by converting floating-rate debt to a fixed rate basis, thus reducing the impact of interest rate changes on future interest expense and net earnings. These agreements involve the receipt of floating rate amounts in exchange for fixed rate interest payments over the life of the agreements without an exchange of the underlying principal amount.

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income (loss) ("OCI") and reclassified into earnings in the same line item associated with the forecasted transaction and in the same period or periods during which the hedged transaction affects earnings. The remaining gain or loss on the derivative instrument in excess of the cumulative change in the present value of future cash flows of the hedged item, if any (ineffective portion), and hedge components excluded from the assessment of effectiveness, are recognized in Other, net in the consolidated statements of operations during the current period. Derivatives not designated as hedging instruments are carried at fair value with changes in fair value reflected in Other, net in the consolidated statement of operations.

Forward Contracts—In order to hedge our operational exposure to foreign currency movements, we are a party to certain foreign currency forward contracts that extend until September 2018. We have designated these instruments as cash flow hedges. No hedging ineffectiveness was recorded in earnings relating to the forward contracts during the three and nine months ended September 30, 2017 and 2016. As of September 30, 2017, we estimate that $6 million in gains will be reclassified from other comprehensive income (loss) to earnings over the next 12 months.

As of September 30, 2017 and December 31, 2016, we had the following unsettled purchased foreign currency forward contracts that were entered into to hedge our operational exposure to foreign currency movements (in thousands, except for average contract rates):

Outstanding Notional Amounts as of September 30, 2017

Buy Currency	Sell Currency	Foreign Amount	USD Amount	Average Contract Rate
Australian Dollar	US Dollar	22,500	17,060	0.7582
British Pound Sterling	US Dollar	26,800	34,966	1.3047
Indian Rupee	US Dollar	1,309,000	19,373	0.0148
Polish Zloty	US Dollar	257,000	67,325	0.2620
Singapore Dollar	US Dollar	75,800	55,191	0.7281

Outstanding Notional Amounts as of December 31, 2016

Buy Currency	Sell Currency	Foreign Amount	USD Amount	Average Contract Rate
Australian Dollar	US Dollar	17,000	12,574	0.7396
Euro	US Dollar	1,800	2,031	1.1283
British Pound Sterling	US Dollar	17,750	23,691	1.3347
Indian Rupee	US Dollar	1,174,500	16,786	0.0143
Polish Zloty	US Dollar	258,250	64,778	0.2508
Singapore Dollar	US Dollar	47,700	34,383	0.7208

Interest Rate Swap Contracts—Interest rate swaps outstanding during the nine months ended September 30, 2017 and 2016 are as follows:

Notional Amount	Interest Rate Received	Interest Rate Paid	Effective Date	Maturity Date
Designated as Hedging Instrument				
$750 million	1 month LIBOR(1)	1.48%	December 31, 2015	December 30, 2016
$750 million	1 month LIBOR(2)	1.15%	March 31, 2017	December 31, 2017
$750 million	1 month LIBOR(2)	1.65%	December 29, 2017	December 31, 2018
$750 million	1 month LIBOR(2)	2.08%	December 31, 2018	December 31, 2019
$750 million	1 month LIBOR(2)	1.86%	December 31, 2019	December 31, 2020
Not Designated as Hedging Instrument(3)				
$750 million	1 month LIBOR(1)	2.19%	December 30, 2016	December 29, 2017
$750 million	1.18%	1 month LIBOR(1)	March 31, 2017	December 31, 2017
$750 million	1 month LIBOR(1)	2.61%	December 29, 2017	December 31, 2018
$750 million	1.67%	1 month LIBOR(1)	December 29, 2017	December 31, 2018

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(1) Subject to a 1% floor.
(2) Subject to a 0% floor.
(3) As of February 22, 2017.

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As a result of the Term Facility Amendment in the first quarter of 2017, we discontinued hedge accounting for our existing swap agreements as of February 22, 2017. Accumulated losses of $14 million in other comprehensive income as of the date hedge accounting was discontinued is amortized into interest expense through the maturity date of the respective swap agreements, and future interest rate swap payments made will be recorded in Other, net. Losses reclassified from other comprehensive income to interest expense related to the derivatives that no longer qualified for hedge accounting were $2 million and $5 million for the three and nine months ended September 30, 2017, respectively. We also entered into new interest rate swaps with offsetting terms that are not designated as hedging instruments. Adjustments to the fair value of interest rate swaps not designated as hedging instruments resulted in a gain of $2 million and $5 million recorded in earnings in Other, net for the three and nine months ended September 30, 2017, respectively. We had no undesignated derivatives as of December 31, 2016.
In connection with the Term Facility Amendment, we entered into new forward starting interest rate swaps effective March 31, 2017 to hedge the interest payments associated with $750 million of the floating-rate Term Loan B. The total notional amount outstanding is $750 million in the remaining three months of 2017 and the full years 2018 and 2019. In September 2017, we entered into new forward starting interest rate swaps to hedge the interest payments associated with $750 million of the floating-rate Term Loan B. The total notional outstanding of $750 million becomes effective December 31, 2019 and extends through the full year 2020. We have designated these swaps as cash flow hedges. The effective portion of changes in the fair value of the interest rate swaps is reported as a component of other comprehensive income (loss) and reclassified into earnings in the same line item associated with the forecasted transaction and in the same period or periods during which the hedged transaction affects earnings.
The estimated fair values of our derivatives as of September 30, 2017 and December 31, 2016 are as follows (in thousands):

	Derivative Assets (Liabilities)		
		Fair Value as of	
Derivatives Designated as Hedging Instruments	Consolidated Balance Sheet Location	September 30, 2017	December 31, 2016
Foreign exchange contracts	Other accrued liabilities	$ —	$ (7,360)
Foreign exchange contracts	Prepaid expenses and other	5,796	—
Interest rate swaps	Other accrued liabilities	(498)	(8,345)
Interest rate swaps	Other noncurrent liabilities	(952)	(7,339)
		$ 4,346	$ (23,044)

	Derivative Assets (Liabilities)		
		Fair Value as of	
Derivatives Not Designated as Hedging Instruments	Consolidated Balance Sheet Location	September 30, 2017	December 31, 2016
Interest rate swaps	Prepaid expenses and other	$ 648	$ —
Interest rate swaps	Other assets, net	12	—
Interest rate swaps	Other accrued liabilities	(7,878)	—
Interest rate swaps	Other noncurrent liabilities	(1,823)	—
		$ (9,041)	$ —

The effects of derivative instruments, net of taxes, on OCI for the three and nine months ended September 30, 2017 and 2016 are as follows (in thousands):

Derivatives in Cash Flow Hedging Relationships	Amount of Net Gain (Loss) Recognized in OCI on Derivative (Effective Portion)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Foreign exchange contracts	$1,800	$1,282	$10,378	$724
Interest rate swaps	810	171	(1,038)	(5,389)
Total	$2,610	$1,453	$9,340	$(4,665)

Derivatives in Cash Flow Hedging Relationships	Income Statement Location	Amount of Net Losses (Gains) Reclassified from Accumulated OCI into Income (Effective Portion)			
		Three Months Ended September 30,		Nine Months Ended September 30,	
		2017	2016	2017	2016
Foreign exchange contracts	Cost of revenue	$(1,385)	$227	$(502)	$1,240
Interest rate swaps	Interest Expense	1,169	589	3,963	1,753
Total		$(216)	$816	$3,461	$2,993

8. Fair Value Measurements
Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for that asset or liability. Guidance on fair value measurements and disclosures establishes a valuation hierarchy for disclosure of inputs used in measuring fair value defined as follows:
Level 1—Inputs are unadjusted quoted prices that are available in active markets for identical assets or liabilities.
Level 2—Inputs include quoted prices for similar assets and liabilities in active markets and quoted prices in non-active markets, inputs other than quoted prices that are observable, and inputs that are not directly observable, but are corroborated by observable market data.
Level 3—Inputs that are unobservable and are supported by little or no market activity and reflect the use of significant management judgment.
The classification of a financial asset or liability within the hierarchy is determined based on the least reliable level of input that is significant to the fair value measurement. In determining fair value, we utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. We also consider the counterparty and our own non-performance risk in our assessment of fair value.
Assets and Liabilities that are Measured at Fair Value on a Recurring Basis
Foreign Currency Forward Contracts—The fair value of the foreign currency forward contracts is estimated based upon pricing models that utilize Level 2 inputs derived from or corroborated by observable market data such as currency spot and forward rates.
Interest Rate Swaps—The fair value of our interest rate swaps is estimated using a combined income and market-based valuation methodology based upon Level 2 inputs including credit ratings and forward interest rate yield curves obtained from independent pricing services reflecting broker market quotes.
The following tables present our assets (liabilities) that are required to be measured at fair value on a recurring basis as of September 30, 2017 and December 31, 2016 (in thousands):

		Fair Value at Reporting Date Using		
	September 30, 2017	Level 1	Level 2	Level 3
Derivatives				
Foreign currency forward contracts	$ 5,796	$ —	$ 5,796	$ —
Interest rate swap contracts	(10,491)	—	(10,491)	—
Total	$ (4,695)	$ —	$ (4,695)	$ —

		Fair Value at Reporting Date Using		
	December 31, 2016	Level 1	Level 2	Level 3
Derivatives				
Foreign currency forward contracts	$ (7,360)	$ —	$ (7,360)	$ —
Interest rate swap contracts	(15,684)	—	(15,684)	—
Total	$ (23,044)	$ —	$ (23,044)	$ —

There were no transfers between Levels 1 and 2 within the fair value hierarchy for the nine months ended September 30, 2017.
Other Financial Instruments
The carrying value of our financial instruments including cash and cash equivalents, and accounts receivable approximates their fair values. The fair values of our senior secured notes due 2023 and term loans under our Amended and Restated Credit Agreement are determined based on quoted market prices for the similar liability when

traded as an asset in an active market, a Level 2 input. The outstanding principal balance of our mortgage facility approximated its fair value as of December 31, 2016. The fair value of the mortgage facility was determined based on estimates of current interest rates for similar debt, a Level 2 input.

The following table presents the fair value and carrying value of our senior notes and borrowings under our senior secured credit facilities as of September 30, 2017 and December 31, 2016, (in thousands):

Financial Instrument	Fair Value at September 30, 2017	Fair Value at December 31, 2016	Carrying Value at [4] September 30, 2017	Carrying Value at [4] December 31, 2016
New Term Loan A	$ 564,282	$ —	$ 560,424	$ —
New Term Loan B	1,898,738	—	1,878,452	—
Term Loan A[1]	—	583,538	—	582,595
Term Loan B[1]	—	—	—	—
Prior Term Loan B[2]	—	1,435,993	—	1,417,616
Incremental Term Loan Facility[2]	—	283,413	—	282,354
Term Loan C[2]	—	49,436	—	49,237
Revolver, $400 million[3]	—	—	—	—
5.375% Senior secured notes due 2023	549,085	542,919	530,000	530,000
5.25% Senior secured notes due 2023	516,840	515,000	500,000	500,000

(1) Refinanced on August 23, 2017 by the New Term Loan A and the New Term Loan B. Term Loan B was executed on February 22, 2017.
(2) Refinanced on February 22, 2017 by the Term Loan B.
(3) Pursuant to the August 23, 2017 refinancing, the interest rate on the Preexisting Revolver was reduced from L+2.50% to L+2.25% and the maturity was extended from July 2021 to July 2022.
(4) Excludes net unamortized debt issuance costs.

9. Accumulated Other Comprehensive Income (Loss)

As of September 30, 2017 and December 31, 2016, the components of accumulated other comprehensive income (loss), net of related deferred income taxes, are as follows (in thousands):

	September 30, 2017	December 31, 2016
Defined benefit pension and other post retirement benefit plans	$ (102,583)	$ (105,036)
Unrealized loss on foreign currency forward contracts, interest rate swaps, and available-for-sale securities	(2,476)	(15,499)
Unrealized foreign currency translation gain (losses)	8,559	(2,264)
Total accumulated other comprehensive loss, net of tax	$ (96,500)	$ (122,799)

The amortization of actuarial losses and periodic service credits associated with our retirement-related benefit plans is included in selling, general and administrative expenses. See Note 7, Derivatives, for information on the income statement line items affected as the result of reclassification adjustments associated with derivatives.

10. Earnings Per Share

The following table reconciles the numerators and denominators used in the computations of basic and diluted earnings per share from continuing operations (in thousands, except per share data):

	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Numerator:				
Income from continuing operations	$92,825	$42,256	$166,395	$210,370
Less: Net income attributable to noncontrolling interests	1,307	1,047	3,726	3,227
Net income from continuing operations available to common stockholders, basic and diluted	$91,518	$41,209	$162,669	$207,143

Denominator:				
Basic weighted-average common shares outstanding	277,477	278,399	277,754	277,125
Add: Dilutive effect of stock options and restricted stock awards	892	5,063	1,894	5,794
Diluted weighted-average common shares outstanding	278,369	283,462	279,648	282,919
Earning per share from continuing operations:				
Basic	$0.33	$0.15	0.59	0.75
Diluted	$0.33	$0.15	0.58	0.73

Basic earnings per share are based on the weighted-average number of common shares outstanding during each period. Diluted earnings per share are based on the weighted-average number of common shares outstanding plus the effect of all dilutive common stock equivalents during each period. The calculation of diluted weighted-average shares excludes the impact of 5 million and 1 million of anti-dilutive common stock equivalents for each of the nine months ended September 30, 2017 and 2016, respectively.

11. Contingencies

Legal Proceedings

While certain legal proceedings and related indemnification obligations to which we are a party specify the amounts claimed, these claims may not represent reasonably possible losses. Given the inherent uncertainties of litigation, the ultimate outcome of these matters cannot be predicted at this time, nor can the amount of possible loss or range of loss, if any, be reasonably estimated, except in circumstances where an aggregate litigation accrual has been recorded for probable and reasonably estimable loss contingencies. A determination of the amount of accrual required, if any, for these contingencies is made after careful analysis of each matter. The required accrual may change in the future due to new information or developments in each matter or changes in approach such as a change in settlement strategy in dealing with these matters.

Antitrust Litigation and DOJ Investigation

US Airways Antitrust Litigation

In April 2011, US Airways filed suit against us in federal court in the Southern District of New York, alleging violations of the Sherman Act Section 1 (anticompetitive agreements) and Section 2 (monopolization). The complaint was filed fewer than two months after we entered into a new distribution agreement with US Airways. In September 2011, the court dismissed all claims relating to Section 2. The claims that were not dismissed are claims brought under Section 1 of the Sherman Act, relating to our contracts with US Airways, which US Airways claims contain anticompetitive provisions, and an alleged conspiracy with the other GDSs, allegedly to maintain the industry structure and not to compete for content. We strongly deny all of the allegations made by US Airways.

Sabre filed summary judgment motions in April 2014. In January 2015, the court issued an order granting Sabre's summary judgment motions in part, eliminating a majority of US Airways' alleged damages and rejecting its request for injunctive relief by which US Airways sought to bar Sabre from enforcing certain provisions in our contracts. In September 2015, the court also dismissed US Airways' claim for declaratory relief. In February 2017, US Airways sought reconsideration of the court's opinion dismissing the claim for declaratory relief, which the court denied in March 2017.

The trial on the remaining claims commenced in October 2016. In December 2016, the jury issued a verdict in favor of US Airways with respect to its claim under Section 1 of the Sherman Act regarding Sabre's contract with US Airways and awarded it $5 million in single damages. The jury rejected US Airways' claim alleging a conspiracy with the other GDSs. We continue to believe that our business practices and contract terms are lawful. In January 2017, we filed a motion seeking judgment as a matter of law in favor of Sabre on the one claim on which the jury found for US Airways, which the court denied in March 2017.

Based on the jury's verdict, in March 2017 the court entered final judgment in favor of US Airways in the amount of $15 million, which is three times the jury's award of $5 million as required by the Sherman Act. US Airways is also entitled to receive reasonable attorneys' fees and costs under the Sherman Act. As such, it filed a motion seeking approximately $125 million in attorneys' fees and costs, the amount of which we strongly dispute. To date, the court has not ruled on US Airways' motion seeking attorneys' fees and costs.

In April 2017, we filed an appeal with the United States Court of Appeals for the Second Circuit seeking a reversal of the judgment. US Airways also filed a counter-appeal challenging earlier court orders, including the above-referenced orders dismissing and/or issuing summary judgment as to portions of its claims and damages. In connection with this appeal, we posted an appellate bond equal to the aggregate amount of the $15 million judgment entered plus interest, which stayed the judgment pending the appeal. If we also choose to appeal any judgment awarding attorneys' fees and costs to US Airways, we may be required to file another appellate bond equal to the amount awarded by the court, plus interest, which, to the extent required by the issuer of the bond, we expect to secure with letters of credit issued under our Revolver.

We have accrued a loss of $32 million, which represents the court's final judgment of $15 million, plus our estimate of $17 million for US Airways' reasonable attorneys' fees, expenses and costs. We are unable to estimate the exact amount of the loss associated with the verdict, but we estimate that there is a range of outcomes between $32 million and $65 million, inclusive of the trebled damage award of approximately $15 million. No amount within the range is considered a better estimate than any other amount within the range and therefore, the minimum within the range was recorded in selling, general and administrative expense for the fourth quarter of 2016. As noted above, the amount of attorneys' fees and costs to be awarded is subject to final decision by the court. The ultimate resolution of this matter may be greater or less than the amount recorded and, if greater, could adversely affect our results of operations. We have and will incur significant fees, costs and expenses for as long as the lawsuit, including any appeal, is ongoing. In addition, litigation by its nature is highly uncertain and fraught with risk, and it is therefore difficult to predict the outcome of any particular matter, including any appeal or changes to our business that may be required as a result of the litigation. Depending on the outcome of the litigation, any of these consequences could have a material adverse effect on our business, financial condition and results of operations.

Putative Class Action Lawsuit on Antitrust Claims

In July 2015, a putative class action lawsuit was filed against us and two other GDSs, in the United States District Court for the Southern District of New York. The plaintiffs, who are asserting claims on behalf of a putative class of consumers in various states, are generally alleging that the GDSs conspired to negotiate for full content from the airlines, resulting in higher ticket prices for consumers, in violation of various federal and state laws. The plaintiffs sought an unspecified amount of damages in connection with their state law claims, and they requested injunctive relief in connection with their federal claim. In July 2016, the court granted, in part, our motion to dismiss the lawsuit, finding that plaintiffs' state law claims are preempted by federal law, thereby precluding their claims for damages. The court declined to dismiss plaintiffs' claim seeking an injunction under federal antitrust law. The plaintiffs may appeal the court's dismissal of their state law claims upon a final judgment. We believe that the losses associated with this case are neither probable nor estimable and therefore have not accrued any losses as of September 30, 2017. We may incur significant fees, costs and expenses for as long as this litigation is ongoing. We intend to vigorously defend against the remaining claims.

Putative Class Action Lawsuit on Cybersecurity Incident

In July 2017, a putative class action lawsuit was filed against us in the United States District Court for the Central District of California. The plaintiffs are asserting various claims under state law, including tort, contract and statutory claims, on behalf of a putative class of individuals residing in the United States and whose personally identifiable information allegedly was disclosed, in connection with the cybersecurity incident involving unauthorized access to payment information contained in a subset of hotel reservations process through the SHS Central Reservation System. The plaintiffs are seeking equitable relief and an unspecified amount of damages in connection with their claims. We filed a motion to dismiss the lawsuit in September 2017, which the court granted in October 2017, dismissing the plaintiffs' claims in their entirety, without prejudice. The plaintiffs have until mid-November to amend their allegations and refile their complaint. We believe that the losses associated with this case are neither probable nor estimable and therefore have not accrued any losses as of September 30, 2017. We may incur significant fees, costs and expenses for as long as this litigation is ongoing. We intend to vigorously defend against this matter. See "—Other" below for more information and an update on our internal investigation.

Department of Justice Investigation

On May 19, 2011, we received a civil investigative demand ("CID") from the U.S. Department of Justice ("DOJ") investigating alleged anticompetitive acts related to the airline distribution component of our business. We are fully cooperating with the DOJ investigation and are unable to make any prediction regarding its outcome. The DOJ is also investigating other companies that own GDSs, and has sent CIDs to other companies in the travel industry. Based on its findings in the investigation, the DOJ may (i) close the file, (ii) seek a consent decree to remedy issues it believes violate the antitrust laws, or (iii) file suit against us for violating the antitrust laws, seeking injunctive relief. If injunctive relief were granted, depending on its scope, it could affect the manner in which our airline distribution business is operated and potentially force changes to the existing airline distribution business model. Any of these consequences would have a material adverse effect on our business, financial condition and results of operations. We have not received any communications from the DOJ regarding this matter for several years; however, we have not been notified that this matter is closed.

Insurance Carriers

We have resolved disputes with some of our insurance carriers for failing to reimburse defense costs incurred in our previous litigation with American Airlines, which we settled in October 2012. Both insurance carriers admitted there is coverage and agreed to defend us, but reserved their rights not to pay should we be found liable for certain of American Airlines' allegations. Despite their admission of coverage, the insurers only reimbursed us for a small portion of our significant defense costs. We filed suit against the entities in New York state court alleging breach of contract and a statutory cause of action for failure to promptly pay claims. In August 2017, we settled this matter for the aggregate amount of $58 million recorded as a reduction to selling, general and administrative expenses ("SG&A"), which was partially offset by accrued legal and related expenses of $15 million due to be paid in the fourth quarter of 2017. In our consolidated results of operations for the three months ended, September 30, 2017, the net of tax impact from this settlement was $27 million. In the third quarter of 2017, we received $29 million of the aggregate settled amount and $29 million is due in the first quarter of 2018.

