Sabre Corp
Form 10-K
March 03, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2014

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	20-8647233
(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)

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, $0.01 par value	The NASDAQ Stock Market LLC
(Title of class)	(Name of exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

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 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

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

The aggregate market value of the registrant's common stock held by non-affiliates, as of June 30, 2014, was $1,039,975,956. As of February 26, 2015, there were 270,094,955 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement relating to its 2015 annual meeting of stockholders to be held on May 28, 2015, are incorporated by reference in Part III.

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, including the section “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7, 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 “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential” or the negative of these terms or other comparable terminology. T 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. 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. A number of important factors could cause actual results to differ materially from those indicated by the forward-looking statements, including, but not limited to, those factors described in Part I, Item 1A, “Risk Factors” and elsewhere in this Annual Report.

In this Annual Report on Form 10-K, references to “Sabre,” the “Company,” “we,” “our,” “ours” and “us” refer to Sabre Corporation and its consolidated subsidiaries unless otherwise stated or the context otherwise requires.

PART I

ITEM 1. BUSINESS

Overview

Sabre Corporation is a Delaware corporation formed in December 2006. On March 30, 2007, Sabre Corporation acquired Sabre Holdings Corporation (“Sabre Holdings”), which is the sole subsidiary of Sabre Corporation. Sabre GLBL Inc. is the principal operating subsidiary and sole direct subsidiary of Sabre Holdings. Sabre GLBL Inc. or its direct or indirect subsidiaries conduct all of our businesses. Our principal executive offices are located at 3150 Sabre Drive, Southlake, Texas 76092.

We are a leading technology solutions provider to the global travel and tourism industry. We span the breadth of the global travel ecosystem, providing key software and services to a broad range of travel suppliers and travel buyers. We connect the world’s leading travel suppliers, including airlines, hotels, car rental brands, rail carriers, cruise lines and tour operators, with travel buyers in a comprehensive travel marketplace. We also offer travel suppliers an extensive suite of leading software solutions, ranging from airline and hotel reservations systems to high-value marketing and operations solutions, such as planning airline crew schedules, re-accommodating passengers during irregular flight operations and managing day-to-day hotel operations. These solutions allow our customers to market, distribute and sell their products more efficiently, manage their core operations, and deliver an enhanced travel experience.

Recent Developments

Consistent with our strategy to focus on the growth opportunities in Airline and Hospitality Solutions and Travel Network, we completed our exit of the online travel agency business in the first quarter of 2015. On January 23, 2015,

we announced the sale of our Travelocity business in the United States and Canada ("Travelocity.com") to Expedia, Inc. ("Expedia") for $280 million in cash consideration. Travel Network's agreement with Expedia regarding the use of our global distribution system ("GDS") remains in place such that air travel booked through the Travelocity-branded websites by Expedia are contractually required to be processed by Travel Network through the beginning of 2019. Additionally, on December 16, 2014, we announced that we had received a binding offer from Bravofly Rumbo Group to acquire lastminute.com, the European portion of our Travelocity business. The lastmintue.com transaction closed on March 1, 2015 and resulted in the transfer of commercial liabilities to the acquirer. We did not receive any cash proceeds or any other significant consideration in the transaction other than payment for specific services to be provided to the acquirer under a transition services agreement during 2015. At the time of sale, the acquirer of lastminute.com entered into a long-term agreement with Travel Network to continue to utilize our GDS for bookings which will generate incentive consideration to be paid by us to the acquirer. We have reclassified and reported all of the businesses associated with the Travelocity segment as discontinued operations in this Annual Report on Form 10-K, as this segment was considered held for sale as of December 31, 2014. As a result, financial information included in filings made with the Securities and Exchange Commission (the "SEC") prior to this Annual Report on Form 10-K, including financial information in Quarterly Reports on Form 10 Q and registration statements on Form S-1, may not be directly comparable to the financial information contained in this report.

Business Segments

We operate through two business segments: Travel Network and Airline and Hospitality Solutions. Financial information about our business segments and geographic areas is provided in Note 18, Segment Information, to our consolidated financial statements in Part II, Item 8 in this Annual Report on Form 10-K.

Travel Network

Travel Network is our global business-to-business travel marketplace and consists primarily of our GDS and a broad set of solutions that integrate with our GDS to add value for travel suppliers and travel buyers. Our GDS facilitates travel by efficiently bringing together travel content such as inventory, prices, and availability from a broad array of travel suppliers, including airlines, hotels, car rental brands, rail carriers, cruise lines and tour operators, with a large network of travel buyers, including online and offline travel agencies ("OTAs"), travel management companies ("TMCs") and corporate travel departments.

Airlines and Hospitality Solutions

Our Airline and Hospitality Solutions business offers a broad portfolio of software technology products and solutions, through software-as-a-service ("SaaS") and hosted delivery model, to airlines, hotel properties and other travel suppliers. Airline and Hospitality Solutions aggregates our Airline Solutions and Hospitality Solutions operating segments.

Airline Solutions—Our Airline Solutions business provides industry-leading and comprehensive software solutions that help our airline customers better market, sell, serve and operate. We offer airline software solutions in three functional suites: our reservation system, SabreSonic Customer Sales & Service ("SabreSonic CSS"); and our commercial and operations solutions, Sabre AirVision Marketing & Planning and Sabre AirCentre Enterprise Operations. SabreSonic CSS provides comprehensive capabilities around managing sales and customer service across an airline's diverse touch points. Sabre AirVision Marketing & Planning is a set of strategic airline commercial planning solutions that focuses on helping our customers improve profitability and develop their brand. Sabre AirCentre Enterprise Operations is a set of strategic solutions that drive operational effectiveness through holistic planning and management of airline, airport and customer operations.

Hospitality Solutions— Our Hospitality Solutions business provides software and solutions to approximately 20,000 hotel properties around the world. Our offerings include distribution through our SynXis central reservation system ("CRS"), property management through Sabre Property Management System ("PMS"), marketing services and consulting services that optimize distribution and marketing.

On September 11, 2014, we acquired the assets of Genares Worldwide Reservation Services, Ltd. ("Genares"), a global, privately-held hospitality technology company. The acquisition added more than 2,300 independent and chain hotel properties to Hospitality Solutions' portfolio.

Strategy

We are an innovative technology company that aims to lead the travel industry by helping our customers succeed. The key elements of our strategy include:

- Commitment to develop innovative technology products through investment of significant resources in solutions that address key customer needs which include retailing solutions, mobile capabilities, data analytics and business intelligence and workflow optimization.
- Geographic expansion by seeking to deepen our presence in high-growth geographies in Europe, including high-growth Eastern European markets, Asia Pacific ("APAC") and Latin America.
-

Pursuit of new customers and marketplace content through seeking to actively add new travel supplier content to Travel Network and continuing to pursue new customers for our Airlines Solutions business.

- Strengthen relationships with existing customers, including promoting the adoption of our products within and across our existing customers.

Customers

Travel Network customers consist of travel suppliers, including airlines, hotels, car rental brands, rail carriers, cruise lines and tour operators; a large network of travel buyers, including OTAs, offline travel agencies, TMCs and corporate travel departments; and travelers and other sellers of travel and consumers of travel information. Airline Solutions serves airlines of all sizes and in every region of the world, including hybrid carriers and low-cost carriers (collectively, “LCC/hybrids”), global network carriers and regional network carriers; and other customers such as airports, corporate aviation fleets, governments and tourism boards. Hotel Solutions has a global customer base with approximately 20,000 hotel properties of all sizes.

No individual customer accounted for more than 10% of our consolidated revenues for the year ended December 31, 2014.