Indian Income Tax Litigation

We are currently a defendant in income tax litigation brought by the Indian Director of Income Tax (“DIT”) in the Supreme Court of India. The dispute arose in 1999 when the DIT asserted that we have a permanent establishment within the meaning of the Income Tax Treaty between the United States and the Republic of India and accordingly issued tax assessments for assessment years ending March 1998 and March 1999, and later issued further tax assessments for assessment years ending March 2000 through March 2006. The DIT has continued to issue further tax assessments on a similar basis for subsequent years; however, the tax assessments for assessment years ending March 2007 and later are no longer material. We appealed the tax assessments for assessment years ending March 1998 through March 2006 and the Indian Commissioner of Income Tax Appeals returned a mixed verdict. We filed further appeals with the Income Tax Appellate Tribunal (“ITAT”). The ITAT ruled in our favor on June 19, 2009 and July 10, 2009, stating that no income would be chargeable to tax for assessment years ending March 1998 and March 1999, and from March 2000 through March 2006. The DIT appealed those decisions to the Delhi High Court, which found in our favor on July 19, 2010. The DIT has appealed the decision to the Supreme Court of India. The initial Supreme Court hearing has now been scheduled. We have appealed the tax assessments for the assessment years ended March 2013 and March 2015 with the ITAT and no trial date has been set for these subsequent years.

In addition, SAPPL is currently a defendant in similar income tax litigation brought by the DIT. The dispute arose when the DIT asserted that SAPPL has a permanent establishment within the meaning of the Income Tax Treaty between Singapore and India and accordingly issued tax assessments for assessment years ending March 2000 through March 2005. SAPPL appealed the tax assessments, and the Indian Commissioner of Income Tax (Appeals) returned a mixed verdict. SAPPL filed further appeals with the ITAT. The ITAT ruled in SAPPL’s favor, finding that no income would be chargeable to tax for assessment years ending March 2000 through March 2005. The DIT appealed those decisions to the Delhi High Court. No hearing date has been set. The DIT also assessed taxes on a similar basis for assessment years ending March 2006 through March 2014 and appeals for assessment years ending March 2006 through 2014 are pending before the ITAT.

If the DIT were to fully prevail on every claim against us, including SAPPL, we could be subject to taxes, interest and penalties of approximately $47 million as of September 30, 2017. We intend to continue to aggressively defend against each of the foregoing claims. Although we do not believe that the outcome of the proceedings will result in a material impact on our business or financial condition, litigation is by its nature uncertain. We do not believe this outcome is more likely than not and therefore have not made any provisions or recorded any liability for the potential resolution of any of these claims.

Indian Service Tax Litigation

SAPPL's Indian subsidiary is also subject to litigation by the India Director General (Service Tax) ("DGST"), which has assessed the subsidiary for multiple years related to its alleged failure to pay service tax on marketing fees and reimbursements of expenses. Indian courts have returned verdicts favorable to the Indian subsidiary. The DGST has appealed the verdict to the Indian Supreme Court. We do not believe that an adverse outcome is probable and therefore have not made any provisions or recorded any liability for the potential resolution of any of these claims.

Litigation and Administrative Audit Proceedings Relating to Hotel Occupancy Taxes

On January 23, 2015, we sold Travelocity.com to Expedia. Pursuant to the Travelocity Purchase Agreement, we will continue to be liable for pre-closing liabilities of Travelocity, including fees, charges, costs and settlements relating to litigation arising from hotels booked on the Travelocity platform prior to our previous long-term strategic marketing agreement with Expedia (the “Expedia SMA”). Fees, charges, costs and settlements relating to litigation from hotels booked on Travelocity.com subsequent to the Expedia SMA and prior to the date of the sale of Travelocity.com will be shared with Expedia in accordance with the terms set forth in the Expedia SMA. We are jointly and severally liable for certain indemnification obligations under the Travelocity Purchase Agreement for liabilities that may arise out of these litigation matters, which could adversely affect our cash flow.

Beginning in 2004, various state and local governments in the United States have filed more than 80 lawsuits against us and other OTAs pertaining primarily to whether our discontinued Travelocity segment and other OTAs owe sales or occupancy taxes on the revenues they earned from facilitating hotel reservations, where the customer paid us an amount at the time of booking that included (i) service fees, which we collected and retained, and (ii) the price of the hotel room and amounts for occupancy or other local taxes, which we passed along to the hotel supplier. The complaints generally allege, among other things, that the defendants failed to pay to the relevant taxing authority hotel occupancy taxes on the service fees. Several lawsuits also allege that the OTAs owe state or local taxes on their fees for facilitating car rental reservations. Courts have dismissed many of these lawsuits, some for failure to exhaust administrative remedies and some on the basis that we are not subject to sales or occupancy tax. The remaining lawsuits are in various stages of litigation. We have also settled some cases individually, most for amounts not material to our results of operations, and with respect to these settlements, have generally reserved our rights to challenge any effort by the applicable tax authority to impose occupancy taxes in the future.

Although we have prevailed in the majority of these lawsuits and proceedings, there have been several adverse judgments or decisions on the merits, some of which are subject to appeal. As of September 30, 2017 and 2016, our reserve was not material for the potential resolution of issues identified related to litigation involving hotel and car sales, occupancy or excise taxes. We did not record material charges associated with these cases during the three and nine months ended September 30, 2017 and 2016. Our estimated liability is based on our current best estimate but the ultimate resolution of these issues may be greater or less than the amount recorded and, if greater, could adversely affect our results of operations.

In addition to the actions by the tax authorities, two consumer class action lawsuits have been filed against us in which the plaintiffs allege that we made misrepresentations concerning the description of the fees received in relation to facilitating hotel reservations. Generally, the consumer claims relate to whether Travelocity provided adequate notice to consumers regarding the nature of our fees and the amount of taxes charged or collected. One of these lawsuits is pending in Texas state court, where the court is currently considering the plaintiffs' motion to certify a class action; and the other is pending in federal court, but has been stayed pending the outcome of the Texas state court action. We believe the notice we provided was appropriate and therefore have not accrued any losses related to these cases.

Furthermore, a number of state and local governments have initiated inquiries, audits and other administrative proceedings that could result in an assessment of sales or occupancy taxes on fees. If we do not prevail at the administrative level, those cases could lead to formal litigation proceedings.

Litigation Relating to Routine Proceedings

We are also engaged from time to time in other routine legal and tax proceedings incidental to our business. We do not believe that any of these routine proceedings will have a material impact on the business or our financial condition.

Other

As previously disclosed, we became aware of an incident involving unauthorized access to payment information contained in a subset of hotel reservations processed through the SHS Central Reservation System. Our investigation was supported by third party experts, including a leading cybersecurity firm. Our investigation determined that an unauthorized party: obtained access to account credentials that permitted access to a subset of hotel reservations processed through the SHS Central Reservation System; used the account credentials to view a credit card summary page on the SHS Central Reservation System and access payment card information (although we use encryption, this credential had the right to see unencrypted card data); and first obtained access to payment card information and some other reservation information on August 10, 2016. The last access to payment card information was on March 9, 2017. The unauthorized party was able to access information for certain hotel reservations, including cardholder name; payment card number; card expiration date; and, for a subset of reservations, card security code. The unauthorized party was also able, in some cases, to access certain information such as guest name(s), email, phone number, address, and other information if provided to the SHS Central Reservation System. Information such as Social Security, passport, or driver's license number was not accessed. The investigation did not uncover forensic evidence that the unauthorized party removed any information from the system, but it is a possibility. We took successful measures to ensure this unauthorized access to the SHS Central Reservation System was stopped and is no longer possible. There is no indication that any of our systems beyond the SHS Central Reservation System, such as Sabre's Airline Solutions and Travel Network platforms, were affected or accessed by the unauthorized party. We notified law enforcement and the payment card brands, who engaged a PCI forensic investigator to investigate this incident. We have notified customers and other companies that use or interact with, directly or indirectly, the SHS Central Reservation System about the incident. We are also cooperating with various governmental authorities that are investigating this incident. Although the costs related to this incident, including any associated penalties assessed by any governmental authority or payment card brand, as well as any other impacts or remediation related to this incident, may be material, it is not possible at this time to determine whether we will incur, or to reasonably estimate the amount of, any liabilities in connection with this incident. See "—Putative Class Action Lawsuit on Cybersecurity Incident" above for a discussion of a lawsuit filed in connection with this incident. We maintain insurance that covers certain aspects of cyber risks, and we continue to work with our insurance carriers in this matter.

12. Segment Information

Our reportable segments are based upon our internal organizational structure; the manner in which our operations are managed; the criteria used by our Chief Executive Officer, who is our Chief Operating Decision Maker ("CODM"), to evaluate segment performance; the availability of separate financial information; and overall materiality considerations.

Our business has two reportable segments: (i) Travel Network and (ii) Airline and Hospitality Solutions, which aggregates the Airline Solutions and Hospitality Solutions operating segments as these operating segments have similar economic characteristics, generate revenues on transaction-based fees, incur the same types of expenses and use our software-as-a-service ("SaaS") based and hosted applications and platforms to market to the travel industry.

In January 2016 and April 2016, we completed the acquisitions of the Trust Group and Airpas Aviation, respectively, which are integrated and managed as part of our Airline and Hospitality Solutions segment.

Our CODM utilizes Adjusted Gross Profit and Adjusted EBITDA as the measures of profitability to evaluate performance of our segments and allocate resources. Corporate includes a technology organization that provides development and support activities to our segments. The majority of costs associated with our technology organization are allocated to the segments primarily based on the segments' usage of resources. Benefit expenses, facility costs and depreciation expense on the corporate headquarters building are allocated to the segments based on headcount. Unallocated corporate costs include certain shared expenses such as accounting, human resources, legal, corporate systems, and other shared technology costs, as well as all amortization of intangible assets and any related impairments that originate from purchase accounting, stock-based compensation, restructuring charges, legal reserves, and other items not identifiable with one of our segments.

We account for significant intersegment transactions as if the transactions were with third parties, that is, at estimated current market prices. The majority of the intersegment revenues and cost of revenues are fees charged by Travel Network to Airline and Hospitality Solutions for airline trips booked through our GDS.

Our CODM does not review total assets by segment as operating evaluations and resource allocation decisions are not made on the basis of total assets by segment. Our CODM uses Adjusted Capital Expenditures in making product investment decisions and determining development resource requirements.

The performance of our segments is evaluated primarily on Adjusted Gross Profit and Adjusted EBITDA which are not recognized terms under GAAP. Our uses of Adjusted Gross Profit and Adjusted EBITDA have limitations as analytical tools, and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP.

We define Adjusted Gross Profit as operating income adjusted for selling, general and administrative expenses, impairment and related charges, amortization of upfront incentive consideration, and the cost of revenue portion of depreciation and amortization, restructuring and other costs, and stock-based compensation included in cost of revenue.

We define Adjusted EBITDA as income from continuing operations adjusted for depreciation and amortization of property and equipment, amortization of capitalized implementation costs, acquisition-related amortization, amortization of upfront incentive consideration, impairment and related charges, interest expense, net, other, net, restructuring and other costs, acquisition-related costs, litigation costs (reimbursements), net, stock-based compensation, loss on extinguishment of debt and income taxes.

We define Adjusted Capital Expenditures as additions to property and equipment and capitalized implementation costs during the periods presented.

Segment information for the nine months ended September 30, 2017 and 2016 is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Revenue				
Travel Network	$632,349	$582,364	$1,931,441	$1,805,750
Airline and Hospitality Solutions	274,923	262,391	804,679	752,940
Eliminations	(6,666)	(5,773)	(19,498)	(14,923)
Total revenue	$900,606	$838,982	$2,716,622	$2,543,767
Adjusted Gross Profit [(a)]				
Travel Network	$270,140	$255,657	$863,307	$842,557
Airline and Hospitality Solutions	132,069	114,136	360,259	323,481
Corporate	(30,977)	(24,812)	(82,979)	(59,596)
Total	$371,232	$344,981	$1,140,587	$1,106,442
Adjusted EBITDA [(b)]				
Travel Network	$237,295	$219,865	$773,408	$744,626
Airline and Hospitality Solutions	111,653	95,072	298,895	269,955
Total segments	348,948	314,937	1,072,303	1,014,581
Corporate	(86,022)	(77,080)	(250,399)	(217,760)
Total	$262,926	$237,857	$821,904	$796,821
Depreciation and amortization				
Travel Network	$20,511	$19,519	$61,620	$57,725
Airline and Hospitality Solutions	43,205	41,732	121,839	114,080
Total segments	63,716	61,251	183,459	171,805
Corporate	33,326	47,979	112,270	132,151
Total	$97,042	$109,230	$295,729	$303,956
Adjusted Capital Expenditures [(c)]				

Travel Network	$19,895	$25,763	$69,151	$72,918
Airline and Hospitality Solutions	53,034	68,990	171,423	200,455
Total segments	72,929	94,753	240,574	273,373
Corporate	18,996	16,195	50,205	45,436
Total	$91,925	$110,948	$290,779	$318,809

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(a) The following table sets forth the reconciliation of Adjusted Gross Profit to operating income in our statement of operations (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Adjusted Gross Profit	$371,232	$344,981	$1,140,587	$1,106,442
Less adjustments:				
Selling, general and administrative	91,840	155,182	383,137	435,924
Impairment and related charges(7)	—	—	92,022	—
Cost of revenue adjustments:				
Depreciation and amortization (1)	79,976	77,397	229,688	209,276
Restructuring and other costs (4)	—	—	12,976	—
Amortization of upfront incentive consideration (2)	18,005	17,139	50,298	43,372
Stock-based compensation	4,615	5,113	13,626	14,259
Operating income	$176,796	$90,150	$358,840	$403,611

(b) The following table sets forth the reconciliation of Adjusted EBITDA to income from continuing operations in our statement of operations (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Adjusted EBITDA	$262,926	$237,857	$821,904	$796,821
Less adjustments:				
Depreciation and amortization of property and equipment (1a)	66,332	58,271	191,442	168,150
Amortization of capitalized implementation costs (1b)	10,484	11,529	28,621	28,228
Acquisition-related amortization (1c)	20,226	39,430	75,666	107,578
Amortization of upfront incentive consideration (2)	18,005	17,139	50,298	43,372
Impairment and related charges(7)	—	—	92,022	—
Interest expense, net	38,919	38,002	116,577	116,414
Loss on extinguishment of debt	1,012	3,683	1,012	3,683
Other, net (3)	3,802	(281)	19,788	(4,517)
Restructuring and other costs (4)	—	583	25,304	1,823
Acquisition-related costs (5)	—	90	—	714
Litigation costs (reimbursements), net (6)	(40,929)	7,034	(36,470)	5,089
Stock-based compensation	11,655	12,913	34,413	36,012
Provision for income taxes	40,595	7,208	56,836	79,905
Income from continuing operations	$92,825	$42,256	$166,395	$210,370

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(1) Depreciation and amortization expenses:

a. Depreciation and amortization of property and equipment includes software developed for internal use.

b. Amortization of capitalized implementation costs represents amortization of upfront costs to implement new customer contracts under our SaaS and hosted revenue model.

c. Acquisition-related amortization represents amortization of intangible assets from the take-private transaction in 2007 as well as intangibles associated with acquisitions since that date and amortization of the excess basis in our underlying equity in joint ventures.

(2) Our Travel Network business at times makes upfront cash payments or other consideration to travel agency subscribers at the inception or modification of a service contract, which are capitalized and amortized over an average expected life of the service contract, generally over three years 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 up front. 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.

(3) In the nine months ended 2017, we recognized a $15 million loss related to debt modification costs associated with our debt refinancing. In the first quarter of 2016, we recognized a gain of $6 million associated with the receipt of an earn-out payment from the sale of a business in 2013. In addition, other, net includes foreign exchange gains and losses related to the remeasurement of foreign currency denominated balances included in our consolidated balance sheets into the relevant functional currency.

(4) Restructuring and other costs represent charges associated with business restructuring and associated changes implemented which resulted in severance benefits related to employee terminations, integration and facility opening or closing costs and other business reorganization costs. In the second quarter of 2017, we recorded a $25 million charge associated with an announced action to reduce our workforce. This reduction aligns our operations with business needs and implements an ongoing cost and organizational structure consistent with our expected growth needs and opportunities.

(5) Acquisition-related costs represent fees and expenses incurred associated with the acquisition of the Trust Group and Airpas Aviation (see Note 2, Acquisitions).

(6) Litigation costs (reimbursements), net represent charges and legal fee reimbursements associated with antitrust litigation. In the third quarter of 2017, we recorded a $43 million reimbursement, net of accrued legal and related expenses, from a settlement with our insurance carriers with respect to the American Airlines litigation (see Note 11, Contingencies).

(7) In the three months ended June 30, 2017, we recorded an impairment charge of $92 million associated with net capitalized contract costs related to an Airline Solutions' customer based on our analysis of the recoverability of such amounts. A formal contract dispute resolution process was commenced and due to the uncertainty of the ultimate outcome, we recorded this estimated charge. In the third quarter of 2017, the customer entered insolvency proceedings and our assessment of the impairment charge recorded in the second quarter did not change (see Note 4, Impairment and Related Charges).

(c) Includes capital expenditures and capitalized implementation costs as summarized below (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Additions to property and equipment	$75,401	$89,639	$242,811	$254,232
Capitalized implementation costs	16,524	21,309	47,968	64,577
Adjusted Capital Expenditures	$91,925	$110,948	$290,779	$318,809

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

This Quarterly Report on Form 10-Q, including this “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part I, Item 2, contains information that may constitute forward-looking statements. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts, such as statements regarding our future financial condition or results of operations, our prospects and strategies for future growth, the development and introduction of new products, and the implementation of our marketing and branding strategies. In many cases, you can identify forward-looking statements by terms such as "expects," "potential," "will," "estimates," "outlook," "preliminary," "could," "should," "may," "intend," "believes," "anticipates," "predicts," "plans," or the negative of these terms or other comparable terminology. The forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions and are subject to risks, uncertainties and changes in circumstances that may cause events or our actual activities or results to differ significantly from those expressed in any forward-looking statement. Certain of these risks, uncertainties, and changes in circumstances are described in the "Risk Factors" section of this Quarterly Report on Form 10-Q and in the “Risk Factors” and “Forward-Looking Statements” sections included in our Annual Report on Form 10-K filed with the SEC on February 17, 2017. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future events, results, actions, levels of activity, performance or achievements. You are cautioned not to place undue reliance on these forward-looking statements. Unless required by law, we undertake no obligation to publicly update or revise any forward-looking statements to reflect circumstances or events after the date they are made.

The following discussion and analysis should be read in conjunction with our consolidated financial statements and related notes contained elsewhere in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K filed with the SEC on February 17, 2017.

Overview

We are a leading technology solutions provider to the global travel and tourism industry. We operate through two business segments: (i) Travel Network, our global business-to-business travel marketplace for travel suppliers and travel buyers, and (ii) Airline and Hospitality Solutions, an extensive suite of leading software solutions primarily for airlines and hoteliers. Collectively, these offerings enable travel suppliers to better serve their customers across the entire travel lifecycle, from route planning to post-trip business intelligence and analytics.

A significant portion of our revenue is generated through transaction based fees that we charge to our customers. For Travel Network, this fee is in the form of a transaction fee for bookings on our GDS; for Airline and Hospitality Solutions, this fee is a recurring usage-based fee for the use of our SaaS and hosted systems, as well as upfront fees and professional service fees. Items that are not allocated to our business segments are identified as corporate and

primarily include certain shared technology costs, stock-based compensation expense, litigation costs, corporate headcount-related costs, and other items that are not identifiable with either one of our segments.
In January 2016, we completed the acquisition of the Trust Group, a central reservations, revenue management and hotel marketing provider, expanding our presence in EMEA and APAC, for net cash consideration of $156 million. The Trust Group is integrated and managed as part of our Airline and Hospitality Solutions segment.

Recent Developments Affecting our Results of Operations

In May 2017, we notified AirBerlin, an airline customer of our Airline Solutions' business that, given the substantial amount of uncertainty of reaching an agreement regarding the implementation of services pursuant to their contract, we are commencing a formal contract dispute resolution process. As a result of the uncertainty, we evaluated the recoverability of net capitalized contract costs related to the customer and impacts from associated future contractual obligations and recorded a charge of $92 million ($59 million, net of tax), during the three months ended June 30, 2017. Given the uncertainty associated with the ultimate resolution of this dispute, there could be further adjustments to our consolidated statement of operations. In the third quarter of 2017, the customer entered insolvency proceedings and our assessment did not result in a change to the impairment charge. The impairment charge did not impact our cash flows from operations. This impairment charge resulted in a material impact on our financial results, and related matters may adversely impact our future results of operations and cash flow.

The rate of growth of Airline Solutions revenue is impacted by the previously announced termination of an agreement with Southwest Airlines related to services and processing for their legacy reservations system. Future revenues may be negatively impacted by, among other things, reduced sales of our software solutions and lower growth in Passengers Boarded due to delayed or uncertain implementations and the insolvency of an airline carrier, Alitalia Compagnia Aerea Italiana S.p.A. operating as Alitalia ("Alitalia"), that has recently implemented our services.

Factors Affecting our Results

A discussion of trends that we believe are the most significant opportunities and challenges currently impacting our business and industry is included the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting our Results" included in our Annual Report on Form 10-K filed with the SEC on February 17, 2017. The discussion also includes management's assessment of the effects these trends have had and are expected to have on our results of continuing operations. The information is not an exhaustive list of all of the factors that could affect our results and should be read in conjunction with the factors referred to in the section entitled "Risk Factors" included in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K filed with the SEC on February 17, 2017.

Components of Revenues and Expenses

Revenues

Travel Network primarily generates revenues from Direct Billable Bookings processed on our GDS as well as the sale of aggregated bookings data to carriers. Airline and Hospitality Solutions primarily generates revenue through upfront solution fees and recurring usage-based fees for the use of our software solutions hosted on secure platforms or deployed through our SaaS platform. Airline and Hospitality Solutions also generates revenue through professional service fees and software licensing fees. In addition, certain professional service fees are discrete sales opportunities that may have a high degree of variability from period to period, and we cannot guarantee that we will have such fees in the future consistent with prior periods.