Sources of Revenue

Transactions—Bookings that generate fees directly to Travel Network (“Direct Billable Booking”) 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. A transaction occurs when a travel agency or corporate travel department books, or reserves, a travel supplier’s product on our GDS, for which we receive a fee. Transaction fees include, but are not limited to, transaction fees paid by travel suppliers for selling their inventory through our GDS and transaction fees paid by travel agency subscribers related to their use of our GDS. We receive revenue from the travel supplier and the travel agency according to the commercial arrangement with each.

SaaS and Hosted—Airlines and Hospitality Solutions generates revenue through upfront solution fees and recurring usage-based fees for the use of our software solutions hosted on our own secure platforms or deployed through our software-as-a-service (“SaaS”). SaaS and hosted software are maintained by us as well as the infrastructure it employs. We collect the implementation fee and recurring usage-based fees pursuant to contracts with terms that typically range between three and ten years and generally include minimum annual volume requirements.

Consulting—Airline and Hospitality Solutions offerings that utilize the SaaS and hosted revenue model are sometimes sold as part of multiple-element agreements for which we also provide professional services. Our professional services consist primarily of consulting services focused on helping customers achieve better utilization of and return on their software investment. Often, we provide consulting services during the implementation phase of our SaaS solutions.

Software Licensing—Airline and Hospitality Solutions generates revenue by charging customers for the installation and use of our software products. Some contracts under this model generate additional revenue for the maintenance of the software product.

Media—Advertising revenue is generated by Travel Network from customers that advertise products on our GDS. Advertisers use two types of advertising metrics: (i) display advertising and (ii) action advertising. In display advertising, advertisers usually pay based on the number of customers who view the advertisement, and are charged based on cost-per-thousand impressions. In action advertising, advertisers usually pay based on the number of customers who perform a specific action, such as click on the advertisement, and are charged based on the cost per action.

Competition

We compete in highly competitive markets. Travel Network competes with several other regional and global travel marketplace providers, including other GDSs, local distribution systems and travel marketplace providers primarily owned by airlines or government entities and direct distribution by travel suppliers. In addition to other GDSs and direct distributors, there are a number of other competitors in the travel distribution marketplace, including new

entrants in the travel space that offer metasearch capabilities that direct shoppers to supplier websites and/or OTAs, third party aggregators and peer-to-peer options for travel services. Airline Solutions operates in an industry that is very competitive and highly fragmented, which includes other providers of reservations systems and software applications solutions and airlines that develop their own software applications and reservations systems in house. Primary competitors of Hospitality Solutions are in the hospitality CRS and PMS fields and hotels that develop their own software applications and CRSs in house, including global hotel chains.

Technology and Operations

Our technology strategy is based on achieving company-wide stability and performance at the most efficient price point. Significant investment has gone into building a commoditized, centralized and standardized middleware environment with an emphasis on simplicity, security, and scalability. We invest heavily in software development, delivery and operational support capabilities and strive for best in class products that we can provide for our customers. We operate standardized infrastructure in our data center environments across hardware, operating systems, databases, and other key enabling technologies to minimize costs on non-differentiators.

Our architecture has evolved from a mainframe centric transaction processing environment to a secure processing platform that we believe is one of the world's most heavily used and resilient service oriented architecture ("SOA") environments. A variety of products and services run on this technology infrastructure: high volume air shopping systems; desktop access applications providing continuous, real time data access to travel agents; airline operations and decision support systems; an array of customized applications available through the Sabre Red App Centre; and web based services that provide an automated interface between us and our travel suppliers and customers. The flexibility and scale of our standardized SOA based technology infrastructure allow us to quickly deliver a broad variety of SaaS and hosted solutions.

Intellectual Property

Companies in the travel and travel technology industries increasingly rely on patents, copyrights, trademarks, and trade secrets, as well as licenses of the foregoing. Such companies constantly develop new products and innovations, and the travel and travel technology industries are subject to constant and rapid technological change.