In connection with the adoption of the new revenue recognition standard effective January 1, 2018, based on preliminary information, in the year of adoption and subsequent years, we currently expect a significant reduction in revenues for the Airline Solutions business for existing open contracts as of that date, and before the impact of new sales. See "—Recent Accounting Pronouncements."

Cost of Revenue

Cost of revenue incurred by Travel Network and Airline and Hospitality Solutions consists of expenses related to our technology infrastructure that hosts our GDS and software solutions, salaries and benefits, and allocated overhead such as facilities and other support costs. Cost of revenue for Travel Network also includes incentive consideration expense representing payments or other consideration to travel agencies for reservations made on our GDS which accrue on a monthly basis.

Corporate cost of revenue includes expenses associated with our technology organization that provides development and support activities to our segments. The costs associated with our technology organization that do not get allocated to the segments based on the segments' usage of resources primarily include shared technology infrastructure and labor costs. Corporate cost of revenue also includes stock-based compensation expense, professional service fees and other items that are not directly identifiable with our segments. Over time, we expect a substantial increase in stock-based compensation expense, as we have moved to granting broad-based equity awards annually, rather than biennially, beginning in March 2016 primarily in the form of restricted stock units. These awards generally vest over a four-year period, with 25% vesting annually. Stock compensation expense is based on the number of restricted stock units granted and the stock price on the date of grant, which is amortized over the four-year vesting period.

Depreciation and amortization included in cost of revenue is associated with property and equipment, amortization of contract implementation costs which relates to Airline and Hospitality Solutions, intangible assets for technology purchased through acquisitions or established with our take-private transaction, and software developed for internal use that supports our revenue, businesses and systems. Cost of revenue also includes amortization of upfront incentive consideration representing upfront payments or other consideration provided to travel agencies for reservations made on our GDS which are capitalized and amortized over the expected life of the contract.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist of personnel-related expenses, including stock-based compensation, for employees that sell our services to new customers and administratively support the business, information technology and communication costs, professional service fees, certain settlement charges and costs to defend legal disputes, bad debt expense, depreciation and amortization and other overhead costs. Over time, we expect a substantial increase in stock-based compensation expense as described above.

Intersegment Transactions

We account for significant intersegment transactions as if the transactions were with third parties, that is, at estimated current market prices. Airline and Hospitality Solutions pays fees to Travel Network for airline trips and hotel stays booked through our GDS.

Key Metrics

"Direct Billable Bookings" and "Passengers Boarded" are the primary metrics utilized by Travel Network and Airline Solutions, respectively, to measure operating performance. Travel Network generates fees for each Direct Billable Booking which include bookings made through our GDS (e.g., air, car and hotel bookings) and through our joint venture partners in cases where we are paid directly by the travel supplier. Passengers Boarded ("PBs") is the primary metric used by Airline Solutions to recognize SaaS and Hosted revenue from recurring usage-based fees. The following table sets forth these key metrics for the periods indicated (in thousands):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2017	2016	% Change	2017	2016	% Change
Travel Network						
Direct Billable Bookings - Air	114,259	110,585	3.3%	356,478	342,353	4.1%
Direct Billable Bookings - Non-Air	15,540	15,165	2.5%	46,934	46,078	1.9%
Total Direct Billable Bookings	129,799	125,750	3.2%	403,412	388,431	3.9%
Airline Solutions Passengers Boarded	186,887	206,332	(9.4)%	599,097	589,512	1.6%

Non-GAAP Financial Measures

We have included both financial measures compiled in accordance with GAAP and certain non-GAAP financial measures in this Quarterly Report on Form 10-Q, including Adjusted Gross Profit, Adjusted Net Income, Adjusted EBITDA, Adjusted Capital Expenditures, Free Cash Flow, and ratios based on these financial measures.

We define Adjusted Gross Profit as operating income (loss) adjusted for selling, general and administrative expenses, impairment and related charges, amortization of upfront incentive consideration, and the cost of revenue portion of depreciation and amortization, restructuring and other costs, litigation costs, net, and stock-based compensation included in cost of revenue.

We define Adjusted Net Income as net income attributable to common stockholders adjusted for income (loss) from discontinued operations, net of tax, net income attributable to noncontrolling interests, acquisition-related amortization, impairment and related charges, loss on extinguishment of debt, other, net, restructuring and other costs, acquisition-related costs, litigation costs (reimbursements), net, stock-based compensation, and the tax impact of net income adjustments.

We define Adjusted EBITDA as Adjusted Net Income adjusted for depreciation and amortization of property and equipment, amortization of capitalized implementation costs, amortization of upfront incentive consideration, interest expense, net and the remaining provision (benefit) for income taxes. This Adjusted EBITDA metric differs from (i) the EBITDA metric referenced in the section entitled "—Liquidity and Capital Resources—Senior Secured Credit Facilities," which is calculated for the purposes of compliance with our debt covenants, and (ii) the Pre-VCP/EIP Adjusted EBITDA metric referenced in the section entitled "Compensation Discussion and Analysis" in our 2017 Proxy Statement, which are calculated for the purposes of our 2016 annual incentive compensation program.

We define Adjusted Net Income from continuing operations per share as Adjusted Net Income divided by the applicable share count. We have selected Adjusted Net Income from continuing operations per share, along with revenue, as the metrics for our 2017 annual incentive compensation program.
We define Adjusted Capital Expenditures as additions to property and equipment and capitalized implementation costs.

We define Free Cash Flow as cash provided by operating activities less cash used in additions to property and equipment.

These non-GAAP financial measures are key metrics used by management and our board of directors to monitor our ongoing core operations because historical results have been significantly impacted by events that are unrelated to our core operations as a result of changes to our business and the regulatory environment. We believe that these non-GAAP financial measures are used by investors, analysts and other interested parties as measures of financial performance and to evaluate our ability to service debt obligations, fund capital expenditures and meet working capital requirements. Adjusted Capital Expenditures include cash flows used in investing activities, for property and equipment, and cash flows used in operating activities, for capitalized implementation costs. Our management uses this combined metric in making product investment decisions and determining development resource requirements. We also believe that Adjusted Gross Profit, Adjusted Net Income, Adjusted EBITDA and Adjusted Capital Expenditures assist investors in company-to-company and period-to-period comparisons by excluding differences caused by variations in capital structures (affecting interest expense), tax positions and the impact of depreciation and amortization expense. In addition, amounts derived from Adjusted EBITDA are a primary component of certain covenants under our senior secured credit facilities.

Adjusted Gross Profit, Adjusted Net Income, Adjusted EBITDA, Adjusted Capital Expenditures, Free Cash Flow, and ratios based on these financial measures are not recognized terms under GAAP. These non-GAAP financial measures and ratios based on them have important limitations as analytical tools, and should not be viewed in isolation and do not purport to be alternatives to net income as indicators of operating performance or cash flows from operating activities as measures of liquidity. These non-GAAP financial measures and ratios based on them exclude some, but not all, items that affect net income or cash flows from operating activities and these measures may vary among companies. Our use of these measures has limitations as an analytical tool, and you should not consider them in isolation or as substitutes for analysis of our results as reported under GAAP. Some of these limitations are:

- these non-GAAP financial measures exclude certain recurring, non-cash charges such as stock-based compensation expense and amortization of acquired intangible assets;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and Adjusted Gross Profit and Adjusted EBITDA do not reflect cash requirements for such replacements;
- Adjusted Net Income and Adjusted EBITDA do not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not reflect the interest expense or the cash requirements necessary to service interest or principal payments on our indebtedness;
- Adjusted EBITDA does not reflect tax payments that may represent a reduction in cash available to us;
- Free Cash Flow removes the impact of accrual-basis accounting on asset accounts and non-debt liability accounts, and does not reflect the cash requirements necessary to service the principal payments on our indebtedness; and
- other companies, including companies in our industry, may calculate Adjusted Gross Profit, Adjusted Net Income, Adjusted EBITDA, Adjusted Capital Expenditures, or Free Cash Flow differently, which reduces their usefulness as comparative measures.

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The following table sets forth the reconciliation of net income attributable to common stockholders to Adjusted Net Income and Adjusted EBITDA (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net income attributable to common stockholders	$90,989	$40,815	$160,441	$218,001
Loss (income) from discontinued operations, net of tax	529	394	2,228	(10,858)
Net income attributable to noncontrolling interests[(1)]	1,307	1,047	3,726	3,227
Income from continuing operations	92,825	42,256	166,395	210,370
Adjustments:				
Acquisition-related amortization[(2a)]	20,226	39,430	75,666	107,578
Impairment and related charges[(8)]	—	—	92,022	—
Loss on extinguishment of debt	1,012	3,683	1,012	3,683
Other, net [(4)]	3,802	(281)	19,788	(4,517)
Restructuring and other costs [(5)]	—	583	25,304	1,823
Acquisition-related costs[(6)]	—	90	—	714
Litigation (reimbursements) costs, net[(7)]	(40,929)	7,034	(36,470)	5,089
Stock-based compensation	11,655	12,913	34,413	36,012
Tax impact of net income adjustments	(1,670)	(30,349)	(75,973)	(66,698)
Adjusted Net Income from continuing operations	$86,921	$75,359	$302,157	$294,054
Adjusted Net Income from continuing operations per share	$0.31	$0.27	$1.08	$1.04
Diluted weighted-average common shares outstanding	278,369	283,462	279,648	282,919
Adjusted Net Income from continuing operations	$86,921	$75,359	$302,157	$294,054
Adjustments:				
Depreciation and amortization of property and equipment[(2b)]	66,332	58,271	191,442	168,150
Amortization of capitalized implementation costs[(2c)]	10,484	11,529	28,621	28,228
Amortization of upfront incentive consideration[(3)]	18,005	17,139	50,298	43,372
Interest expense, net	38,919	38,002	116,577	116,414
Remaining provision for income taxes	42,265	37,557	132,809	146,603
Adjusted EBITDA	$262,926	$237,857	$821,904	$796,821

The following tables set forth the reconciliation of operating income (loss) in our statement of operations to Adjusted Gross Profit and Adjusted EBITDA by business segment (in thousands):

	Three Months Ended September 30, 2017			
	Travel Network	Airline and Hospitality Solutions	Corporate	Total
Operating income (loss)	$198,422	$68,448	$(90,074)	$176,796
Add back:				
Selling, general and administrative	34,494	21,292	36,054	91,840
Cost of revenue adjustments:				
Depreciation and amortization(2)	19,219	42,329	18,428	79,976
Amortization of upfront incentive consideration(3)	18,005	—	—	18,005
Stock-based compensation	—	—	4,615	4,615
Adjusted Gross Profit	270,140	132,069	(30,977)	371,232
Selling, general and administrative	(34,494)	(21,292)	(36,054)	(91,840)
Joint venture equity income	357	—	—	357
Selling, general and administrative adjustments:				
Depreciation and amortization(2)	1,292	876	14,898	17,066
Litigation reimbursements(7)	—	—	(40,929)	(40,929)
Stock-based compensation	—	—	7,040	7,040
Adjusted EBITDA	$237,295	$111,653	$(86,022)	$262,926

	Three Months Ended September 30, 2016			
	Travel Network	Airline and Hospitality Solutions	Corporate	Total
Operating income (loss)	$182,489	$53,340	$(145,679)	$90,150
Add back:				
Selling, general and administrative	37,583	19,405	98,194	155,182
Cost of revenue adjustments:				
Depreciation and amortization(2)	18,446	41,391	17,560	77,397
Amortization of upfront incentive consideration(3)	17,139	—	—	17,139
Stock-based compensation	—	—	5,113	5,113
Adjusted Gross Profit	255,657	114,136	(24,812)	344,981
Selling, general and administrative	(37,583)	(19,405)	(98,194)	(155,182)
Joint venture equity income	718	—	—	718
Selling, general and administrative adjustments:				
Depreciation and amortization(2)	1,073	341	30,419	31,833
Restructuring and other costs(5)	—	—	583	583
Acquisition-related costs(6)	—	—	90	90
Litigation costs(7)	—	—	7,034	7,034
Stock-based compensation	—	—	7,800	7,800
Adjusted EBITDA	$219,865	$95,072	$(77,080)	$237,857

	Nine Months Ended September 30, 2017			
	Travel Network	Airline and Hospitality Solutions	Corporate	Total
Operating income (loss)	$659,722	$177,056	$(477,938)	$358,840
Add back:				
Selling, general and administrative	95,676	63,871	223,590	383,137
Impairment and related charges(8)	—	—	92,022	92,022
Cost of revenue adjustments:				
Depreciation and amortization(2)	57,611	119,332	52,745	229,688
Restructuring and other costs (5)	—	—	12,976	12,976
Amortization of upfront incentive consideration(3)	50,298	—	—	50,298
Stock-based compensation	—	—	13,626	13,626
Adjusted Gross Profit	863,307	360,259	(82,979)	1,140,587
Selling, general and administrative	(95,676)	(63,871)	(223,590)	(383,137)
Joint venture equity income	1,768	—	—	1,768
Selling, general and administrative adjustments:				
Depreciation and amortization(2)	4,009	2,507	59,525	66,041
Restructuring and other costs (5)	—	—	12,328	12,328
Litigation reimbursements(7)	—	—	(36,470)	(36,470)
Stock-based compensation	—	—	20,787	20,787
Adjusted EBITDA	$773,408	$298,895	$(250,399)	$821,904

	Nine Months Ended September 30, 2016			
	Travel Network	Airline and Hospitality Solutions	Corporate	Total
Operating income (loss)	$641,285	$155,875	$(393,549)	$403,611
Add back:				
Selling, general and administrative	103,701	54,408	277,815	435,924
Cost of revenue adjustments:				
Depreciation and amortization(2)	54,199	113,198	41,879	209,276
Amortization of upfront incentive consideration(3)	43,372	—	—	43,372
Stock-based compensation	—	—	14,259	14,259
Adjusted Gross Profit	842,557	323,481	(59,596)	1,106,442
Selling, general and administrative	(103,701)	(54,408)	(277,815)	(435,924)
Joint venture equity income	2,244	—	—	2,244
Selling, general and administrative adjustments:				
Depreciation and amortization(2)	3,526	882	90,272	94,680
Restructuring and other costs (5)	—	—	1,823	1,823
Acquisition-related costs(6)	—	—	714	714
Litigation costs(7)	—	—	5,089	5,089
Stock-based compensation	—	—	21,753	21,753
Adjusted EBITDA	$744,626	$269,955	$(217,760)	$796,821

The components of Adjusted Capital Expenditures are presented below (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Additions to property and equipment	$75,401	$89,639	$242,811	$254,232

Capitalized implementation costs	16,524	21,309	47,968	64,577
Adjusted Capital Expenditures	$91,925	$110,948	$290,779	$318,809

The following tables present information from our statements of cash flows and sets forth the reconciliation of Free Cash Flow to cash provided by operating activities, the most directly comparable GAAP measure (in thousands):

	Nine Months Ended September 30,	
	2017	2016
Cash provided by operating activities	$455,906	$432,534
Cash used in investing activities	(242,952)	(418,713)
Cash used in financing activities	(300,936)	(46,647)

	Nine Months Ended September 30,	
	2017	2016
Cash provided by operating activities	$455,906	$432,534
Additions to property and equipment	(242,811)	(254,232)
Free Cash Flow	$213,095	$178,302

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(1) Net income attributable to noncontrolling interests represents an adjustment to include earnings allocated to noncontrolling interests held in (i) Sabre Travel Network Middle East of 40%, (ii) Sabre Seyahat Dagitim Sistemleri A.S. of 40%, and (iii) Abacus International Lanka Pte Ltd of 40%.

(2) Depreciation and amortization expenses:

a. Acquisition-related amortization represents amortization of intangible assets from the take-private transaction in 2007 as well as intangibles associated with acquisitions since that date and amortization of the excess basis in our underlying equity in joint ventures.

b. Depreciation and amortization of property and equipment includes software developed for internal use.

c. Amortization of capitalized implementation costs represents amortization of upfront costs to implement new customer contracts under our SaaS and hosted revenue model.

(3) 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.

(4) In the nine months ended 2017, we recognized a $15 million loss related to debt modification costs associated with our debt refinancing. In the first quarter of 2016, we recognized a gain of $6 million associated with the receipt of an earn-out payment from the sale of a business in 2013. In addition, other, net includes foreign exchange gains and losses related to the remeasurement of foreign currency denominated balances included in our consolidated balance sheets into the relevant functional currency.

(5) Restructuring and other costs represent charges associated with business restructuring and associated changes implemented which resulted in severance benefits related to employee terminations, integration and facility opening or closing costs and other business reorganization costs. In the second quarter of 2017, we recorded $25 million charge associated with an announced action to reduce our workforce. This reduction aligns our operations with business needs and implements an ongoing cost and organizational structure consistent with our expected growth needs and opportunities.

(6) Acquisition-related costs represent fees and expenses incurred associated with the acquisition of the Trust Group and Airpas Aviation.

(7) Litigation costs (reimbursements), net represent charges and legal fee reimbursements associated with antitrust litigation. In the third quarter of 2017, we recorded a $43 million reimbursement, net of accrued legal and related

expenses, from a settlement with our insurance carriers with respect to the American Airlines litigation (see Note 11, Contingencies).

(8) In the three months ended June 30, 2017, we recorded an impairment charge of $92 million associated with net capitalized contract costs related to an Airline Solutions' customer based on our analysis of the recoverability of such amounts. A formal contract dispute resolution process was commenced and due to the uncertainty of the ultimate outcome, we recorded this estimated charge. In the third quarter of 2017, the customer entered insolvency proceedings and our assessment of the impairment charge recorded in the second quarter did not change. See "—Recent Developments Affecting our Results of Operations."

Results of Operations

The following table sets forth our consolidated statement of operations data for each of the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(Amounts in thousands)			
Revenue	$900,606	$838,982	$2,716,622	$2,543,767
Cost of revenue	631,970	593,650	1,882,623	1,704,232
Selling, general and administrative	91,840	155,182	383,137	435,924
Impairment and related charges	—	—	92,022	—
Operating income	176,796	90,150	358,840	403,611
Interest expense, net	(38,919)	(38,002)	(116,577)	(116,414)
Loss on extinguishment of debt	(1,012)	(3,683)	(1,012)	(3,683)
Joint venture equity income	357	718	1,768	2,244
Other (expense) income, net	(3,802)	281	(19,788)	4,517
Income from continuing operations before income taxes	133,420	49,464	223,231	290,275
Provision for income taxes	40,595	7,208	56,836	79,905
Income from continuing operations	$92,825	$42,256	$166,395	$210,370

Three Months Ended September 30, 2017 and 2016

Revenue

	Three Months Ended September 30,			
	2017	2016	Change	
	(Amounts in thousands)			
Travel Network	$632,349	$582,364	$49,985	9 %
Airline and Hospitality Solutions	274,923	262,391	12,532	5 %
Total segment revenue	907,272	844,755	62,517	7 %
Eliminations	(6,666)	(5,773)	(893)	(15)%
Total revenue	$900,606	$838,982	$61,624	7 %

Travel Network—Revenue increased $50 million, or 9%, for the three months ended September 30, 2017 compared to the same period in the prior year, primarily due an increase in transaction-based revenue of $49 million to $589 million. This increase is a result of a 3% increase in Direct Billable Bookings to 130 million and an increase in the average booking fee rate in the three months ended September 30, 2017.

Airline and Hospitality Solutions—Revenue increased $13 million, or 5%, for the three months ended September 30, 2017 compared to the same period in the prior year. The $13 million increase in revenue primarily resulted from:

- a $1 million decrease in Airline Solutions' SabreSonic Customer Sales and Service ("SabreSonic CSS") revenue for the three months ended September 30, 2017 compared to the same period in the prior year. Passengers Boarded decreased by 9% to 187 million for the three months ended September 30, 2017 driven by the termination of an agreement with Southwest Airlines related to services and processing for their legacy air reservation system in the second quarter of 2017, partially offset by the cut-over of Alitalia Airlines to SabreSonic CSS in the fourth quarter of 2016 and consistent carrier growth of 8%;
- a $5 million increase in Airline Solutions' commercial and operations solutions revenue driven by growth in multiple products across our portfolio; and
- a $8 million increase in Hospitality Solutions revenue for the three months ended September 30, 2017 compared to the same period in the prior year, driven primarily by an increase in Central Reservation System ("CRS") revenue from

new and existing customers.

Cost of Revenue

	Three Months Ended September 30,			
	2017	2016	Change	
	(Amounts in thousands)			
Travel Network	$362,210	$326,707	$35,503	11 %
Airline and Hospitality Solutions	142,854	148,256	(5,402)	(4)%
Eliminations	(6,715)	(5,630)	(1,085)	(19)%
Total segment cost of revenue	498,349	469,333	29,016	6 %
Corporate	35,640	29,781	5,859	20 %
Depreciation and amortization	79,976	77,397	2,579	3 %
Amortization of upfront incentive consideration	18,005	17,139	866	5 %
Total cost of revenue	$631,970	$593,650	$38,320	6 %

Travel Network—Cost of revenue increased $36 million, or 11%, for the three months ended September 30, 2017 compared to the same period in the prior year, primarily due to an increase in the average rate per booking for incentive consideration in all regions, offset by a $7 million impairment of a prepaid incentive for a European travel agency due to its insolvency in the third quarter of 2016.

Airline and Hospitality Solutions—Cost of revenue decreased $5 million, or 4%, for the three months ended September 30, 2017 compared to the same period in the prior year. The decrease was primarily the result of decreased headcount expenses for the three months ended September 30, 2017 compared to the same period in the prior year, offset by an increase in transaction related costs to support the growth in the Hospitality Solutions business.

Corporate—Cost of revenue associated with corporate costs increased $6 million, or 20%, for the three months ended September 30, 2017 compared to the same period in the prior year. This increase was primarily due to higher shared technology infrastructure and labor costs.

Depreciation and amortization—Depreciation and amortization increased $3 million, or 3%, for the three months ended September 30, 2017 compared to the same period in the prior year. The increase was primarily due to the completion and amortization of software developed for internal use.