We use software, business processes and proprietary information to carry out our business. These assets and related intellectual property rights are significant assets of our business. We rely on a combination of patent, copyright, trade secret and trademark laws, confidentiality procedures, and contractual provisions to protect these assets and we license software and other intellectual property both to and from third parties. We may seek patent protection on technology, software and business processes relating to our business, and our software and related documentation may also be protected under trade secret and copyright laws where applicable. We may also benefit from both statutory and common law protection of our trademarks. We do not believe that our business is dependent on any single item of intellectual property, or that any single item of intellectual property is material to the operation of our business. Rather, we believe that our intellectual property provides a competitive advantage, and from time to time we have taken steps to enforce our intellectual property rights.

Although we rely heavily on our brands, associated trademarks, and domain names, we do not believe that our business is dependent on any single item of intellectual property, or that any single item of intellectual property is material to the operation of our business. However, since we consider trademarks to be a valuable asset of our business, we maintain our trademark portfolio throughout the world by filing trademark applications with the relevant trademark offices, renewing appropriate registrations and regularly monitoring potential infringement of our trademarks in certain key markets.

Government Regulation

We are subject to or affected by international, federal, state and local laws, regulations and policies, which are constantly subject to change. These laws, regulations and policies include GDS regulation in the European Union ("EU"), Canada, the United States and other locations.

We are subject to the application of data protection and privacy regulations in many of the countries in which we operate.

We are also subject to prohibitions administered by the Office of Foreign Assets Control (the "OFAC rules"), which prohibit U.S. persons from engaging in financial transactions with or relating to the prohibited individual, entity or country, require the blocking of assets in which the individual, entity or country has an interest, and prohibit transfers of property subject to U.S. jurisdiction (including property in the possession or control of U.S. persons) to such individual, entity or country.

Our businesses may also be subject to regulations affecting issues such as: trade sanctions, exports of technology, telecommunications, and e commerce. Any such regulations may vary among jurisdictions.

See "Risk Factors—Any failure to comply with regulations or any changes in such regulations governing our businesses could adversely affect us."

Seasonality

The travel industry is seasonal in nature. Travel bookings for Travel Network, and the revenue we derive from those bookings, decrease significantly each year in the fourth quarter, primarily in December. We recognize air-related revenue at the date of booking and, because customers generally book their November and December holiday leisure-related travel earlier in the year, and business-related travel declines during the holiday season, revenue resulting from bookings is typically lower in the fourth quarter.

Employees

As of December 31, 2014, we employed approximately 8,000 people. We have not experienced any work stoppages and consider our relations with our employees to be good.

Available Information

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith, we file reports, proxy and information statements and other information with the SEC. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and other information to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available through the investor relations section of our website under the link investors.sabre.com/sec.cfm. Reports are available free of charge as soon as reasonably practicable after we electronically file them with, or furnish them to, the SEC. The information contained on our website is not incorporated by reference into this Annual Report on Form 10-K.

In addition to our website, you may read and copy public reports we file with or furnish to the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains our reports, proxy and information statements, and other information that we file electronically with the SEC at www.sec.gov.

ITEM 1A. RISK FACTORS

The following risk factors may be important to understanding any statement in this Annual Report on Form 10-K 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 such 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:

- 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 Ebola, increases in fuel prices, changing attitudes towards the environmental costs of travel and safety concerns;
- inclement weather, natural or man-made disasters or political events like acts or threats of terrorism, hostilities and war;

- factors that affect supply of travel such as 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; and
- general economic conditions.

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.

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 Asia Pacific (“APAC”) and Europe, the Middle East and Africa (“EMEA”). The termination of our contractual arrangements with any such 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 would have a material impact on our business.

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, the consolidation in the airline industry and the recent economic downturn, among other factors, 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 such 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 and Travelocity businesses."

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. Such 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" 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 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. 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 and Travelocity businesses."

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. Our geographic concentration in the United States and Europe makes our business particularly vulnerable to economic and political conditions that adversely affect business and leisure travel originating in or traveling to these countries.