Amortization of upfront incentive consideration—Amortization of upfront incentive consideration increased $1 million, or 5%, for the three months ended September 30, 2017 compared to the same period in the prior year primarily due to an increase in upfront consideration provided to travel agencies.

Selling, General and Administrative Expenses

	Three Months Ended September 30,			
	2017	2016	Change	
	(Amounts in thousands)			
Selling, general and administrative	$91,840	$155,182	$(63,342)	(41)%

Selling, general and administrative expenses ("SG&A") decreased $63 million, or 41%, for the for the three months ended September 30, 2017 compared to the same period in the prior year. Professional services decreased $46 million primarily due to a $43 million reimbursement, net of accrued legal and related expenses, from a settlement in the third quarter of 2017 with our insurance carriers with respect to the American Airlines litigation. Additionally, amortization expense decreased by $15 million due to the completion of amortization of certain intangible assets from the take-private transaction in 2007 and headcount-related costs decreased in the third quarter of 2017 compared to the same period last year.

Provision for Income Taxes

Three Months Ended

	September 30,			
	2017	2016	Change	
	(Amounts in thousands)			
Provision for income taxes	$40,595	$7,208	$33,387	463%

Our effective tax rates for the three months ended September 30, 2017 and 2016 were 30% and 15%, respectively. The increase in the effective tax rate for the three months ended September 30, 2017 as compared to the same period in 2016 was

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primarily driven by a decrease in excess tax benefits associated with employee equity-based awards and increased income from continuing operations.

The difference between our effective tax rates and the U.S. federal statutory income tax rate primarily results from our geographic mix of taxable income in various tax jurisdictions.

Nine Months Ended September 30, 2017 and 2016

Revenue

	Nine Months Ended September 30,			
	2017	2016	Change	
	(Amounts in thousands)			
Travel Network	$1,931,441	$1,805,750	$125,691	7 %
Airline and Hospitality Solutions	804,679	752,940	51,739	7 %
Total segment revenue	2,736,120	2,558,690	177,430	7 %
Eliminations	(19,498)	(14,923)	(4,575)	(31)%
Total revenue	$2,716,622	$2,543,767	$172,855	7 %

Travel Network—Revenue increased $126 million, or 7%, for the nine months ended September 30, 2017 compared to the same period in the prior year, primarily due to an increase in transaction-based revenue of $126 million to $1,800 million. Direct Billable bookings increased by 4% to 403 million and average booking fee rate increased in the nine months ended September 30, 2017.

Airline and Hospitality Solutions—Revenue increased $52 million, or 7%, for the nine months ended September 30, 2017 compared to the same period in the prior year. The $52 million increase in revenue primarily resulted from:

- a $17 million increase in Airline Solutions' SabreSonic CSS revenue for the nine months ended September 30, 2017 compared to the same period in the prior year. Passengers Boarded increased by 2% to 599 million for the nine months ended September 30, 2017, driven by the cut-over of Alitalia Airlines to SabreSonic CSS in the fourth quarter of 2016 and consistent carrier growth of 6% partially offset by the termination of an agreement with Southwest Airlines related to services and processing for their legacy air reservation system;
- a $12 million increase in Airline Solutions' commercial and operations solutions revenue driven by growth in multiple products across our portfolio;
- a $26 million increase in Hospitality Solutions revenue for the nine months ended September 30, 2017 compared to the same period in the prior year driven primarily by an increase in CRS revenue from new and existing customers; and
- a $4 million decrease in discrete professional service fees revenue, as a result of reduced sales compared to the prior period.

Cost of Revenue

	Nine Months Ended September 30,			
	2017	2016	Change	
	(Amounts in thousands)			
Travel Network	$1,068,134	$963,193	$104,941	11 %
Airline and Hospitality Solutions	444,420	429,460	14,960	3 %
Eliminations	(19,498)	(14,693)	(4,805)	(33)%
Total segment cost of revenue	1,493,056	1,377,960	115,096	8 %
Corporate	109,581	73,624	35,957	49 %
Depreciation and amortization	229,688	209,276	20,412	10 %
Amortization of upfront incentive consideration	50,298	43,372	6,926	16 %
Total cost of revenue	$1,882,623	$1,704,232	$178,391	10 %

Travel Network—Cost of revenue increased $105 million, or 11%, for the nine months ended September 30, 2017 compared to the same period in the prior year primarily due to an increase in the average rate per booking for incentive consideration in all regions.

Airline and Hospitality Solutions—Cost of revenue increased $15 million, or 3%, for the nine months ended September 30, 2017 compared to the same period in the prior year primarily as a result of an increase in transaction related costs to support the growth in the Hospitality Solutions business and service level agreement (SLA) costs.

Corporate—Cost of revenue associated with corporate costs increased $36 million, or 49%, for the nine months ended September 30, 2017 compared to the same period in the prior year. The increase was primarily due to higher shared technology infrastructure and labor costs and a $12 million charge associated with an announced action to reduce our workforce. This reduction aligns our operations with business needs and implements an ongoing cost and organizational structure consistent with our expected growth needs and opportunities.

Depreciation and amortization—Depreciation and amortization increased $20 million, or 10%, for the nine months ended September 30, 2017 compared to the same period in the prior year. The increase was primarily due to the completion and amortization of software developed for internal use.

Amortization of upfront incentive consideration—Amortization of upfront incentive consideration increased $7 million, or 16%, for the nine months ended September 30, 2017 compared to the same period in the prior year primarily due to an increase in upfront consideration provided to travel agencies.

Selling, General and Administrative Expenses

	Nine Months Ended September 30,			
	2017	2016	Change	
	(Amounts in thousands)			
Selling, general and administrative	$383,137	$435,924	$(52,787)	(12)%

SG&A decreased by $53 million, or 12%, for the nine months ended September 30, 2017 compared to the same period in the prior year. This decrease is due to a $43 million reimbursement, net of accrued legal and related expenses, from a settlement in the third quarter of 2017 with our insurance carriers with respect to the American Airlines litigation. Additionally, amortization expense decreased by $30 million due to the completion in the first quarter of 2017 of amortization of certain intangible assets from the take-private transaction in 2007. These decreases were offset by a $19 million increase in headcount-related expenses primarily driven by a $13 million charge associated with an announced action to reduce our workforce. This reduction aligns our operations with business needs and implements an ongoing cost and organizational structure consistent with our expected growth needs and opportunities. Additionally, we incurred $5 million associated with security and stability related expenses.

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Impairment and Related charges

	Nine Months Ended September 30,		
	2017	2016	Change
	(Amounts in thousands)		
Impairment and related charges	$ 92,022	$ —	$92,022 100%

During the nine months ended September 30, 2017, we recorded an impairment charge in the second quarter of 2017 of $92 million associated with net capitalized contract costs related to an Airline Solutions' customer based on our analysis of the recoverability of such amounts. A formal contract dispute resolution process was commenced and due to the uncertainty of the ultimate outcome, we recorded this estimated charge. In the third quarter of 2017, the customer entered insolvency proceedings and our assessment of the impairment charge recorded in the second quarter did not change. See "—Recent Developments Affecting our Results of Operations."

Other Income (Expense), Net

	Nine Months Ended September 30,			
	2017	2016	Change	
	(Amounts in thousands)			
Other income (expense), net	$(19,788)	$4,517	$(24,305)	(538)%

During the nine months ended September 30, 2017, we recognized a $15 million loss related to debt modification costs associated with our debt refinancing in the first and third quarter of 2017 and realized and unrealized foreign currency exchange losses. During the nine months ended September 30, 2016, we recognized a gain due to the receipt of an earn-out payment of $6 million associated with the sale of a business in 2013 offset by realized and unrealized foreign currency exchange losses.

Provision for Income Taxes

	Nine Months Ended September 30,			
	2017	2016	Change	
	(Amounts in thousands)			
Provision for income taxes	$56,836	$79,905	$(23,069)	(29)%

Our effective tax rates for the nine months ended September 30, 2017 and 2016 were 25% and 28%, respectively. The decrease in the effective tax rate for the nine months ended September 30, 2017, as compared to the same period in 2016, was primarily driven by a relative increase in full year forecasted earnings in lower tax jurisdictions. The difference between our effective tax rates and the U.S. federal statutory income tax rate primarily results from our geographic mix of taxable income in various tax jurisdictions.

Liquidity and Capital Resources

Our principal sources of liquidity are: (i) cash flows from operations, (ii) cash and cash equivalents and (iii) borrowings under our $400 million Revolver (see "—Senior Secured Credit Facilities"). Borrowing availability under our Revolver is reduced by our outstanding letters of credit and restricted cash collateral. As of September 30, 2017 and December 31, 2016, our cash and cash equivalents, Revolver, and outstanding letters of credit were as follows (in thousands):

	September 30, 2017	December 31, 2016

Cash and cash equivalents	$ 268,268	$ 364,114
Available balance under the Revolver	375,794	365,006
Reductions to the Revolver:		
Revolver outstanding balance	—	—
Outstanding letters of credit	24,206	34,994

We consider cash equivalents to be highly liquid investments that are readily convertible into cash. Securities with contractual maturities of three months or less, when purchased, are considered cash equivalents. We record changes in a book overdraft position, in which our bank account is not overdrawn but recently issued and outstanding checks result in a negative general ledger balance, as cash flows from financing activities. We invest in a money market fund which is classified as cash and cash equivalents in our consolidated balance sheets and statements of cash flows. We held no short-term investments as of September 30, 2017 and December 31, 2016.

Liquidity Outlook

Our ability to generate cash depends on many factors beyond our control, and any failure to meet our debt service obligations could harm our business, financial condition and results of operations. Our ability to make payments on and to refinance our indebtedness, and to fund working capital needs, planned capital expenditures, share repurchases and dividends, will depend on our ability to generate cash in the future, which is subject to general economic, financial, competitive, business, legislative, regulatory and other factors that are beyond our control. See "Risk Factors—We may require more cash than we generate in our operating activities, and additional funding on reasonable terms or at all may not be available."

We utilize cash and cash equivalents, supplemented by our Revolver, primarily to pay our operating expenses, make capital expenditures, invest in our products and offerings, pay quarterly dividends on our common stock, make payments under the TRA, and service our debt and other long-term liabilities. Furthermore, on an ongoing basis, we will evaluate and consider strategic acquisitions, divestitures, joint ventures, repurchasing shares of our common stock (including pursuant to the multi-year $500 million share repurchase program announced in February 2017) or our outstanding debt obligations in open market or in privately negotiated transactions, as well as other transactions we believe may create stockholder value or enhance financial performance. These transactions may require cash expenditures or generate proceeds and, to the extent they require cash expenditures, may be funded through a combination of cash on hand, debt or equity offerings, or utilization of our Revolver.

We believe that cash flows from operations, cash and cash equivalents on hand and our Revolver provide adequate liquidity for our operational and capital expenditures and other obligations over the next twelve months. We may supplement our current liquidity through debt or equity offerings to support future strategic investments, or to pay down debt. We funded TRA payments of $101 million, including interest, due in January 2017 with cash on hand. We expect to fund future TRA payments through a combination of cash on hand, utilization of our Revolver or debt offerings.

Dividends

During the nine months ended September 30, 2017, we paid a quarterly cash dividend of $0.14 per share of our common stock totaling $116 million. We expect to continue to pay quarterly cash dividends on our common stock, subject to declaration of our board of directors. We intend to fund any future dividends from cash generated from our operations. Future cash dividends, if any, will be at the discretion of our board of directors and the amount of cash dividends per share will depend upon, among other things, our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, number of shares of common stock outstanding and other factors the board of directors may deem relevant. The timing and amount of future dividend payments will be at the discretion of our board of directors. See "Risk Factors—Our ability to pay regular dividends to our stockholders is subject to the discretion of our board of directors and may be limited by our holding company structure and applicable provisions of Delaware law."

Recent Events Impacting Our Liquidity and Capital Resources

Term Facility Amendment and Swaps Designations

On August 23, 2017, pursuant to the Refinancing Sabre GLBL entered into a Fourth Incremental Term Facility Amendment to our Amended and Restated Credit Agreement, Term Loan A Refinancing Amendment to the Credit Agreement, and Second Revolving Facility Refinancing Amendment to the Credit Agreement to refinance and modify the terms of the Term Loan B, the Term Loan A, and the existing Revolver, resulting in a reduction of the applicable margins for each of these instruments and approximately a one-year extension of the maturity of the Term Loan A and Revolver. We incurred no additional indebtedness as a result of the Refinancing.

In February 2017, pursuant to the Term Facility Amendment, we replaced $1,753 million of outstanding debt principal as of December 31, 2016, with $1,900 million of new debt principal maturing in February 2024. The proceeds of the new debt issuance were used to pay off certain existing classes of outstanding term loan facilities (other than the Term Loan A), pay associated financing fees, repay the outstanding mortgage on our corporate headquarters and for other general corporate purposes. See Note 6, Debt.

Since our periodic interest payments due on the expired and new debt described above are based on a variable interest rate, we manage our exposure to the variability in our cash flows by entering into pay-fixed, receive-variable interest rate swap agreements (“swaps”) with counterparties. These swaps are derivative instruments that effectively convert our floating rate debt to a fixed rate instrument. When we meet the relevant criteria, we apply hedge accounting to the swaps, which are recorded at fair value on the balance sheet with the adjustments to fair value recorded in other comprehensive income. When we do not meet the criteria to apply hedge accounting, the adjustments to fair value of the swaps are recorded directly in earnings each period.

In connection with the Term Facility Amendment, we discontinued hedge accounting on existing swaps and applied hedge accounting to new swaps entered into as a hedge of the variability of cash flows on the newly issued debt. In order to manage our exposure to earnings volatility from the interest rate swaps for which we discontinued hedge accounting, we entered into additional offsetting pay-variable, receive-fixed swaps in which we also do not apply hedge accounting to. See Note 7, Derivatives.

Share Repurchase Program
In February 2017, we announced the approval of a multi-year share repurchase program to purchase up to $500 million of Sabre's common stock outstanding. Repurchases under the program may take place in the open market or privately negotiated transactions. For the nine months ended September 30, 2017, we repurchased 5,153,241 shares totaling $98 million pursuant to this share repurchase program.
Political and Economic Environment in Venezuela
Venezuela has imposed currency controls, including volume restrictions on the conversion of bolivars to U.S. dollars, which impact the ability of certain of our airline customers operating in the country to obtain U.S. dollars to make timely payments to us. Consequently, the collection of accounts receivable due to us can be, and has been, delayed. Due to the nature of this delay, we have recorded specific reserves against all outstanding balances due to us and are deferring the recognition of any future revenues effective January 1, 2014 until cash is collected in accordance with our policies. Accordingly, our accounts receivable are subject to a general collection risk, as there can be no assurance that we will be paid from such customers in a timely manner, if at all. Certain airlines have scaled back operations in response to the reduced demand for travel in conjunction with the political and economic uncertainty, as well as the currency controls that have impacted our airline customers in Venezuela. During the nine months ended September 30, 2017, we collected $1 million from customers in Venezuela, all of which was outstanding as of December 31, 2016. Accounts receivable outstanding from customers in Venezuela totaled $25 million as of September 30, 2017, which will be recognized as revenue when cash is received.
Senior Secured Credit Facilities
On August 23, 2017, pursuant to the Refinancing Sabre GLBL entered into a Fourth Incremental Term Facility Amendment to our Amended and Restated Credit Agreement, Term Loan A Refinancing Amendment to the Credit Agreement, and Second Revolving Facility Refinancing Amendment to the Credit Agreement to refinance and modify the terms of the Term Loan B, the Term Loan A, and the existing Revolver ("Preexisting Revolver"), resulting in a reduction of the applicable margins for each of these instruments and approximately a one-year extension of the maturity of the Term Loan A and Revolver. We incurred no additional indebtedness as a result of the Refinancing. The Refinancing included a $400 million revolving credit facility that replaced the $400 million Preexisting Revolver, as well as the application of the proceeds of the approximately $1,891 million incremental New Term Loan B and $570 million New Term Loan A to pay in full the $1,891 million of the Term Loan B and $570 million of Term Loan A incurred prior to August 23, 2017 under the Term Facility Agreement. The maturity of the Revolver and the New Term Loan A was extended from July 18, 2021 to July 1, 2022.
The applicable margins for the New Term Loan B were reduced to 2.25% per annum for Eurocurrency rate loans and 1.25% per annum for base rate loans. The applicable margins for the New Term Loan A and the Revolver were reduced to (i) between 2.50% and 1.75% per annum for Eurocurrency rate loans and (ii) between 1.50% and 0.75% per annum for base rate loans, in each case with the applicable margin for any quarter reduced by 25 basis points (up to 75 basis points total) if the Senior Secured First-Lien Net Leverage Ratio (as defined in the Amended and Restated Credit Agreement) is less than 3.75 to 1.0, 3.00 to 1.0, or 2.25 to 1.0, respectively. The applicable interest rate margins will open at 2.25% per annum for Eurocurrency rate loans and 1.25% per annum for base rate loans until receipt of first compliance certificate after August 23, 2017.
On February 22, 2017, Sabre GLBL entered into the Term Facility Amendment, which replaced the Prior Term Loan B, Incremental Term Loan and Term Loan C with a single class of Term Loan B with an aggregate principal amount of $1,900 million maturing on February 22, 2024. The proceeds of $1,898 million, net of $2 million discount on the Term Loan B, were used to pay off approximately $1,761 million of all existing classes of outstanding term loans (other than the Term Loan A) and related accrued interest incurred prior to February 22, 2017 and $12 million in associated financing fees. The remaining proceeds were used for purposes of repaying approximately $80 million of Sabre’s outstanding mortgage on its corporate headquarters on March 31, 2017, and for other general corporate purposes. The amount of the Revolver commitments available as a letter of credit subfacility was set at $150 million. The applicable margins for the Term Loan A and the Revolver were 2.50% for Eurocurrency borrowings and 1.50% for base rate borrowings, with a step down to 2.25% for Eurocurrency borrowings and 1.25% for base rate borrowings if the Senior Secured Leverage Ratio (as defined in the Amended and Restated Credit Agreement) is less than 2.50 to

1.00. The applicable margins for the Term Loan B were 2.75% for Eurocurrency borrowings and 1.75% for base rate borrowings, with a step down to 2.50% for Eurocurrency borrowings and 1.50% for base rate borrowings if the Senior Secured Leverage Ratio (as defined in the Amended and Restated Credit Agreement) is less than or equal to 2.50 to 1.00.

Under the Amended and Restated Credit Agreement, the loan parties are subject to certain customary non-financial covenants, including certain restrictions on incurring certain types of indebtedness, creation of liens on certain assets, making of certain investments, and payment of dividends, as well as a maximum leverage ratio. Prior to July 18, 2016, this ratio applied if our revolver utilization exceeded a certain threshold and was calculated as senior secured debt (net of cash) to EBITDA, as defined by the credit agreement. The maximum ratio was 4.5 to 1.0 for 2015 and 4.0 to 1.0 until July 18, 2016. The definition of EBITDA is based on a trailing twelve months EBITDA adjusted for certain items including non-recurring expenses and the pro forma impact of cost saving initiatives. Pursuant to Credit Agreement Amendments, effective July 18, 2016, the maximum leverage ratio has been adjusted to be based on the Total Net Leverage Ratio (as defined in the Amended and Restated Credit Agreement) and we are required, at all times (no longer solely when a threshold amount of revolving loans or letters of credit were outstanding), to maintain a Total Net Leverage Ratio of less than 4.5 to 1.0.

We are also required to pay down the term loans by an amount equal to 50% of annual excess cash flow, as defined in the Amended and Restated Credit Agreement. This percentage requirement may decrease or be eliminated if certain leverage ratios are achieved. Based on our results for the year ended December 31, 2016, we were not required to make an excess cash flow payment in 2017. We are further required to pay down the term loan with proceeds from certain asset sales or borrowings as defined in the Amended and Restated Credit Agreement.

Tax Receivable Agreement

Immediately prior to the closing of our initial public offering, we entered into the TRA that provides the Pre-IPO Existing Stockholders (as defined in Note 5, Income Taxes) the right to receive future payments from us. The future payments will equal 85% of the amount of cash savings, if any, in U.S. federal income tax that we and our subsidiaries realize as a result of the utilization of the Pre-IPO Tax Assets (as defined in Note 5, Income Taxes). 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 Pre-IPO Tax Assets will total $288 million, excluding interest, and will be made over the next five years. The TRA payments accrue interest in accordance with the terms of the TRA subsequent to the tax year in which the tax benefits are realized through the date of the benefit payment. No payments occurred in years 2014 to 2016 and we made payments of $101 million, including interest, in January 2017. The estimate of future payments considers the impact of Section 382 of the Code, which imposes an annual limit on the ability of a corporation that undergoes an ownership change to use its net operating loss carryforwards to reduce its liability. We do not anticipate any material limitations on our ability to utilize U.S. federal NOLs under Section 382 of the Code.

These payment obligations are our obligations and not obligations of any of our subsidiaries. The actual utilization of the Pre-IPO Tax Assets, as well as the timing of any payments under the TRA, will vary depending upon a number of factors, including the amount, character and timing of our and our subsidiaries' taxable income in the future.

Cash Flows

	Nine Months Ended September 30,	
	2017	2016
	(Amounts in thousands)	
Cash provided by operating activities	$455,906	$432,534
Cash used in investing activities	(242,952)	(418,713)
Cash used in financing activities	(300,936)	(46,647)
Cash used in discontinued operations	(3,636)	(15,766)
Effect of exchange rate changes on cash and cash equivalents	(4,228)	(536)
Decrease in cash and cash equivalents	$(95,846)	$(49,128)

Operating Activities

Cash provided by operating activities for the nine months ended September 30, 2017 was $456 million and consisted of net income from continuing operations of $166 million, adjustments for non-cash and other items of $519 million and a decrease in cash from changes in operating assets and liabilities of $230 million. The adjustments for non-cash and other items consist primarily of $296 million of depreciation and amortization, $92 million of impairment and related charges, $50 million in amortization of upfront incentive consideration, $34 million stock-based compensation expense, and a $15 million loss on modification of debt. The decrease in cash from changes in operating assets and liabilities of $230 million was primarily the result of a $188 million increase in accounts receivable due to seasonality and a $29 million receivable related to an insurance settlement, $61 million used for upfront incentive consideration, $48 million used for capitalized implementation costs, and a $20 million increase in prepaid expenses and other assets. These decreases were partially offset by an increase of $53 million in accounts payable and other accrued liabilities due to seasonality in incentives, business growth and a $15 million payable for accrued legal and related expenses related to an insurance settlement and an increase of $32 million in deferred revenue partially driven by upfront solution fees.

Cash provided by operating activities for the nine months ended September 30, 2016 was $433 million and consisted of net income from continuing operations of $210 million, adjustments for non-cash and other items of $446 million and a decrease in cash from changes in operating assets and liabilities of $224 million. The adjustments for non-cash and other items consist primarily of $304 million of depreciation and amortization, $67 million of deferred income taxes, $43 million in amortization of upfront incentive consideration, and $36 million stock-based compensation expense, partially offset by $26 million of litigation related credits. The decrease in cash from changes in operating assets and liabilities of $224 million was primarily the result of a $71 million increase in accounts receivable due to seasonality, $55 million used for upfront incentive consideration, $65 million used for capitalized implementation costs, $38 million increase in prepaid expenses and other assets, and a $22 million decrease in accrued compensation and related benefits. These decreases were partially offset by an increase of $17 million in deferred revenue primarily due to upfront solution fees and an increase of $8 million in accounts payable and other accrued liabilities.

Investing Activities

For the nine months ended September 30, 2017, we used cash of $243 million on capital expenditures, including $192 million related to software developed for internal use.

For the nine months ended September 30, 2016, we used cash of $164 million for the acquisition of the Trust Group and Airpas Aviation and $254 million on capital expenditures, including $217 million related to software developed for internal use.

Financing Activities

For the nine months ended September 30, 2017, we used $301 million for financing activities. Significant highlights of our financing activities include:

- In February 2017, we received proceeds of $1,898 million (net of $2 million discount) from the Term Loan B, which were used to pay off approximately $1,753 million of all existing classes of outstanding term loans (other than the Term Loan A) and $12 million in debt issuance costs. The remaining proceeds were used for purposes of repaying approximately $80 million of Sabre's outstanding mortgage on its corporate headquarters, and for other general corporate purposes;
- we made quarterly payments totaling $36 million on the principal outstanding on our term loans;
- pursuant to the Refinancing in August 2017, we paid $7 million in debt modification costs;
- we made our first annual payment on the TRA liability for $99 million, excluding interest;
- we paid $116 million in dividends on our common stock;
- we repurchased 5,153,241 shares of our common stock outstanding totaling $98 million; and
- we received proceeds of $22 million from the settlement of employee stock-option awards and paid $11 million in income tax withholdings associated with the settlement of employee restricted-stock awards.

For the nine months ended September 30, 2016, we used $47 million for financing activities. Significant highlights of our financing activities include:

- we received proceeds of $597 million (net of $3 million discount) from the issuance of Term Loan A and used a portion of the proceeds to repay $350 million of outstanding principal on our Term Loan B and Incremental Term Loan Facility and $11 million in debt issuance costs;
- we made quarterly payments totaling $18 million on the principal outstanding on our term loans;
- we paid the remaining principal of $165 million on our senior secured notes due 2016, which matured in March 2016;
- we made draws on our Prior Revolver totaling $458 million and payments totaling $458 million resulting in no outstanding balance as of September 30, 2016;
- we paid $108 million in dividends on our common stock; and
- we received proceeds of $28 million from the settlement of employee stock-option awards and paid $11 million in income tax withholdings associated with the settlement of employee restricted-stock awards.

Discontinued Travelocity Business

Cash flows used by discontinued operating activities totaled $4 million and $16 million for the nine months ended September 30, 2017 and 2016, respectively. The decrease in cash flows used by discontinued operating activities in the nine months ended September 30, 2017 compared to 2016 is primarily due to lower operating losses and a reduction in cash used to pay liabilities as we wind down the business.

As a result of our completed divestiture of the Travelocity segment, we do not expect our discontinued operations to have material ongoing liquidity requirements. See Note 11, Contingencies, to our consolidated financial statements regarding litigation and other contingencies associated with our discontinued Travelocity segment.

Contractual Obligations

In February 2017, Sabre GLBL entered into the Term Facility Amendment, which replaced the Prior Term Loan B, Incremental Term Loan and Term Loan C with a single class of Term Loan B. See "—Liquidity and Capital Resources—Senior Secured Credit Facilities." In March 2017, a portion of the proceeds of the Term Loan B received pursuant to the Term Facility Amendment was used to repay approximately $80 million of Sabre's outstanding mortgage on its corporate headquarters. On August 23, 2017, pursuant to the Refinancing Sabre GLBL entered into a Fourth Incremental Term Facility Amendment to our Amended and Restated Credit Agreement, Term Loan A

Refinancing Amendment to the Credit Agreement, and Second Revolving Facility Refinancing Amendment to the Credit Agreement to refinance and modify the terms of the Term Loan B, the Term Loan A, and the existing Revolver, resulting in a reduction of the applicable margins for each of these instruments and approximately a one-year extension of the maturity of the Term Loan A and Revolver. In addition, we made payments of $101 million, including interest, under our TRA in January 2017. There were no other material changes to our future minimum contractual obligations as of December 31, 2016 as previously disclosed in our Annual Report on Form 10-K filed with the SEC on February 17, 2017.

Off Balance Sheet Arrangements

We had no off balance sheet arrangements during the nine months ended September 30, 2017 and year ended December 31, 2016.

Recent Accounting Pronouncements

In August 2017, the Financial Accounting Standards Board ("FASB") issued updated guidance to expand and simplify the application of hedge accounting. The updated standard eliminates the requirement to separately measure and report hedge ineffectiveness and generally requires the entire change in the fair value of a hedging instrument to be presented in the same income statement line as the hedged item. The guidance also eases certain documentation and assessment requirements and modifies the accounting for components excluded from the assessment of hedge effectiveness. The Accounting Standards Update ("ASU") is effective for annual periods beginning after December 15, 2018, with early adoption permitted. We do not expect that the adoption of this updated standard will have a material impact on our consolidated financial statements.

In May 2017, the FASB issued updated guidance regarding changes to the terms or conditions of a share-based payment award which requires an entity to apply modification accounting under the current standard on stock compensation. Under this updated standard, a new fair value measurement is assessed on the modified award, with any incremental fair value of the new award recognized as additional compensation cost. The ASU is effective for annual periods beginning after December 15, 2017, with early adoption permitted. We adopted this standard in the third quarter of 2017, which did not have a material impact on our consolidated financial statements.

In March 2017, the FASB issued updated guidance improving the presentation requirements related to reporting the service cost component of net benefit costs to require that the service cost component be reported in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period, disaggregating the component from other net benefit costs. Net benefit cost is composed of several items, which reflect different aspects of an employer's financial arrangements as well as the cost of benefits earned by employees. The updated guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those annual periods for public business entities. We do not expect that the adoption of this updated standard will have a material impact on our consolidated financial statements.

In January 2017, the FASB issued updated guidance to state that registrants should consider additional qualitative disclosures if the impact of an issued but not yet adopted ASU is unknown or cannot be reasonably estimated and to include a description of the effect of the accounting policies that the registrant expects to apply, if determined. Transition guidance included in certain issued but not yet adopted ASUs was also updated to reflect this amendment. The updated guidance was effective upon issuance and we have adopted this standard and have made the required disclosures.

In January 2017, the FASB issued an updated guidance simplifying the subsequent measurement of goodwill by eliminating “Step 2” from the goodwill impairment test. The updated guidance is effective for public companies’ annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for annual or interim goodwill impairment tests performed on testing dates after January 1, 2017. We plan to adopt this standard in 2017 and do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

In January 2017, the FASB issued updated guidance clarifying the definition of a business to help companies evaluate whether transactions should be accounted for as acquisitions or disposals of assets or businesses. The amendments in this update are effective for public companies for annual periods beginning after December 15, 2017, including interim periods within those periods. Early adoption is permitted in any interim or annual period provided that the entire ASU is adopted. We early adopted this standard effective first quarter of 2017, which did not have a material impact on our consolidated financial statements.

In October 2016, the FASB issued updated guidance which requires the recognition of the income tax consequences of an intra-entity transfer of an asset, other than inventory, when the transfer occurs. The updated guidance will be effective in the first quarter of 2018 and early adoption is permitted. We early adopted this standard effective first quarter of 2017, which did not impact our consolidated financial statements.

In February 2016, FASB issued updated guidance requiring organizations that lease assets—referred to as "lessees"—to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases, when the lease has a term of more than 12 months. The updated standard is effective for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. We are currently evaluating the impact of this standard on our consolidated financial statements.

In January 2016, the FASB issued updated guidance on accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure for financial instruments. Under this updated standard, entities must measure equity investments at fair value and recognize changes in fair value in net income. For equity investments without readily determinable fair values, entities have the option to either measure these investments at fair value or at cost adjusted for changes in observable prices less impairment. The updated guidance does not apply to equity method investments or investments in consolidated subsidiaries. This new standard is effective for public companies for annual periods, including interim periods, beginning after December 15, 2017. We do not expect that the adoption of this updated standard will have a material impact on our consolidated financial statements.

In May 2014, the FASB issued a comprehensive update to revenue recognition guidance that will replace current standards. Under the updated standard, revenue is recognized when a company transfers promised goods or services to customers in an amount that reflects the consideration that is expected to be received for those goods and services. The updated standard also requires additional disclosures on the nature, timing, and uncertainty of revenue and related cash flows. On July 9, 2015, the FASB approved to defer the effective date of the new standard which is now effective for annual and interim reporting periods beginning after December 15, 2017. We expect to adopt this new standard using the modified retrospective transition method which will result in a cumulative adjustment as of the date of the adoption. We have substantially completed our evaluation of the guidance and determined the key areas of impact on our financial results and are currently in the process of quantifying the impacts. Our quantification of the impacts is ongoing and will not be finalized until the period of adoption. To date, our assessments have identified the following anticipated impacts:

- We do not expect significant changes to revenue recognition for our Travel Network and Hospitality Solutions businesses
- Our Airline Solutions business is expected to primarily be impacted by the new standard due to the following:
  - Under current revenue recognition guidance, we recognize revenue related to license fee and maintenance agreements ratably over the life of the contract. Under the new guidance, revenue for license fees will be recognized upon delivery of the license and ongoing maintenance services will continue to be recognized ratably over the length of the contract. For existing open agreements, this change will result in a beginning balance sheet adjustment and reduced revenue in subsequent years from these agreements, and before the impact of new sales.
  - Allocation of contract revenues among various products and solutions, and the timing of the recognition of those revenues, will be impacted by agreements with tiered pricing or variable rate structures that do not correspond with the goods or services delivered to the customer. For existing open agreements, this change will also result in a beginning balance sheet adjustment and reduced revenue in subsequent years from these agreements.
- In the year of adoption, as a result of the new revenue recognition standard, the changes detailed above will result in a significant beginning balance sheet adjustment and we preliminarily estimate our consolidated revenue could be reduced by approximately $40 million to $80 million. Our assessment is ongoing and subject to finalization, such that the actual impact of the adoption may differ materially from this estimated range. This estimate will be updated in our Annual Report on Form 10-K for the year ending December 31, 2017.
- Capitalization of incremental costs to obtain a contract (such as sales commissions), and recognition of these costs over the contract period will result in the recognition of an asset on our balance sheet and will impact our Airline and Hospitality Solutions segment. We currently expect that our results of operations will not be significantly impacted from the capitalization of these incremental costs.

We are continuing to evaluate the impacts of the new guidance to our results of operations, current accounting policies, processes, controls, systems and financial statement disclosures.

Critical Accounting Estimates

This discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect our reported assets and liabilities, revenues and expenses and other financial information. Actual results may differ significantly from these estimates, and our reported financial condition and results of operations could vary under different assumptions and conditions. In addition, our reported financial condition and results of operations could vary due to a change in the application of a particular accounting standard.

We regard an accounting estimate underlying our financial statements as a “critical accounting estimate” if the accounting estimate requires us to make assumptions about matters that are uncertain at the time of estimation and if changes in the estimate are reasonably likely to occur and could have a material effect on the presentation of financial condition, changes in financial condition, or results of operations. For a discussion of the accounting policies involving material estimates and assumptions that we believe are most critical to the preparation of our financial statements, how we apply such policies and how results differing from our estimates and assumptions would affect the amounts presented in our financial statements, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates” included in our Annual Report on Form 10-K filed with the SEC on February 17, 2017.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the potential loss from adverse changes in: (i) prevailing interest rates, (ii) foreign exchange rates, (iii) credit risk and (iv) inflation. Our exposure to market risk relates to interest payments due on our long-term debt, revolving credit facility, derivative instruments, income on cash and cash equivalents, accounts receivable and payable and related deferred revenue. We manage our exposure to these risks through established policies and procedures. We do not engage in trading, market making or other speculative activities in the derivatives markets. Our objective is to mitigate potential income statement, cash flow and fair value exposures resulting from possible future adverse fluctuations in interest and foreign exchange rates. There were no material changes in our market risk since December 31, 2016 as previously disclosed under Item 7A, Quantitative and Qualitative Disclosures About Market Risk, included in our Annual Report on Form 10-K filed with the SEC on February 17, 2017.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as this term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this report. Based on this evaluation, our principal executive officer and principal financial officer have concluded that, as of the end of this period, our disclosure controls and procedures were effective.

Internal Control Over Financial Reporting

There have not been any changes in our internal control over financial reporting (as this term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

We are implementing a project to consolidate our business technology infrastructure to a single global enterprise resource planning (“ERP”) system. A key component of our ERP implementation project is to ensure appropriate internal controls over financial reporting is maintained.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company and its subsidiaries are from time to time engaged in routine legal proceedings incidental to our business. For a description of our material legal proceedings, see Note 11, Contingencies, to our consolidated financial statements included in Part I, Item 1 in this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

ITEM 1A. RISK FACTORS

The following risk factors may be important to understanding any statement in this Quarterly Report on Form 10-Q or elsewhere. Our business, financial condition and operating results can be affected by a number of factors, whether currently known or unknown, including but not limited to those described below. Any one or more of these factors could directly or indirectly cause our actual results of operations and financial condition to vary materially from past or anticipated future results of operations and financial condition. Any of these factors, in whole or in part, could materially and adversely affect our business, financial condition, results of operations and stock price.

Our revenue is highly dependent on transaction volumes in the global travel industry, particularly air travel transaction volumes.

Our Travel Network and Airline and Hospitality Solutions revenue is largely tied to travel suppliers' transaction volumes rather than to their unit pricing for an airplane ticket, hotel room or other travel products. This revenue is generally not contractually committed to recur annually under our agreements with our travel suppliers. As a result, our revenue is highly dependent on the global travel industry, particularly air travel from which we derive a substantial amount of our revenue, and directly correlates with global travel, tourism and transportation transaction volumes. Our revenue is therefore highly susceptible to declines in or disruptions to leisure and business travel that may be caused by factors entirely out of our control, and therefore may not recur if these declines or disruptions occur.

Various factors may cause temporary or sustained disruption to leisure and business travel. The impact these disruptions would have on our business depends on the magnitude and duration of such disruption. These factors include, among others:

- general and local economic conditions;
- financial instability of travel suppliers and the impact of any fundamental corporate changes to such travel suppliers, such as airline bankruptcies or consolidations, on the cost and availability of travel content;
- factors that affect demand for travel such as outbreaks of contagious diseases, including Zika, Ebola and the MERS virus, increases in fuel prices, changing attitudes towards the environmental costs of travel and safety concerns;
- political events like acts or threats of terrorism, hostilities, and war;
- inclement weather, natural or man-made disasters; and
- factors that affect supply of travel such as travel restrictions or changes to regulations governing airlines and the travel industry, like government sanctions that do or would prohibit doing business with certain state-owned travel suppliers, work stoppages or labor unrest at any of the major airlines, hotels or airports.

Our Travel Network business is exposed to pricing pressure from travel suppliers.

Travel suppliers continue to look for ways to decrease their costs and to increase their control over distribution. For example, consolidation in the airline industry and macroeconomic factors, among other things, have driven some airlines to negotiate for lower fees during contract renegotiations, thereby exerting increased pricing pressure on our Travel Network business, which, in turn, negatively affects our revenues and margins. In addition, travel suppliers' use of alternative distribution channels, such as direct distribution through supplier-operated websites, may also adversely affect our contract renegotiations with these suppliers and negatively impact our transaction fee revenue. For example, as we attempt to renegotiate new agreements with our travel suppliers, they may withhold some or all of their content (fares and associated economic terms) for distribution exclusively through their direct distribution channels (for example, the relevant airline's website) or offer travelers more attractive terms for content available through those direct channels after their contracts expire. As a result of these sources of negotiating pressure, we may have to decrease our prices to retain their business. If we are unable to renew our contracts with these travel suppliers on similar economic terms or at all, or if our ability to provide this content is similarly impeded, this would also adversely affect the value of our Travel Network business as a marketplace due to our more limited content. See "-Travel suppliers' use of alternative distribution models, such as direct distribution models, could adversely affect our Travel Network business."

Implementation of software solutions often involves a significant commitment of resources, and any failure to deliver as promised on a significant implementation could adversely affect our business.

In our Travel Network business and our Airline and Hospitality Solutions business, the implementation of software solutions often involves a significant commitment of resources and is subject to a number of significant risks over which we may or may not have control. These risks include:

- the features of the implemented software may not meet the expectations or fit the business model of the customer;
- our limited pool of trained experts for implementations cannot quickly and easily be augmented for complex implementation projects, such that resources issues, if not planned and managed effectively, could lead to costly project delays;
- customer-specific factors, such as the stability, functionality, interconnection and scalability of the customer's pre-existing information technology infrastructure, as well as financial or other circumstances could destabilize, delay

or prevent the completion of the implementation process, which, for airline reservations systems, typically takes 12 to 18 months; and

- customers and their partners may not fully or timely perform the actions required to be performed by them to ensure successful implementation, including measures we recommend to safeguard against technical and business risks.

As a result of these and other risks, some of our customers may incur large, unplanned costs in connection with the purchase and installation of our software products. Also, implementation projects could take longer than planned or fail. We may not be able to reduce or eliminate protracted installation or significant additional costs. Significant delays or unsuccessful customer implementation projects could result in cancellation or renegotiation of existing agreements, claims from customers, harm our reputation and negatively impact our operating results.

Travel suppliers' use of alternative distribution models, such as direct distribution models, could adversely affect our Travel Network business.

Some travel suppliers that provide content to Travel Network, including some of Travel Network's largest airline customers, have sought to increase usage of direct distribution channels. For example, these travel suppliers are trying to move more consumer traffic to their proprietary websites, and some travel suppliers have explored direct connect initiatives linking their internal reservations systems directly with travel agencies or travel management companies ("TMCs"), thereby bypassing the GDSs. This direct distribution trend enables them to apply pricing pressure on intermediaries and negotiate travel distribution arrangements that are less favorable to intermediaries. With travel suppliers' adoption of certain technology solutions over the last decade, including those offered by our Airline and Hospitality Solutions business, air travel suppliers have increased the proportion of direct bookings relative to indirect bookings. In the future, airlines may increase their use of direct distribution, which may cause a material decrease in their use of our GDS. Travel suppliers may also offer travelers advantages through their websites such as special fares and bonus miles, which could make their offerings more attractive than those available through our GDS platform. Similarly, travel suppliers may also seek to encourage travelers' and travel agencies' usage of their proprietary booking platforms by selectively increasing the ticket price in our GDS, making our GDS platform's offerings more expensive than some alternative offerings. For example, we are currently engaged in litigation with the Lufthansa Group in connection with a surcharge that the Lufthansa Group has imposed on tickets purchased through three selected GDSs, including Sabre. The Lufthansa Group is seeking declaratory judgment that this surcharge does not violate the terms of its agreement with us, in addition to damages related to the allegations of breach of contract and tortious interference with agency contracts. We deny the allegations and we have filed a counterclaim that asserts the Lufthansa Group's surcharge is a violation of its agreement and that seeks an order requiring the Lufthansa Group to specifically perform its obligations under the agreement.

In addition, with respect to ancillary products, travel suppliers may choose not to comply with the technical standards that would allow ancillary products to be immediately distributed via intermediaries, thus resulting in a delay before these products become available through our GDS relative to availability through direct distribution. In addition, if enough travel suppliers choose not to develop ancillary products in a standardized way with respect to technical standards our investment in adapting our various systems to enable the sale of ancillary products may not be successful.

Companies with close relationships with end consumers, like Facebook, as well as new entrants introducing new paradigms into the travel industry, such as metasearch engines, like Google, may promote alternative distribution channels to our GDS by diverting consumer traffic away from intermediaries, which may adversely affect our GDS business.

Additionally, technological advancements may allow airlines and hotels to facilitate broader connectivity to and integration with large travel buyers, such that certain airline and hotel offerings could be made available directly to such travel buyers without the involvement of intermediaries such as Travel Network and its competitors.

Our success depends on maintaining the integrity of our systems and infrastructure, which may suffer from failures, capacity constraints, business interruptions and forces outside of our control.

We may be unable to maintain and improve the efficiency, reliability and integrity of our systems. Unexpected increases in the volume of our business could exceed system capacity, resulting in service interruptions, outages and delays. Such constraints can also lead to the deterioration of our services or impair our ability to process transactions. We occasionally experience system interruptions that make certain of our systems unavailable including, but not limited to, our GDS and the services that our Airline and Hospitality Solutions business provides to airlines and hotels. System interruptions may prevent us from efficiently providing services to customers or other third parties, which could cause damage to our reputation and result in our losing customers and revenues or cause us to incur litigation and liabilities. Although we have contractually limited our liability for damages caused by outages of our GDS (other than damages caused by our gross negligence or willful misconduct), we cannot guarantee that we will not be subject to lawsuits or other claims for compensation from our customers in connection with such outages for which we may not be indemnified or compensated.