Despite signs of gradual recovery, there is still weakness in 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. We cannot predict the magnitude, length or recurrence of recessionary 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 primarily from APAC, Latin America and MEA, where political instability and regulatory uncertainty are significantly higher than in Europe and the United States. Any unfavorable economic, political or regulatory developments in those 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, the Russian economy has recently been negatively impacted by economic sanctions and the declining price of oil. These adverse economic conditions may negatively impact our business results in that region.

As an additional example, 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. In January 2014, Venezuela announced a dual-foreign exchange rate system, which has effectively devalued the local currency and subjected airlines to an exchange rate for U.S. dollars available at auctions that has been significantly higher than the official exchange rate. In conjunction with the political and economic uncertainty in Venezuela, demand for travel by local consumers has declined. Certain airlines have scaled back operations in response to the reduced demand as well as the currency controls which has impacted our airline customers in Venezuela.

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

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 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.

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, 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.

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 APAC and EMEA. We work with these partners to establish and maintain commercial and customer service relationships with both travel suppliers and travel buyers. Since we do not exercise 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. Large regional airlines collectively control a majority of the outstanding equity interests in our Abacus joint venture, a Singapore-based distribution provider that serves the APAC region. As travel suppliers, these airlines' interests differ from our Travel Network business' interests

as a distribution intermediary. For example, the airline owners may not agree to provide incentive consideration to travel agencies at the same rate as our GDS competitors. Subject to some exceptions, we are also prohibited from competing with Abacus by directly or indirectly engaging in the GDS business in Asia, Australia, New Zealand and certain Pacific islands.

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 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 PMS fields. Although new entrants specializing in a particular type of software occasionally enter the solutions market, they typically focus on emerging or evolving business problems, niche solutions or small regional customers.

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 and negatively affect our Airline and Hospitality Solutions business.

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, 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. 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.

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

We process, store, and transmit large amounts of data, including personal information of our customers, and it is critical to our business strategy that our facilities and infrastructure, including those provided by HP or other vendors, remain secure and are perceived by the marketplace to be secure. Our infrastructure may be vulnerable to physical break-ins, computer viruses, attacks by hackers or nefarious actors or similar disruptive problems. Any physical or electronic break-in 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 such 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, such insurance coverage may be insufficient to cover all our losses.

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 claims from customers, harm our reputation and negatively impact our operating results.

We rely on the availability and performance of information technology services provided by third parties, including HP, 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 HP. 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 HP provides us with limited indemnification rights. We could face significant additional cost or business disruption if:

- Any such providers fail to enable us to provide our customers and suppliers with reliable, real-time access to our systems. For example, in August 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.
- 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 HP for many of our systems makes it difficult for us to switch vendors and makes us more sensitive to changes in HP’s pricing for its services.

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 due to its ability to provide the reliability and scalability we require for our complex technological operations. Because the number of users and programmers able to service this technology is decreasing, we may eventually have to migrate to another business environment, which 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 proposed 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.

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 such 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 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. 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, 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. 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. 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 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:

- changes in foreign currency exchange rates and financial risk arising from transactions in multiple currencies;
- 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;
- business, political and economic instability in foreign locations, including actual or threatened terrorist activities, and military action;

- adverse laws and regulatory requirements, including more comprehensive regulation in the European Union ("EU");
- 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 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;
- 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 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. 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 debt in the capital markets or through private placements, which may affect our liquidity and may dilute the value of our common stock.

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 or other bad publicity due to litigation, regulatory concerns or otherwise relating to 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 "Legal Proceedings" in Part I, Item 3. For example, a number of state and local governments have filed lawsuits against us pertaining to sales or occupancy taxes they claim are due on some or all of our fees relating to hotel content distributed and sold via the merchant revenue model. Even if we are successful in defending these types of lawsuits, state and local governments could adopt new ordinances directly taxing hotel booking fees and we may not be able to successfully challenge such ordinances.