Our systems may also be susceptible to external damage or disruption. Much of the computer and communications hardware upon which we depend is located across multiple data center facilities in a single geographic region. Our systems could be damaged or disrupted by power, hardware, software or telecommunication failures, human errors, natural events including floods, hurricanes, fires, winter storms, earthquakes and tornadoes, terrorism, break-ins, hostilities, war or similar events. Computer viruses, malware, denial of service attacks, physical or electronic break-ins and similar disruptions affecting the Internet, telecommunication services or our systems could cause service interruptions or the loss of critical data, and could prevent us from providing timely services. See "-Security breaches could expose us to liability and damage our reputation and our business." Failure to efficiently provide services to customers or other third parties could cause damage to our reputation and result in the loss of customers and revenues, significant recovery costs or litigation and liabilities. Moreover, such risks are likely to increase as we expand our business and as the tools and techniques involved become more sophisticated.
Although we have implemented measures intended to protect certain systems and critical data and provide comprehensive disaster recovery and contingency plans for certain customers that purchase this additional protection, these protections and plans are not in place for all systems. Furthermore, several of our existing critical backup systems are located in the same metropolitan area as our primary systems and we may not have sufficient disaster recovery tools or resources available, depending on the type

or size of the disruption. Disasters affecting our facilities, systems or personnel might be expensive to remedy and could significantly diminish our reputation and our brands, and we may not have adequate insurance to cover such costs.

Customers and other end-users who rely on our software products and services, including our SaaS and hosted offerings, for applications that are integral to their businesses may have a greater sensitivity to product errors and security vulnerabilities than customers for software products generally. Additionally, security breaches that affect third parties upon which we rely, such as travel suppliers, may further expose us to negative publicity, possible liability or regulatory penalties. Events outside our control could cause interruptions in our IT systems, which could have a material adverse effect on our business operations and harm our reputation.

The travel distribution market is highly competitive, and we are subject to competition from other GDS providers, direct distribution by travel suppliers and new entrants or technologies that may challenge the GDS business model.

The evolution of the global travel and tourism industry, the introduction of new technologies and standards and the expansion of existing technologies in key markets, among other factors, could contribute to an intensification of competition in the business areas and regions in which we operate. Increased competition could require us to increase spending on marketing activities or product development, to decrease our booking or transaction fees and other charges (or defer planned increases in such fees and charges), to increase incentive consideration or take other actions that could harm our business. A GDS has two broad categories of customers: (i) travel suppliers, such as airlines, hotels, car rental brands, rail carriers, cruise lines and tour operators, and (ii) travel buyers, such as online and offline travel agencies, TMCs and corporate travel departments. The competitive positioning of a GDS depends on the success it achieves with both customer categories. Other factors that may affect the competitive success of a GDS include the comprehensiveness, timeliness and accuracy of the travel content offered, the reliability, ease of use and innovativeness of the technology, the perceived value proposition of our GDS by travel suppliers and travel buyers, the incentive consideration provided to travel agencies, the transaction fees charged to travel suppliers and the range of products and services available to travel suppliers and travel buyers. Our GDS competitors could seek to capture market share by offering more differentiated content, products or services, increasing the incentive consideration to travel agencies, or decreasing the transaction fees charged to travel suppliers, which would harm our business to the extent they gain market share from us or force us to respond by lowering our prices or increasing the incentive consideration we provide.

We cannot guarantee that we will be able to compete successfully against our current and future competitors in the travel distribution market, some of which may achieve greater brand recognition than us, have greater financial, marketing, personnel and other resources or be able to secure services and products from travel suppliers on more favorable terms. If we fail to overcome these competitive pressures, we may lose market share and our business may otherwise be negatively affected.

Our ability to maintain and grow our Airline and Hospitality Solutions business may be negatively affected by competition from other third-party solutions providers and new participants that seek to enter the solutions market.

Our Airline and Hospitality Solutions business principally faces competition from existing third-party solutions providers. We also compete with various point solutions providers on a more limited basis in several discrete functional areas. For our Hospitality Solutions business, we face competition across many aspects of our business but our primary competitors are in the hospitality CRS and property management system ("PMS") fields.

Factors that may affect the competitive success of our Airline and Hospitality Solutions business include our pricing structure, our ability to keep pace with technological developments, the effectiveness and reliability of our implementation and system migration processes, our ability to meet a variety of customer specifications, the effectiveness and reliability of our systems, the cost and efficiency of our system upgrades and our customer support services. Our failure to compete effectively on these and other factors could decrease our market share, adversely impact our pricing or otherwise negatively affect our Airline and Hospitality Solutions business.

Security breaches could expose us to liability and damage our reputation and our business.

We process, store, and transmit large amounts of data, including personally identifiable information ("PII") and payment card industry data ("PCI") of our customers, and it is critical to our business strategy that our facilities and infrastructure, including those provided by DXC (as defined below) or other vendors, remain secure and are perceived by the marketplace to be secure. Our infrastructure may be vulnerable to physical or electronic break-ins, computer viruses, or similar disruptive problems.

In addition, we, like most technology companies, are the target of cybercriminals who attempt to compromise our systems. We are subject to and experience threats and intrusions that have to be identified and remediated to protect sensitive information along with our intellectual property and our overall business. To address these threats and intrusions, we have a team of experienced security experts and support from firms that specialize in data security and cybersecurity. We are periodically subject to these threats and intrusions, and sensitive or material information could be compromised as a result. The costs of any investigation of such incidents, as well as any remediation related to these incidents, may be material. As previously disclosed, we became aware of an incident involving unauthorized access to payment information contained in a subset of hotel reservations processed through the Sabre Hospitality Solutions SynXis Central Reservation system (the “SHS Central Reservation System”). Our investigation was supported by third party experts, including a leading cybersecurity firm. Our investigation determined that an unauthorized party:

obtained access to account credentials that permitted access to a subset of hotel reservations processed through the SHS Central Reservation System; used the account credentials to view a credit card summary page on the SHS Central Reservation System and access payment card information (although we use encryption, this credential had the right to see unencrypted card data); and first obtained access to payment card information and some other reservation information on August 10, 2016. The last access to payment card information was on March 9, 2017. The unauthorized party was able to access information for certain hotel reservations, including cardholder name; payment card number; card expiration date; and, for a subset of reservations, card security code. The unauthorized party was also able, in some cases, to access certain information such as guest name(s), email, phone number, address, and other information if provided to the SHS Central Reservation System. Information such as Social Security, passport, or driver's license number was not accessed. The investigation did not uncover forensic evidence that the unauthorized party removed any information from the system, but it is a possibility. We took successful measures to ensure this unauthorized access to the SHS Central Reservation System was stopped and is no longer possible. There is no indication that any of our systems beyond the SHS Central Reservation System, such as Sabre's Airline Solutions and Travel Network platforms, were affected or accessed by the unauthorized party. We notified law enforcement and the payment card brands, who engaged a PCI forensic investigator to investigate this incident. We have notified customers and other companies that use or interact with, directly or indirectly, the SHS Central Reservation System about the incident. We are also cooperating with various governmental authorities that are investigating this incident. The costs related to this incident, including any associated penalties assessed by any governmental authority or payment card brand, as well as any other impacts or remediation related to this incident, may be material. See Note 11, Contingencies, to our consolidated financial statements for a discussion of a lawsuit filed in connection with this incident. As noted below, we maintain insurance that covers certain aspects of cyber risks, and we continue to work with our insurance carriers in this matter.

Any physical or electronic break-in, computer viruses, cybersecurity incidents or other security breach or compromise of the information handled by us or our service providers may jeopardize the security or integrity of information in our computer systems and networks or those of our customers and cause significant interruptions in our and our customers' operations.

Any systems and processes that we have developed that are designed to protect customer information and prevent data loss and other security breaches cannot provide absolute security. In addition, we may not successfully implement remediation plans to address all potential exposures. It is possible that we may have to expend additional financial and other resources to address these problems. Failure to prevent or mitigate data loss or other security breaches could expose us or our customers to a risk of loss or misuse of such information, cause customers to lose confidence in our data protection measures, damage our reputation, adversely affect our operating results or result in litigation or potential liability for us. While we maintain insurance coverage that may, subject to policy terms and conditions, cover certain aspects of cyber risks, this insurance coverage is subject to a retention amount and may not be applicable to a particular incident or otherwise may be insufficient to cover all our losses beyond any retention. Similarly, we expect to continue to make significant investments in our information technology infrastructure. The implementation of these investments may be more costly or take longer than we anticipate, or could otherwise adversely affect our business operations, which could negatively impact our financial position, results of operations or cash flows.

Any inability or failure to adapt to technological developments or the evolving competitive landscape could harm our business operations and competitiveness.

We depend upon the use of sophisticated information technology and systems. Our competitiveness and future results depend on our ability to maintain and make timely and cost-effective enhancements, upgrades and additions to our products, services, technologies and systems in response to new technological developments, industry standards and trends and customer demands. For example, we currently utilize mainframe infrastructure technology for certain of our enterprise applications and platforms. Because the number of users and programmers able to service this technology is decreasing, migration to another business environment could cause us to incur substantial costs, result in instability and business interruptions and materially harm our business.

Adapting to new technological and marketplace developments, such as IATA's new distribution capability ("NDC"), may require substantial expenditures and lead time and we cannot guarantee that projected future increases in business volume will actually materialize. We may experience difficulties that could delay or prevent the successful development, marketing and implementation of enhancements, upgrades and additions. Moreover, we may fail to maintain, upgrade or introduce new products, services, technologies and systems as quickly as our competitors or in a cost-effective manner. For example, we must constantly update our GDS with new capabilities to adapt to the changing technological environment and customer needs. However, this process can be costly and time-consuming, and our efforts may not be successful as compared to our competitors in the travel distribution market. Those that we do develop may not achieve acceptance in the marketplace sufficient to generate material revenue or may be rendered obsolete or non-competitive by our competitors' offerings.

In addition, our competitors are constantly increasing their product and service offerings through organic research and development or through strategic acquisitions. As a result, we must continue to invest significant resources in research and development in order to continually improve the speed, accuracy and comprehensiveness of our services and we may be required to make changes to our technology platforms or increase our investment in technology, increase marketing, adjust prices or business models and take other actions, which could affect our financial performance and liquidity.

Our Travel Network business and our Airline and Hospitality Solutions business depend on maintaining and renewing contracts with their customers and other counterparties.

In our Travel Network business, we enter into participating carrier distribution and services agreements with airlines. Our contracts with major carriers typically last for three- to five-year terms and are generally subject to automatic renewal at the end of the term, unless terminated by either party with the required advance notice. Our contracts with smaller airlines generally last for one year and are also subject to automatic renewal at the end of the term, unless terminated by either party with the required advance notice. Airlines are not contractually obligated to distribute exclusively through our GDS during the contract term and may terminate their agreements with us upon providing the required advance notice after the expiration of the initial term. We cannot guarantee that we will be able to renew our airline contracts in the future on favorable economic terms or at all. See "—Our Travel Network business is exposed to pricing pressure from travel suppliers."

We also enter into contracts with travel buyers. Although most of our travel buyer contracts have terms of one to three years, we typically have non-exclusive, five- to ten-year contracts with our major travel agency customers. We also typically have three- to five-year contracts with corporate travel departments, which generally renew automatically unless terminated with the required advance notice. A meaningful portion of our travel buyer agreements, typically representing approximately 15% to 20% of our bookings, are up for renewal in any given year. We cannot guarantee that we will be able to renew our travel buyer agreements in the future on favorable economic terms or at all.

Similarly, our Airline and Hospitality Solutions business is based on contracts with travel suppliers for a typical duration of three to seven years for airlines and one to five years for hotels. We cannot guarantee that we will be able to renew our solutions contracts in the future on favorable economic terms or at all.

Additionally, we use several third-party distributor partners and joint ventures to extend our GDS services in EMEA and APAC. The termination of our contractual arrangements with any of these third-party distributor partners and joint ventures could adversely impact our Travel Network business in the relevant markets. See "—We rely on third-party distributor partners and joint ventures to extend our GDS services to certain regions, which exposes us to risks associated with lack of direct management control and potential conflicts of interest" for more information on our relationships with our third-party distributor partners and joint ventures.

Our failure to renew some or all of these agreements on economically favorable terms or at all, or the early termination of these existing contracts, would adversely affect the value of our Travel Network business as a marketplace due to our limited content and distribution reach, which could cause some of our subscribers to move to a competing GDS or use other travel technology providers for the solutions we provide and would materially harm our business, reputation and brand. Our business therefore relies on our ability to renew our agreements with our travel buyers, travel suppliers, third-party distributor partners and joint ventures or developing relationships with new travel buyers and travel suppliers to offset any customer losses.

We are subject to a certain degree of revenue concentration among a portion of our customer base. Because of this concentration among a small number of customers, if an event were to adversely affect one of these customers, it could have a material impact on our business.

Our travel supplier customers may experience financial instability or consolidation, pursue cost reductions, change their distribution model or undergo other changes.

We generate the majority of our revenue and accounts receivable from airlines. We also derive revenue from hotels, car rental brands, rail carriers, cruise lines, tour operators and other suppliers in the travel and tourism industries. Adverse changes in any of these relationships or the inability to enter into new relationships could negatively impact the demand for and competitiveness of our travel products and services. For example, a lack of liquidity in the capital markets or weak economic performance may cause our travel suppliers to increase the time they take to pay or to default on their payment obligations, which could lead to a higher level of bad debt expense and negatively affect our results. Any large-scale bankruptcy or other insolvency proceeding of an airline or hospitality supplier could subject our agreements with that customer to rejection or early termination. Because we generally do not require security or collateral from our customers as a condition of sale, our revenues may be subject to credit risk more generally. Furthermore, supplier consolidation, particularly in the airline industry, could harm our business. Our Travel Network business depends on a relatively small number of U.S.-based airlines for a substantial portion of its revenue, and all of our businesses are highly dependent on airline ticket volumes. Consolidation among airlines could result in the loss of an existing customer and the related fee revenue, decreased airline ticket volumes due to capacity restrictions implemented concurrently with the consolidation, and increased airline concentration and bargaining power to negotiate lower transaction fees. See "—Our Travel Network business is exposed to pricing pressure from travel suppliers." In addition, consolidation among travel suppliers may result in one or more suppliers refusing to provide certain content to Sabre but rather making it exclusively available on the suppliers' proprietary websites, hurting the competitive position of our GDS relative to those websites. See "—Travel suppliers' use of alternative distribution models, such as direct distribution models, could adversely affect our Travel Network business."

We rely on third-party distributor partners and joint ventures to extend our GDS services to certain regions, which exposes us to risks associated with lack of direct management control and potential conflicts of interest.
Our Travel Network business utilizes third-party distributor partners and joint ventures to extend our GDS services in EMEA and APAC. We work with these partners to establish and maintain commercial and customer service relationships with both travel suppliers and travel buyers. Since, in many cases, we do not exercise full management control over their day-to-day operations, the success of their marketing efforts and the quality of the services they provide are beyond our control. If these partners do not meet our standards for distribution, our reputation may suffer materially, and sales in those regions could decline significantly. Any interruption in these third-party services, deterioration in their performance or termination of our contractual arrangements with them could negatively impact our ability to extend our GDS services in the relevant markets. In addition, our business may be harmed due to potential conflicts of interest with our joint venture partners.
Our Travel Network business depends on relationships with travel buyers.
Our Travel Network business relies on relationships with several large travel buyers, including TMCs and OTAs, to generate a large portion of its revenue through bookings made by these travel companies. This revenue concentration in a relatively small number of travel buyers makes us particularly dependent on factors affecting those companies. For example, if demand for their services decreases, or if a key supplier pulls its content from us, travel buyers may stop utilizing our services or move all or some of their business to competitors or competing channels.
Although our contracts with larger travel agencies often increase the incentive consideration when the travel agency processes a certain volume or percentage of its bookings through our GDS, travel buyers are not contractually required to book exclusively through our GDS during the contract term. Travel buyers may shift bookings to other distribution intermediaries for many reasons, including to avoid becoming overly dependent on a single source of travel content or to increase their bargaining power with GDS providers. Additionally, some regulations allow travel buyers to terminate their contracts earlier.
These risks are exacerbated by increased consolidation among travel agencies and TMCs, which may ultimately reduce the pool of travel agencies that subscribe to GDSs. 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. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Our Results—Increasing travel agency incentive consideration" included in Part II, Item 7 of our Annual Report on Form 10-K for more information about our incentive consideration. However, any reduction in transaction fees from travel suppliers due to supplier consolidation or other market forces could limit our ability to increase incentive consideration to travel agencies in a cost-effective manner or otherwise affect our margins.
Our business could be harmed by adverse global and regional economic and political conditions.
Travel expenditures are sensitive to personal and business discretionary spending levels and grow more slowly or decline during economic downturns. We derive the majority of our revenue from the United States and Europe, and we have expanded Travel Network's presence in APAC through the acquisition of SAPPL. Our geographic concentration in the United States and Europe, as well as our expanded focus in APAC, makes our business potentially vulnerable to economic and political conditions that adversely affect business and leisure travel originating in or traveling to these regions.
Despite modest growth in the U.S. economy, there is still weakness in other parts of the global economy, including increased unemployment, reduced financial capacity of both business and leisure travelers, diminished liquidity and credit availability, declines in consumer confidence and discretionary income and general uncertainty about economic stability. Furthermore, recent changes in the U.S. political environment have resulted in additional uncertainties with respect to travel restrictions, and the regulatory, tax and economic environment in the United States, which could adversely impact travel demand, our business operations or our financial results. We cannot predict the magnitude, length or recurrence of recessionary or low-growth economic patterns, which have impacted, and may continue to impact, demand for travel and lead to reduced spending on the services we provide.
We derive the remainder of our revenues from Latin America, the Middle East and Africa and APAC. Any unfavorable economic, political or regulatory developments in these regions could negatively affect our business, such

as delays in payment or non-payment of contracts, delays in contract implementation or signing, carrier control issues and increased costs from regulatory changes particularly as parts of our growth strategy involve expanding our presence in these emerging markets. For example, markets that have traditionally had a high level of exports to China, or that have commodities-based economies, have continued to experience slowing or deteriorating economic conditions. These adverse economic conditions may negatively impact our business results in those regions. Similarly, in Venezuela, due to currency controls that impact the ability of certain of our airline customers operating in the country to obtain U.S. dollars to make timely payments to us, the collection of accounts receivable due to us can be, and has been, delayed. Due to the nature of this delay, we are deferring the recognition of any future revenues until cash is collected in accordance with our policies. Accordingly, our accounts receivable are subject to a general collection risk, as there can be no assurance that we will be paid from such customers in a timely manner, if at all. In response to the political and economic uncertainty in Venezuela, certain airlines have scaled back operations in response to the reduced demand for travel by local consumers as well as the currency controls which has impacted our airline customers in Venezuela.

Voters in the U.K. have approved the exit of that country from the E.U. ("Brexit"), and the British government has provided official notification to the E.U. that it intends to withdraw from the E.U. The Brexit vote and related process have created significant economic uncertainty in the U.K. and in EMEA, which may negatively impact our business results in those regions. In addition, the terms of the U.K.'s withdrawal from the E.U., once negotiated, could potentially disrupt the markets we serve and the tax jurisdictions in which we operate and adversely change tax benefits or liabilities in these or other jurisdictions, and may cause us to lose customers, suppliers, and employees. In addition, Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the U.K. determines which E.U. laws to replace or replicate.

We operate a global business that exposes us to risks associated with international activities.

Our international operations involve risks that are not generally encountered when doing business in the United States. These risks include, but are not limited to:

- business, political and economic instability in foreign locations, including actual or threatened terrorist activities, and military action;
- changes in foreign currency exchange rates and financial risk arising from transactions in multiple currencies;
- adverse laws and regulatory requirements, including more comprehensive regulation in the EU and the possible effects of the Brexit vote;
- difficulty in developing, managing and staffing international operations because of distance, language and cultural differences;
- disruptions to or delays in the development of communication and transportation services and infrastructure;
- consumer attitudes, including the preference of customers for local providers;
- increasing labor costs due to high wage inflation in foreign locations, differences in general employment conditions and regulations, and the degree of employee unionization and activism;
- export or trade restrictions or currency controls;
- more restrictive data privacy requirements;
- governmental policies or actions, such as consumer, labor and trade protection measures and travel restrictions;
- taxes, restrictions on foreign investment and limits on the repatriation of funds;
- diminished ability to legally enforce our contractual rights; and
- decreased protection for intellectual property.

Any of the foregoing risks may adversely affect our ability to conduct and grow our business internationally.

We rely on the availability and performance of information technology services provided by third parties, including DXC, which manages a significant portion of our systems.

Our businesses are largely dependent on the computer data centers and network systems operated for us by DXC, and its third-party providers, including through our recently amended agreement with DXC. We also rely on other developers and service providers to maintain and support our global telecommunications infrastructure, including to connect our computer data center and call centers to end-users.

Our success is dependent on our ability to maintain effective relationships with these third-party technology and service providers. Some of our agreements with third-party technology and service providers are terminable for cause on short notice and often provide limited recourse for service interruptions. For example, our agreement with DXC provides us with limited indemnification rights. We could face significant additional cost or business disruption if:

- Any of these providers fail to enable us to provide our customers and suppliers with reliable, real-time access to our systems. For example, in 2013, we experienced a significant outage of the Sabre platform due to a failure on the part of one of our service providers. This outage, which affected both our Travel Network business and our Airline Solutions business, lasted several hours and caused significant problems for our customers. Any such future outages could cause damage to our reputation, customer loss and require us to pay compensation to affected customers for which we may not be indemnified or compensated.
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Our arrangements with such providers are terminated or impaired and we cannot find alternative sources of technology or systems support on commercially reasonable terms or on a timely basis. For example, our substantial dependence on DXC for many of our systems makes it difficult for us to switch vendors and makes us more sensitive to changes in DXC's pricing for its services.