Additionally, we are involved in antitrust litigation with US Airways. If we cannot resolve this matter favorably, we could be subject to (i) monetary damages, including treble damages under the antitrust laws and, depending on the

amount of any such judgment, if we do not have sufficient cash on hand, we may be required to seek financing through the issuance of additional equity or from private or public financing or (ii) injunctive relief. Other airlines might likewise seek to benefit from any unfavorable outcome by bringing their own claims against us on the same or similar grounds. We are also subject to a U.S. Department of Justice ("DOJ") antitrust investigation relating to the pricing and conduct of the airline distribution industry. We received a civil investigative demand ("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. With respect to both the US Airways and DOJ proceedings, if injunctive relief were to be 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.

The defense of these actions, as well as any of the other actions described under “Legal Proceedings” in Part I, Item 3 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. Such 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 such 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, such 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 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 “Legal Proceedings—Insurance Carriers” in Part I, Item 3 for more information on our current 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. Such 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 Airline and Hospitality Solutions 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 or property damage, and may result in warranty or product liability claims brought against us, our travel supplier customers or third parties.

Under our Airline and Hospitality Solutions business' 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. We currently rely on a combination of self-insurance and third-party insurance to cover potential product liability exposure. 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, such 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 foreign countries, including Cuba, Iran, Sudan 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. Failure to comply with such 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, Sudan 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 and Syria we believe that our activities comply with certain travel-related exemptions. With respect to Cuba, for 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.

In our processing of travel transactions, we collect, process, store, use and transmit large amounts of sensitive personal data. This information is increasingly subject to legal restrictions around the world, which may result in conflicting legal requirements in the United States and other jurisdictions. For example, the U.S. Congress and federal agencies, including the Federal Trade Commission, have started to take a more aggressive stance in drafting and enforcing privacy and data protection laws. The EU is also in the process of proposing reforms to its existing data protection legal framework. These legal restrictions are generally intended to protect the privacy and security of personal information, including credit card information that is collected, processed and transmitted in or from the governing jurisdiction. Companies that handle this type of data have also been subject to investigations, lawsuits and adverse publicity due to allegedly improper disclosure or use of sensitive personal information. As privacy and data protection becomes an increasingly politicized issue, we may also become exposed to potential liabilities as a result of conflicting legal requirements, differing views on the privacy of travel data or failure to comply with applicable requirements. Our business could be

materially adversely affected if we are unable or unwilling to comply with legal restrictions on the use of sensitive personal information or if such restrictions are expanded to require changes in our current business practices or are interpreted in ways that conflict with or negatively impact our present or future business practices. Additionally, we are required to indemnify some of our customers for liability arising from data breaches under the terms of our agreements with such customers. These indemnification obligations could be significant and we may not have adequate insurance coverage to protect us against all claims.

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 have also established reserves relating to the collection of refunds related to value-added taxes, which are subject to audit and collection risks in various regions of Europe. Recently 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 December 31, 2014 to be indefinitely reinvested and, accordingly, no U.S. income taxes have been provided thereon. If such 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 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 December 31, 2014 contained intangible assets, net, including goodwill, of approximately $2,633 million. Our investments in joint ventures on the consolidated balance sheet as of December 31, 2014 includes $89 million of excess basis over our underlying equity in joint ventures. This differential represents goodwill in addition to identifiable intangible assets which are being amortized to joint venture intangible amortization over their estimated lives. 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. We have also recognized a share of impairment charges recorded by one of our equity method investments, Abacus. As of June 30, 2013, our Travelocity reporting unit had no remaining goodwill.

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 $89 million as of December 31, 2014. With approximately 5,300 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 payment card industry (“PCI”) compliance.