In addition, DXC Technology ("DXC") was formed in April 2017 from the spin-off of HP Enterprises' Services segment business and merger with CSC. There could be uncertainty, delays or disruptions in DXC's services as a result of these transactions, which could result in additional costs or business disruptions for us.

We use open source software in our solutions that may subject our software solutions to general release or require us to re-engineer our solutions.

We use open source software in our solutions and may use more open source software in the future. From time to time, there have been claims by companies claiming ownership of software that was previously thought to be open source and that was incorporated by other companies into their products. As a result, we could be subject to suits by parties claiming ownership of what we believe to be open source software. Some open source licenses contain requirements that we make available source code for modifications or derivative works we create based upon the open source software and that we license these modifications or derivative works under the terms of a particular open source license or other license granting third parties certain rights of further use. If we combine or, in some cases, link our proprietary software solutions with or to open source software in a certain manner, we could, under certain of the open source licenses, be required to release the source code of our proprietary software solutions or license such proprietary solutions under the terms of a particular open source license or other license granting third parties certain rights of further use. In addition to risks related to license requirements, usage of open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on origin of the software. In addition, open source license terms may be ambiguous and many of the risks associated with usage of open source cannot be eliminated, and could, if not properly addressed, negatively affect our business. If we were found to have inappropriately used open source software, we may be required to seek licenses from third parties in order to continue offering our software, to re-engineer our solutions, to discontinue the sale of our solutions in the event re-engineering cannot be accomplished on a timely basis or take other remedial action that may divert resources away from our development efforts, any of which could adversely affect our business, operating results and financial condition.

Our ability to recruit, train and retain employees, including our key executive officers and technical employees, is critical to our results of operations and future growth.

Our continued ability to compete effectively depends on our ability to recruit new employees and retain and motivate existing employees, particularly professionals with experience in our industry, information technology and systems, as well as our key executive officers. For example, the specialized skills we require can be difficult and time-consuming to acquire and are often in short supply. There is high demand and competition for well-qualified employees on a global basis, such as software engineers, developers and other technology professionals with specialized knowledge in software development, especially expertise in certain programming languages. This competition affects both our ability to retain key employees and to hire new ones. Similarly, uncertainty in the global political environment may adversely affect our ability to hire and retain key employees.

Any of our employees may choose to terminate their employment with us at any time, and a lengthy period of time is required to hire and train replacement employees when such skilled individuals leave the company. For example, Sean Menke has recently been elected as President and Chief Executive Officer of Sabre. Our business operations may be affected by the CEO transition, potentially resulting from modifications to our business strategies announced by our new CEO and increased long-term investment in key areas, such as technology infrastructure, that may have a negative impact in the short term due to expected increases in operating expenses and capital expenditures.

If we fail to attract well-qualified employees or to retain or motivate existing employees, our business could be materially hindered by, for example, a delay in our ability to deliver products and services under contract, bring new products and services to market or respond swiftly to customer demands or new offerings from competitors. Even if we are able to maintain our employee base, the resources needed to recruit and retain such employees may adversely affect our business, financial condition and results of operations.

We are exposed to risks associated with acquiring or divesting businesses or business operations.

We have acquired, and, as part of our growth strategy, may in the future acquire, businesses or business operations, including our acquisition of Abacus in July 2015. We may not be able to identify suitable candidates for additional business combinations and strategic investments, obtain financing on acceptable terms for such transactions, obtain necessary regulatory approvals or otherwise consummate such transactions on acceptable terms, or at all. Any acquisitions that we are able to identify and complete may also involve a number of risks, including our inability to successfully or profitably integrate, operate, maintain and manage our newly acquired operations or employees; the diversion of our management's attention from our existing business to integrate operations and personnel; possible material adverse effects on our results of operations during the integration process; becoming subject to contingent or other liabilities, including liabilities arising from events or conduct predating the acquisition that were not known to us at the time of the acquisition; and our possible inability to achieve the intended objectives of the transaction, including the inability to achieve cost savings and synergies. Acquisitions may also have unanticipated tax, regulatory and accounting ramifications, including recording goodwill and nonamortizable intangible assets that are subject to impairment testing on a regular basis and potential periodic impairment charges and incurring amortization expenses related to certain intangible assets. To consummate any such transactions, we may need to raise external funds through the sale of equity or the issuance of debt in the capital markets or through private placements, which may affect our liquidity and may dilute the value of our common stock. See "-We have a significant amount of indebtedness, which could adversely affect our cash flow and our ability to operate our business and to fulfill our obligations under our indebtedness."

We have also divested, and may in the future divest, businesses or business operations. Any divestitures may involve a number of risks, including the diversion of management's attention, significant costs and expenses, the loss of customer relationships and cash flow, and the disruption of the affected business or business operations. Failure to timely complete or to consummate a divestiture may negatively affect the valuation of the affected business or business operations or result in restructuring charges.

We rely on the value of our brands, which may be damaged by a number of factors, some of which are out of our control.

We believe that maintaining and expanding our portfolio of product and service brands are important aspects of our efforts to attract and expand our customer base. Our brands may be negatively impacted by, among other things, unreliable service levels from third-party providers, customers' inability to properly interface their applications with our technology, the loss or unauthorized disclosure of personal data, including PCI or PII, or other bad publicity due to litigation, regulatory concerns or otherwise relating to our business. See "-Security breaches could expose us to liability and damage our reputation and our business." Any inability to maintain or enhance awareness of our brands among our existing and target customers could negatively affect our current and future business prospects.

We are involved in various legal proceedings which may cause us to incur significant fees, costs and expenses and may result in unfavorable outcomes.

We are involved in various legal proceedings that involve claims for substantial amounts of money or which involve how we conduct our business. See Note 11, Contingencies, to our consolidated financial statements. For example, the court has entered a judgment against us as a result of the jury verdict we recently received in the antitrust litigation with US Airways, and we have appealed this judgment. Other parties might likewise seek to benefit from any unfavorable outcome by threatening to bring or actually bringing their own claims against us on the same or similar grounds or utilizing the litigation to seek more favorable contract terms. We are also subject to a DOJ antitrust investigation from 2011 relating to the pricing and conduct of the airline distribution industry. We received a CID from the DOJ and we are fully cooperating. The DOJ has also sent CIDs to other companies in the travel industry. Based on its findings in the investigation, the DOJ may (i) close the file, (ii) seek a consent decree to remedy issues it believes violate the antitrust laws, or (iii) file suit against us for violating the antitrust laws, seeking injunctive relief. Depending on the outcome of any of these proceedings, and the scope of the outcome, the manner in which our airline distribution business is operated could be affected and could potentially force changes to the existing airline distribution business model.

The defense of these actions, as well as any of the other actions described under Note 11, Contingencies, to our consolidated financial statements or elsewhere in this Quarterly Report on Form 10-Q, and any other actions brought against us in the future, is time consuming and diverts management's attention. Even if we are ultimately successful in defending ourselves in such matters, we are likely to incur significant fees, costs and expenses as long as they are ongoing. Any of these consequences could have a material adverse effect on our business, financial condition and results of operations.

Intellectual property infringement actions against us could be costly and time consuming to defend and may result in business harm if we are unsuccessful in our defense.

Third parties may assert, including by means of counterclaims against us as a result of the assertion of our intellectual property rights, that our products, services or technology, or the operation of our business, violate their intellectual property rights. We are currently subject to such assertions, including patent infringement claims, and may be subject to such assertions in the future. These assertions may also be made against our customers who may seek indemnification from us. In the ordinary course of business, we enter into agreements that contain indemnity obligations whereby we are required to indemnify our customers against these assertions arising from our customers' usage of our products, services or technology. As the competition in our industry increases and the functionality of technology offerings further overlaps, these claims and counterclaims could become more common. We cannot be certain that we do not or will not infringe third parties' intellectual property rights.

Legal proceedings involving intellectual property rights are highly uncertain, and can involve complex legal and scientific questions. Any intellectual property claim against us, regardless of its merit, could result in significant liabilities to our business, and can be expensive and time consuming to defend. Depending on the nature of such claims, our businesses may be disrupted, our management's attention and other company resources may be diverted and we may be required to redesign, reengineer or rebrand our products and services, if feasible, to stop offering certain products and services or to enter into royalty or licensing agreements in order to obtain the rights to use necessary technologies, which may not be available on terms acceptable to us, if at all, and may result in a decrease of our competitive advantage. Our failure to prevail in such matters could result in loss of intellectual property rights, judgments awarding substantial damages, including possible treble damages and attorneys' fees, and injunctive or other equitable relief against us. If we are held liable, we may be unable to exploit some or all of our intellectual property rights or technology. Even if we are not held liable, we may choose to settle claims by making a monetary payment or by granting a license to intellectual property rights that we otherwise would not license. Further, judgments may result in loss of reputation, may force us to take costly remediation actions, delay selling our products and offering our services, reduce features or functionality in our services or products, or cease such activities altogether. Insurance may not cover or be insufficient for any such claim.

We may not have sufficient insurance to cover our liability in pending litigation claims and future claims either due to coverage limits or as a result of insurance carriers seeking to deny coverage of such claims, which in either case could expose us to significant liabilities.

We maintain third-party insurance coverage against various liability risks, including securities, stockholders, derivative, ERISA, and product liability claims, as well as other claims that form the basis of litigation matters pending against us. We believe these insurance programs are an effective way to protect our assets against liability risks. However, the potential liabilities associated with litigation matters pending against us, or that could arise in the future, could exceed the coverage provided by such programs. In addition, our insurance carriers have in the past sought or may seek to rescind or deny coverage with respect to pending claims or lawsuits, completed investigations or pending or future investigations and other legal actions against us. See Note 11, Contingencies, to our consolidated financial statements for information on previous litigation with our insurance carriers. If we do not have sufficient coverage under our policies, or if the insurance companies are successful in rescinding or denying coverage, we may be required to make material payments in connection with third-party claims.

We may not be able to protect our intellectual property effectively, which may allow competitors to duplicate our products and services.

Our success and competitiveness depend, in part, upon our technologies and other intellectual property, including our brands. Among our significant assets are our proprietary and licensed software and other proprietary information and intellectual property rights. We rely on a combination of copyright, trademark and patent laws, laws protecting trade secrets, confidentiality procedures and contractual provisions to protect these assets both in the United States and in foreign countries. The laws of some jurisdictions may provide less protection for our technologies and other intellectual property assets than the laws of the United States.

There is no certainty that our intellectual property rights will provide us with substantial protection or commercial benefit. Despite our efforts to protect our intellectual property, some of our innovations may not be protectable, and our intellectual property rights may offer insufficient protection from competition or unauthorized use, lapse or expire, be challenged, narrowed, invalidated, or misappropriated by third parties, or be deemed unenforceable or abandoned, which could have a material adverse effect on our business, financial condition and results of operations and the legal remedies available to us may not adequately compensate us. We cannot be certain that others will not independently develop, design around, or otherwise acquire equivalent or superior technology or intellectual property rights.

- While we take reasonable steps to protect our brands and trademarks, we may not be successful in maintaining or defending our brands or preventing third parties from adopting similar brands. If our competitors infringe our principal trademarks, our brands may become diluted or if our competitors introduce brands or products that cause confusion with our brands or products in the marketplace, the value that our consumers associate with our brands may become diminished, which could negatively impact revenue.
- Our patent applications may not be granted, and the patents we own could be challenged, invalidated, narrowed or circumvented by others and may not be of sufficient scope or strength to provide us with any meaningful protection or commercial advantage. Once our patents expire, or if they are invalidated, narrowed or circumvented, our competitors may be able to utilize the technology protected by our patents which may adversely affect our business.
- Although we rely on copyright laws to protect the works of authorship created by us, we do not generally register the copyrights in our copyrightable works where such registration is permitted. Copyrights of U.S. origin must be registered before the copyright owner may bring an infringement suit in the United States. Accordingly, if one of our unregistered copyrights of U.S. origin is infringed by a third party, we will need to register the copyright before we can file an infringement suit in the United States, and our remedies in any such infringement suit may be limited.
- We use reasonable efforts to protect our trade secrets. However, protecting trade secrets can be difficult and our efforts may provide inadequate protection to prevent unauthorized use, misappropriation, or disclosure of our trade secrets, know how, or other proprietary information.
- We also rely on our domain names to conduct our online businesses. While we use reasonable efforts to protect and maintain our domain names, if we fail to do so the domain names may become available to others. Further, the regulatory bodies that oversee domain name registration may change their regulations in a way that adversely affects our ability to register and use certain domain names.

We license software and other intellectual property from third parties. These licensors may breach or otherwise fail to perform their obligations, or claim that we have breached or otherwise attempt to terminate their license agreements with us. We also rely on license agreements to allow third parties to use our intellectual property rights, including our software, but there is no guarantee that our licensees will abide by the terms of our license agreements or that the terms of our agreements will always be enforceable.

In addition, policing unauthorized use of and enforcing intellectual property can be difficult and expensive. The fact that we have intellectual property rights, including registered intellectual property rights, may not guarantee success in our attempts to enforce these rights against third parties. Besides general litigation risks, changes in, or interpretations of, intellectual property laws may compromise our ability to enforce our rights. We may not be aware of infringement or misappropriation, or elect not to seek to prevent it. Our decisions may be based on a variety of factors, such as costs and benefits of taking action, and contextual business, legal, and other issues. Any inability to adequately protect our intellectual property on a cost-effective basis could harm our business.

Defects in our products may subject us to significant warranty liabilities or product liability claims and we may have insufficient product liability insurance to pay material uninsured claims.

Our business exposes us to the risk of product liability claims that are inherent in software development. We may inadvertently create defective software, or supply our customers with defective software or software components that we acquire from third parties, which could result in personal injury, property damage or other liabilities, and may result in warranty or product liability claims brought against us, our travel supplier customers or third parties.

Under our customer agreements, we generally must indemnify our customers for liability arising from intellectual property infringement claims with respect to our software. These indemnification obligations could be significant and we may not have adequate insurance coverage to protect us against all claims. The combination of our insurance coverage, cash flows and reserves may not be adequate to satisfy product liabilities we may incur in the future. Even meritless claims could subject us to adverse publicity, hinder us from securing insurance coverage in the future, require us to incur significant legal fees, decrease demand for any products that we successfully develop, divert management’s attention, and force us to limit or forgo further development and commercialization of these products. The cost of any product liability litigation or other proceedings, even if resolved in our favor, could be substantial.

Any failure to comply with regulations or any changes in such regulations governing our businesses could adversely affect us.

Parts of our business operate in regulated industries and could be adversely affected by unfavorable changes in or the enactment of new laws, rules or regulations applicable to us, which could decrease demand for our products and services, increase costs or subject us to additional liabilities. Moreover, regulatory authorities have relatively broad discretion to grant, renew and revoke licenses and approvals and to implement or interpret regulations. Accordingly, these regulatory authorities could prevent or temporarily suspend us from carrying on some or all of our activities or otherwise penalize us if our practices were found not to comply with the applicable regulatory or licensing requirements or any interpretation of such requirements by the regulatory authority. Our failure to comply with any of these requirements or interpretations could have a material adverse effect on our operations. In particular, after a voluntary disclosure, we received a warning letter from the Bureau of Industry and Security regarding our failure to comply fully with the Export Administration Regulations as to software updates for a few travel agency customers located outside the United States. Although the Bureau of Industry and Security declined to prosecute or sanction us, if we were to violate the Export Administration Regulations again, the matter could be reopened or taken into consideration when investigating future matters and we may be subject to criminal prosecution or administrative sanctions.

Further, the United States has imposed economic sanctions that affect transactions with designated countries, including Cuba, Iran, Crimea region, North Korea and Syria, and nationals and others of those countries, and certain specifically targeted individuals and entities engaged in conduct detrimental to U.S. national security interests. These sanctions are administered by the U.S. Department of the Treasury’s Office of Foreign Assets Control (“OFAC”) and are typically known as the OFAC regulations. These regulations are extensive and complex, and they differ from one sanctions regime to another. Failure to comply with these regulations could subject us to legal and reputational consequences, including civil and criminal penalties.

We have GDS contracts with carriers that fly to Cuba, Iran, Crimea region, North Korea and Syria but are based outside of those countries and are not owned by those governments or nationals of those governments. With respect to Iran, Sudan, North Korea and Syria we believe that our activities are designed to comply with certain information and travel-related exemptions. With respect to Cuba, we have advised OFAC that customers outside the United States we display on the Sabre GDS flight information for, and support booking and ticketing of, services of non-Cuban airlines that offer service to Cuba. Based on advice of counsel, we believe these activities to fall under an exemption from OFAC regulations applicable to the transmission of information and informational materials and transactions related thereto.

We believe that our activities with respect to these countries are known to OFAC. We note, however, that OFAC regulations and related interpretive guidance are complex and subject to varying interpretations. Due to this complexity, OFAC’s interpretation of its own regulations and guidance vary on a case to case basis. As a result, we cannot provide any guarantees that OFAC will not challenge any of our activities in the future, which could have a material adverse effect on our results of operations.

In Europe, GDS regulations or interpretations thereof may increase our cost of doing business or lower our revenues, limit our ability to sell marketing data, impact relationships with travel buyers, airlines, rail carriers or others, impair the enforceability of existing agreements with travel buyers and other users of our system, prohibit or limit us from offering services or products, or limit our ability to establish or change fees. Although regulations specifically governing GDSs have been lifted in the United States, they remain subject to general regulation regarding unfair trade practices by the U.S. Department of Transportation (“DOT”). In addition, continued regulation of GDSs in the EU and elsewhere could also create the operational challenge of supporting different products, services and business practices to conform to the different regulatory regimes. We do not currently maintain a central database of all regulatory requirements affecting our worldwide operations and, as a result, the risk of non-compliance with the laws and regulations described above is heightened. Our failure to comply with these laws and regulations may subject us to fines, penalties and potential criminal violations. Any changes to these laws or regulations or any new laws or regulations may make it more difficult for us to operate our business.

Our collection, processing, storage, use and transmission of personal data could give rise to liabilities as a result of governmental regulation, conflicting legal requirements, differing views on data privacy or security breaches.

We collect, process, store, use and transmit a large volume of personal data on a daily basis, including, for example, to process travel transactions for our customers and to deliver other travel-related products and services. Personal data is increasingly subject to legal and regulatory protections around the world, which vary widely in approach and which possibly conflict with one another. In recent years, for example, U.S. legislators and regulatory agencies, such as the Federal Trade Commission, as well as U.S. states, have increased their focus on protecting personal data by law and regulation, and have increased enforcement actions for violations of privacy and data protection requirements. The European Commission also recently approved and adopted a new data protection law, which will apply beginning in May 2018. These data protection laws and regulations are intended to protect the privacy and security of personal data, including credit card information that is collected, processed and transmitted in or from the relevant jurisdiction. Implementation of and compliance with these laws and regulations may be more costly or take longer than we anticipate, or could otherwise adversely affect our business operations, which could negatively impact our financial position or cash flows. Additionally, media coverage of data breaches has escalated, in part because of the increased number of enforcement actions, investigations and lawsuits. As this focus and attention on privacy and data protection increases, we may also risk exposure to liabilities resulting from any failure to comply with applicable legal requirements, conflicts among these legal requirements or differences in approaches to privacy and security of travel data. Our business could be materially adversely affected by our inability, or the inability of our vendors who receive personal data from us, to comply with legal obligations regarding the use of personal data, new data handling requirements that conflict with or negatively impact our business practices. In addition, our agreements with customers may also require that we indemnify the customer for liability arising from data breaches under the terms of our agreements with these customers. These indemnification obligations could be significant and may exceed any the limits of any applicable insurance policy we maintain. See "-Security breaches could expose us to liability and damage our reputation and our business."

We may have higher than anticipated tax liabilities.

We are subject to a variety of taxes in many jurisdictions globally, including income taxes in the United States at the federal, state and local levels, and in many other countries. Significant judgment is required in determining our worldwide provision for income taxes. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. We operate in numerous countries where our income tax returns are subject to audit and adjustment by local tax authorities. Because we operate globally, the nature of the uncertain tax positions is often very complex and subject to change, and the amounts at issue can be substantial. It is inherently difficult and subjective to estimate such amounts, as we have to determine the probability of various possible outcomes. We re-evaluate uncertain tax positions on a quarterly basis. This evaluation is based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, effectively settled issues under audit and new audit activity. Although we believe our tax estimates are reasonable, the final determination of tax audits could be materially different from our historical income tax provisions and accruals. Our effective tax rate may change from year to year based on changes in the mix of activities and income allocated or earned among various jurisdictions, tax laws in these jurisdictions, tax treaties between countries, our eligibility for benefits under those tax treaties, and the estimated values of deferred tax assets and liabilities. Such changes could result in an increase in the effective tax rate applicable to all or a portion of our income which would reduce our profitability.

We establish reserves for our potential liability for U.S. and non-U.S. taxes, including sales, occupancy and value-added taxes ("VAT"), consistent with applicable accounting principles and in light of all current facts and circumstances. We also establish reserves when required relating to the collection of refunds related to value-added taxes, which are subject to audit and collection risks in various regions of Europe. Historically our right to recover certain value-added tax receivables associated with our European businesses has been questioned by tax authorities. These reserves represent our best estimate of our contingent liability for taxes. The interpretation of tax laws and the determination of any potential liability under those laws are complex, and the amount of our liability may exceed our established reserves.

We consider the undistributed earnings of our foreign subsidiaries as of September 30, 2017 to be indefinitely reinvested and, accordingly, no U.S. income taxes have been provided thereon. As of December 31, 2016, the amount of indefinitely reinvested foreign earnings was approximately $278 million. If cash, cash equivalents and marketable securities are needed for our operations in the United States, we would be required to accrue and pay taxes to repatriate all such cash, cash equivalents and marketable securities. We have not, nor do we anticipate the need to, repatriate funds to the United States in a taxable transaction to satisfy domestic liquidity needs arising in the ordinary course of business, including liquidity needs associated with our domestic debt service requirements.

New tax laws, statutes, rules, regulations or ordinances could be enacted at any time and existing tax laws, statutes, rules, regulations and ordinances could be interpreted, changed, modified or applied adversely to us. These events could require us to pay additional tax amounts on a prospective or retroactive basis, as well as require us to pay fees, penalties or interest for past amounts deemed to be due. For example, there have been proposals to amend U.S. tax laws that would significantly impact how U.S. companies are taxed on foreign earnings. New, changed, modified or newly interpreted or applied laws could also increase our compliance, operating and other costs, as well as the costs of our products and services.

We may recognize impairments on long-lived assets, including goodwill and other intangible assets, or recognize impairments on our equity method investments.

Our consolidated balance sheet at September 30, 2017 contained goodwill and intangible assets, net totaling $3.3 billion. Future acquisitions that result in the recognition of additional goodwill and intangible assets would cause an increase in these types of assets. We do not amortize goodwill and intangible assets that are determined to have indefinite useful lives, but we amortize definite-lived intangible assets on a straight-line basis over their useful economic lives, which range from four to thirty years, depending on classification.

We evaluate goodwill for impairment on an annual basis or earlier if impairment indicators exist and we evaluate definite-lived intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of definite-lived intangible assets used in combination to generate cash flows largely independent of other assets may not be recoverable. We record an impairment charge whenever the estimated fair value of our reporting units or of such intangible assets is less than its carrying value.

The fair values used in our impairment evaluation are estimated using a combined approach based upon discounted future cash flow projections and observed market multiples for comparable businesses. Changes in estimates based on changes in risk-adjusted discount rates, future booking and transaction volume levels, future price levels, rates of growth in our consumer and corporate direct booking businesses, rates of increase in operating expenses, cost of revenue and taxes could result in material impairment charges.

Our pension plan obligations are currently unfunded, and we may have to make significant cash contributions to our plans, which could reduce the cash available for our business.

Our pension plans in the aggregate are estimated to be unfunded by $120 million as of December 31, 2016. With approximately 5,070 participants in our pension plans, we incur substantial costs relating to pension benefits, which can vary substantially as a result of changes in healthcare laws and costs, volatility in investment returns on pension plan assets and changes in discount rates used to calculate related liabilities. Our estimates of liabilities and expenses for pensions and other post-retirement healthcare benefits require the use of assumptions, including assumptions relating to the rate used to discount the future estimated liability, the rate of return on plan assets, inflation and several assumptions relating to the employee workforce (medical costs, retirement age and mortality). Actual results may differ, which may have a material adverse effect on our business, prospects, financial condition or results of operations. Future volatility and disruption in the stock markets could cause a decline in the asset values of our pension plans. In addition, a decrease in the discount rate used to determine minimum funding requirements could result in increased future contributions. If either occurs, we may need to make additional pension contributions above what is currently estimated, which could reduce the cash available for our businesses.

We are exposed to risks associated with PCI compliance.

The PCI Data Security Standard ("PCI DSS") is a specific set of comprehensive security standards required by credit card brands for enhancing payment account data security, including but not limited to requirements for security management, policies, procedures, network architecture, and software design. PCI DSS compliance is required in order to maintain credit card processing services. The cost of compliance with PCI DSS is significant and may increase as the requirements change. We are tested periodically for assurance and successfully completed our last annual assessment in September 2017. Compliance does not guarantee a completely secure environment and notwithstanding the results of this assessment there can be no assurance that payment card brands will not request further compliance assessments or set forth additional requirements to maintain access to credit card processing services. See "-Security breaches could expose us to liability and damage our reputation and our business." Compliance is an ongoing effort and the requirements evolve as new threats are identified. In the event that we were to lose PCI DSS compliance status (or fail to renew compliance under a future version of the PCI DSS), we could be exposed to increased operating costs, fines and penalties and, in extreme circumstances, may have our credit card processing privileges revoked, which would have a material adverse effect on our business.

We may require more cash than we generate in our operating activities, and additional funding on reasonable terms or at all may not be available.

We cannot guarantee that our business will generate sufficient cash flow from operations to fund our capital investment requirements or other liquidity needs. Moreover, because we are a holding company with no material

direct operations, we depend on loans, dividends and other payments from our subsidiaries to generate the funds necessary to meet our financial obligations. Our subsidiaries are legally distinct from us and may be prohibited or restricted from paying dividends or otherwise making funds available to us under certain conditions.
As a result, we may be required to finance our cash needs through bank loans, additional debt financing, public or private equity offerings or otherwise. Our ability to arrange financing and the cost of such financing are dependent on numerous factors, including but not limited to:
- general economic and capital market conditions;
- the availability of credit from banks or other lenders;

- investor confidence in us; and
- our results of operations.

There can be no assurance that financing will be available on terms favorable to us or at all, which could force us to delay, reduce or abandon our growth strategy, increase our financing costs, or both. Additional funding from debt financings may make it more difficult for us to operate our business because a portion of our cash generated from internal operations would be used to make principal and interest payments on the indebtedness and we may be obligated to abide by restrictive covenants contained in the debt financing agreements, which may, among other things, limit our ability to make business decisions and further limit our ability to pay dividends.

In addition, any downgrade of our debt ratings by Standard & Poor's, Moody's Investor Service or similar ratings agencies, increases in general interest rate levels and credit spreads or overall weakening in the credit markets could increase our cost of capital. Furthermore, raising capital through public or private sales of equity to finance acquisitions or expansion could cause earnings or ownership dilution to your shareholding interests in our company.

We have a significant amount of indebtedness, which could adversely affect our cash flow and our ability to operate our business and to fulfill our obligations under our indebtedness.

We have a significant amount of indebtedness. As of September 30, 2017, we had $3.5 billion of indebtedness outstanding in addition to $376 million of availability under our Revolver (as defined below in Item 1. Financial Statements, Note 6, Debt), after taking into account the availability reduction of $24 million for letters of credit issued under our Revolver. In February 2017, Sabre GLBL entered into the Term Facility Amendment to provide for the Term Loan B. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Senior Secured Credit Facilities" in Part I, Item 2. Our substantial level of indebtedness increases the possibility that we may not generate enough cash flow from operations to pay, when due, the principal of, interest on or other amounts due in respect of, these obligations. Other risks relating to our long-term indebtedness include:

- increased vulnerability to general adverse economic and industry conditions;
- higher interest expense if interest rates increase on our floating rate borrowings and our hedging strategies do not effectively mitigate the effects of these increases;
- need to divert a significant portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of cash to fund working capital, capital expenditures, acquisitions, investments and other general corporate purposes;
- limited ability to obtain additional financing, on terms we find acceptable, if needed, for working capital, capital expenditures, expansion plans and other investments, which may adversely affect our ability to implement our business strategy;
- limited flexibility in planning for, or reacting to, changes in our businesses and the markets in which we operate or to take advantage of market opportunities; and
- a competitive disadvantage compared to our competitors that have less debt.

In addition, it is possible that we may need to incur additional indebtedness in the future in the ordinary course of business. The terms of our Amended and Restated Credit Agreement and the indentures governing our senior secured notes due in 2023 allow us to incur additional debt subject to certain limitations. If new debt is added to current debt levels, the risks described above could intensify. In addition, our inability to maintain certain leverage ratios could result in acceleration of a portion of our debt obligations and could cause us to be in default if we are unable to repay the accelerated obligations.

We are exposed to interest rate fluctuations.

Our floating rate indebtedness exposes us to fluctuations in prevailing interest rates. To reduce the impact of large fluctuations in interest rates, we typically hedge a portion of our interest rate risk by entering into derivative agreements with financial institutions. Our exposure to interest rates relates primarily to our borrowings under the Amended and Restated Credit Agreement.

The derivative agreements that we use to manage the risk associated with fluctuations in interest rates may not be able to eliminate the exposure to these changes. Interest rates are sensitive to numerous factors outside of our control, such as government and central bank monetary policy in the jurisdictions in which we operate. Depending on the size of the exposures and the relative movements of interest rates, if we choose not to hedge or fail to effectively hedge our exposure, we could experience a material adverse effect on our results of operations and financial condition.

We are exposed to exchange rate fluctuations.

We conduct various operations outside the United States, primarily in APAC, Europe and Latin America. During the nine months ended September 30, 2017, foreign currency operations included $189 million of revenue and $443 million of operating expenses, representing approximately 7% and 20% of our total revenue and operating expenses, respectively. During the year ended December 31, 2016, foreign currency operations included $211 million of revenue and $666 million of operating expenses, representing approximately 6% and 23% of our total revenue and operating expenses, respectively. Our most significant foreign currency operating expenses are in the Euro, representing approximately 8% and 7% of our operating expenses for the nine months ended September 30, 2017 and for the year ended December 31, 2016, respectively. As a result, we face exposure to movements in currency exchange rates. These exposures include but are not limited to:

- re-measurement gains and losses from changes in the value of foreign denominated assets and liabilities;
- translation gains and losses on foreign subsidiary financial results that are translated into U.S. dollars, our functional currency, upon consolidation;
- planning risk related to changes in exchange rates between the time we prepare our annual and quarterly forecasts and when actual results occur; and
- the impact of relative exchange rate movements on cross-border travel, principally travel between Europe and the United States.

Depending on the size of the exposures and the relative movements of exchange rates, if we choose not to hedge or fail to hedge effectively our exposure, we could experience a material adverse effect on our results of operations and financial condition. As we have seen in prior periods, in the event of severe volatility in exchange rates, these exposures can increase, and the impact on our results of operations and financial condition can be more pronounced. In addition, the current environment and the increasingly global nature of our business have made hedging these exposures more complex and costly.

To reduce the impact of this earnings volatility, we hedge our foreign currency exposure by entering into foreign currency forward contracts on several of our largest foreign currency exposures, including the Singaporean Dollar, the British Pound Sterling, the Polish Zloty, the Australian Dollar, and the Indian Rupee. Although we have increased and may continue to increase the scope, complexity and duration of our foreign exchange risk management strategy, our current or future hedging activities may not sufficiently protect us from the adverse effects of currency exchange rate movements. Moreover, we make a number of estimates in conducting hedging activities, including in some cases the level of future bookings, cancellations, refunds, customer stay patterns and payments in foreign currencies. In the event those estimates differ significantly from actual results, we could experience greater volatility as a result of our hedging activities.

The terms of our debt covenants could limit our discretion in operating our business and any failure to comply with such covenants could result in the default of all of our debt.

The agreements governing our indebtedness contain and the agreements governing our future indebtedness will likely contain various covenants, including those that restrict our or our subsidiaries' ability to, among other things:

- incur liens on our property, assets and revenue;
- borrow money, and guarantee or provide other support for the indebtedness of third parties;
- pay dividends or make other distributions on, redeem or repurchase our capital stock;
- prepay, redeem or repurchase certain of our indebtedness;
- enter into certain change of control transactions;
- make investments in entities that we do not control, including joint ventures;
- enter into certain asset sale transactions, including divestiture of certain company assets and divestiture of capital stock of wholly-owned subsidiaries;
- enter into certain transactions with affiliates;
- enter into secured financing arrangements;
- enter into sale and leaseback transactions;
- change our fiscal year; and
- enter into substantially different lines of business.

These covenants may limit our ability to effectively operate our businesses or maximize stockholder value. In addition, our Amended and Restated Credit Agreement requires that we meet certain financial tests, including the maintenance of a leverage ratio and a minimum net worth. Our ability to satisfy these tests may be affected by factors and events beyond our control, and we may be unable to meet such tests in the future.

Any failure to comply with the restrictions of our Amended and Restated Credit Agreement, the indentures governing our senior secured notes due 2023 or any agreement governing our other indebtedness may result in an event of default under those agreements. Such default may allow the creditors to accelerate the related debt, which may trigger

cross-acceleration or cross-default provisions in other debt. In addition, lenders may be able to terminate any commitments they had made to supply us with further funds.
We are updating our enterprise resource planning system, and problems with the design or implementation of this system could interfere with our business and operations.
We are continuing to implement a project to consolidate our business technology infrastructure to a single global ERP system. We expect to invest capital and human resources in the design and implementation of the ERP system, which may be disruptive to our underlying business. Any disruptions, delays or deficiencies in the design and implementation of the ERP system, particularly ones that impact our financial reporting and accounting systems, could adversely affect our business. Even if we do not encounter these adverse effects, the design and implementation of the ERP system may be more costly than we anticipate, which could

negatively impact our financial position, results of operations and cash flows. In addition, the ERP system will be outsourced to a third-party provider, and any disruption to those outsourced systems may negatively impact our business. See "-We rely on the availability and performance of information technology services provided by third parties, including DXC, which manages a significant portion of our systems."

Maintaining and improving our financial controls and the requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain qualified board members.

As a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") and The NASDAQ Stock Market ("NASDAQ") rules. The requirements of these rules and regulations have increased and will continue to significantly increase our legal and financial compliance costs, including costs associated with the hiring of additional personnel, making some activities more difficult, time-consuming or costly, and may also place undue strain on our personnel, systems and resources. The Exchange Act requires, among other things, that we file annual, quarterly and current reports with respect to our business and financial condition.

The Sarbanes-Oxley Act requires, among other things, that we maintain disclosure controls and procedures and internal control over financial reporting. Ensuring that we have adequate internal financial and accounting controls and procedures in place, as well as maintaining these controls and procedures, is a costly and time-consuming effort that needs to be re-evaluated frequently. Section 404 of the Sarbanes-Oxley Act ("Section 404") requires that we annually evaluate our internal control over financial reporting to enable management to report on, and our independent auditors to audit as of the end of each fiscal year the effectiveness of those controls. In connection with the Section 404 requirements, both we and our independent registered public accounting firm test our internal controls and could, as part of that documentation and testing, identify material weaknesses, significant deficiencies or other areas for further attention or improvement.

Implementing any appropriate changes to our internal controls may require specific compliance training for our directors, officers and employees, require the hiring of additional finance, accounting and other personnel, entail substantial costs to modify our existing accounting systems, and take a significant period of time to complete. These changes may not, however, be effective in maintaining the adequacy of our internal controls, and any failure to maintain that adequacy, or consequent inability to produce accurate financial statements on a timely basis, could increase our operating costs and could materially impair our ability to operate our business. Moreover, adequate internal controls are necessary for us to produce reliable financial reports and are important to help prevent fraud. As a result, our failure to satisfy the requirements of Section 404 on a timely basis could result in the loss of investor confidence in the reliability of our financial statements, which in turn could cause the market value of our common stock to decline.

Various rules and regulations applicable to public companies make it more difficult and more expensive for us to maintain directors' and officers' liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to maintain coverage. If we are unable to maintain adequate directors' and officers' liability insurance, our ability to recruit and retain qualified officers and directors, especially those directors who may be deemed independent for purposes of the NASDAQ rules, will be significantly curtailed.

Concentration of ownership among our Principal Stockholders may prevent new investors from influencing significant corporate decisions and may result in conflicts of interest.

As of September 30, 2017, the Principal Stockholders (as defined below) own, in the aggregate, approximately 25% of our outstanding common stock and, consequently, have significant influence over us.

We are a party to an amended and restated Stockholders' Agreement (as further amended and restated, the "Stockholders' Agreement") with the Silver Lake Funds, the TPG Funds and the Sovereign Co-Invest II (each as defined below). Pursuant to the Stockholders' Agreement, each of the Silver Lake Funds and the TPG Funds currently has the right to designate for nomination two directors. In addition, the Silver Lake Funds and the TPG Funds also jointly have the right to designate one additional director who must qualify as independent under the NASDAQ rules and must meet the independence requirements of Rule 10A-3 of the Exchange Act so long as they collectively own at least 10% of their collective Closing Date Shares (as defined in the Stockholders' Agreement). As a result, the Principal Stockholders are able to exercise significant influence over all matters requiring stockholder approval, including: the election of directors; approval of mergers or a sale of all or substantially all of our assets and other significant corporate transactions; and the amendment of our Certificate of Incorporation and our Bylaws. This concentration of influence may delay, deter or prevent acts that would be favored by our other stockholders, who may have interests different from those of our Principal Stockholders. In addition, this significant concentration of share ownership may adversely affect the trading price of our common stock because investors often perceive disadvantages in owning common stock in companies with Principal Stockholders.

"TPG" refers to TPG Global, LLC and its affiliates, the "TPG Funds" refer to one or more of TPG Partners IV, L.P. ("TPG Partners IV"), TPG Partners V, L.P. ("TPG Partners V"), TPG FOF V-A, L.P. ("TPG FOF V-A") and TPG FOF V-B, L.P. ("TPG FOF V-B"), "Silver Lake" refers to Silver Lake Management Company, L.L.C. and its affiliates and "Silver Lake Funds" refer to either or both of Silver Lake Partners II, L.P. and Silver Lake Technology Investors II, L.P. "Sovereign Co-Invest II" refers to Sovereign Co-

Invest II, LLC, an entity co-managed by TPG and Silver Lake. “Principal Stockholders” refer to the TPG Funds, the Silver Lake Funds and Sovereign Co-Invest II.

The market price of our common stock could decline due to the large number of outstanding shares of our common stock eligible for future sale.

Sales of substantial amounts of our common stock in the public market in future offerings, or the perception that these sales could occur, could cause the market price of our common stock to decline. These sales could also make it more difficult for us to sell equity or equity-related securities in the future, at a time and price that we deem appropriate. In addition, the additional sale of our common stock by our officers, directors and Principal Stockholders in the public market, or the perception that these sales may occur, could cause the market price of our common stock to decline.

We may issue shares of our common stock or other securities from time to time as consideration for, or to finance, future acquisitions and investments or for other capital needs. We cannot predict the size of future issuances of our shares or the effect, if any, that future sales and issuances of shares would have on the market price of our common stock. If any such acquisition or investment is significant, the number of shares of common stock or the number or aggregate principal amount, as the case may be, of other securities that we may issue may in turn be substantial and may result in additional dilution to our stockholders. We may also grant registration rights covering shares of our common stock or other securities that we may issue in connection with any such acquisitions and investments.

To the extent that any of us, our executive officers, directors or the Principal Stockholders sell, or indicate an intent to sell, substantial amounts of our common stock in the public market, the trading price of our common stock could decline significantly.

Our ability to pay regular dividends to our stockholders is subject to the discretion of our board of directors and may be limited by our holding company structure and applicable provisions of Delaware law.

We intend to continue to pay quarterly cash dividends on our common stock. However, our board of directors may, in its sole discretion, change the amount or frequency of dividends or discontinue the payment of dividends entirely. In addition, because we are a holding company with no material direct operations, we are dependent on loans, dividends and other payments from our operating subsidiaries to generate the funds necessary to pay dividends on our common stock. We expect to cause our subsidiaries to make distributions to us in an amount sufficient for us to pay dividends. However, their ability to make such distributions will be subject to their operating results, cash requirements and financial condition, the applicable provisions of Delaware law that may limit the amount of funds available for distribution and our ability to pay cash dividends, compliance with covenants and financial ratios related to existing or future indebtedness, including under our Amended and Restated Credit Agreement, our senior secured notes due in 2023, and other agreements with third parties. In addition, each of the companies in our corporate chain must manage its assets, liabilities and working capital in order to meet all of its cash obligations, including the payment of dividends or distributions. As a consequence of these various limitations and restrictions, we may not be able to make, or may have to reduce or eliminate, the payment of dividends on our common stock. Any change in the level of our dividends or the suspension of the payment thereof could adversely affect the market price of our common stock.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table contains information for common shares repurchased during the third quarter of 2017:

Period 2017	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
July 1 to July 31	—	$ —	—	$477,785,853
August 1 to August 31	1,901,342	18.36	1,901,342	442,910,293
September 1 to September 30	2,236,341	18.15	2,236,341	402,328,209
Total	4,137,683		4,137,683	

(1) Represents shares repurchased in open market transactions pursuant to the Share Repurchase Program (as defined below).

(2) Share repurchases were made pursuant to a multi-year share repurchase program (the "Share Repurchase Program") authorized by our board of directors on February 6, 2017. This program was announced on February 7, 2017 and allows for the purchase of up to $500 million of outstanding shares of our common stock in privately negotiated transactions or in the open market, or otherwise.

ITEM 6. EXHIBITS

The following exhibits are filed as part of this Quarterly Report on Form 10-Q.

Exhibit Number	Description of Exhibit
10.63	Fourth Incremental Term Facility Amendment to Amended and Restated Credit Agreement, dated August 23, 2017, among Sabre GLBL Inc., Sabre Holdings Corporation, each of the other Loan Parties party thereto, Bank of America, N.A., as Administrative Agent and the 2017 B-1 Incremental Term Lenders party thereto (incorporated by reference to Exhibit 10.1 of Sabre Corporation's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 23, 2017).
10.64	Term Loan A Refinancing Amendment to Amended and Restated Credit Agreement, dated August 23, 2017, among Sabre GLBL Inc., Sabre Holdings Corporation, each of the other Loan Parties party thereto, Bank of America, N.A., as Administrative Agent and the 2017 Other Term A Lenders party thereto (incorporated by reference to Exhibit 10.2 of Sabre Corporation's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 23, 2017).
10.65	Second Revolving Facility Refinancing Amendment to Amended and Restated Credit Agreement, dated August 23, 2017, among Sabre GLBL Inc., Sabre Holdings Corporation, each of the other Loan Parties party thereto, Bank of America, N.A., as Administrative Agent and Lenders party thereto (incorporated by reference to Exhibit 10.3 of Sabre Corporation's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 23, 2017).
10.66+*	Employment Agreement by and between Sabre Corporation and Clinton Anderson, dated July 25, 2017.
31.1	Rule 13a-14(a) Certification of Principal Executive Officer

31.2	Rule 13a-14(a) Certification of Principal Financial Officer
32.1	Section 1350 Certification of Principal Executive Officer
32.2	Section 1350 Certification of Principal Financial Officer
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

+ Indicates management contract or compensatory plan or arrangement.
* Filed herewith

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

		SABRE CORPORATION (Registrant)
Date: October 31, 2017	By:	/s/ Richard A. Simonson
		Richard A. Simonson Chief Financial Officer (principal financial officer of the registrant)