The PCI Data Security Standard (“PCI DSS”) is a set of comprehensive requirements endorsed by credit card issuers for enhancing payment account data security that includes requirements for security management, policies, procedures, network architecture, software design and other critical protective measures. PCI DSS compliance is required in order to maintain credit card processing facilities. The cost of compliance with the PCI DSS is significant and may increase as the requirements change. We are tested periodically for compliance with the current version and our last assessment completed in June 2014. We were found to be compliant in that assessment and our 2015 assessment is scheduled to be completed in June 2015. Compliance does not guarantee a completely secure environment. Moreover, compliance is an ongoing activity and the formal requirements likely will evolve as new threats and protective measures are identified. In the event that we were to lose PCI DSS compliance (or fail to achieve compliance with 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 public or private equity offerings, bank loans, additional debt financing 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 December 31, 2014, we had $3,097 million of indebtedness outstanding in addition to $345 million of availability under the revolving portion of our Amended and Restated Credit Agreement (as defined in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources), after taking into account the availability reduction of $60 million for letters of credit issued under the revolving portion. Of this indebtedness, none will be due on or before the end of 2015. Our substantial level of indebtedness will increase 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 the 2016 Notes and the 2019 Notes (each as defined in Note 9, Debt, to our consolidated financial statements) 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 Canada, South America, Europe, Australia and Asia. For the years ended December 31, 2014 and 2013, we incurred $419 million and $413 million in foreign currency operating expenses, representing approximately 20% and 20% of our total operating expenses, respectively. Our most significant foreign currency operating expenses are in the Euro, representing approximately 6% and 5% of our operating expenses for the years ended December 31, 2014 and December 31, 2013, 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 some recent 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 Euro, the British Pound Sterling, the Polish Zloty and the Indian Rupee. Such derivative instruments are short-term in nature and not designed to hedge against currency fluctuation that could impact our foreign currency denominated revenue or cost of revenue. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Disclosures about Market Risk—Foreign Currency Risk” and Note 10, Derivatives, to our consolidated financial statements. 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 the 2016 Notes and the 2019 Notes 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.

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 Securities Exchange Act of 1934 (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 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 is a costly and time-consuming effort that needs to be re-evaluated frequently. We have documented our internal controls and are in the process of testing these controls in order to comply with the requirements of Section 404 of the Sarbanes-Oxley Act ("Section 404"). Section 404 will require that we evaluate our internal control over financial reporting to enable management to report on, and our independent auditors to audit as of the end of our fiscal year ended December 31, 2015, the effectiveness of those controls. Both we and our independent registered public accounting firm will be testing our internal controls in connection with the Section 404 requirements 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 February 26, 2015, the Principal Stockholders (as defined below) own, in the aggregate, approximately 69% of our outstanding common stock. We are a party to an amended and restated Stockholders' Agreement (the "Stockholders' Agreement") with the Silver Lake Funds, the TPG Funds and the Sovereign Co-Invest (each as defined below). Pursuant to the Stockholders' Agreement the Silver Lake Funds and the TPG Funds currently have the right to designate for nomination two directors and three directors, respectively, which collectively will represent a majority of the members of our board of directors. In addition, the Silver

Lake Funds and the TPG Funds also jointly have the right to designate for nomination in the future, in connection with the expansion of our board of directors by one member, one additional director, defined herein as the Joint Designee, 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" refers to Sovereign Co-Invest, 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.

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 and the 2019 Notes, 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 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES
As a company with global operations, we operate in many countries with a variety of sales, administrative, product development, and customer service roles provided in these offices.

Americas: Our corporate and business unit headquarters and domestic operations are located in a property which we own in Southlake, Texas. There are 13 additional offices across North America and 13 offices across Latin America that serve in various sales, administration, software development and customer service capacities for all our business segments. All of these additional offices are leased.

Europe: Travel Network has its European regional headquarters in London, United Kingdom, with a lease that expires in 2022. There are 26 additional offices across Europe that serve in various sales, administration, software development and customer service capacities. All of these additional offices are leased.

APAC: Travel Network and Airline and Hospitality Solutions share the APAC regional operations office located in Singapore under a lease that expires in 2017. There are 8 additional offices across APAC that serve in various sales, administrative, software development and customer service capacities. All of these additional offices are leased.

ITEM 3. 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. See “Risk Factors—We are involved in various legal proceedings which may cause us to incur significant fees, costs and expenses and may result in unfavorable outcomes.”

On December 16, 2014, we announced that we had received a binding offer from Bravofly Rumbo Group to acquire lastminute.com, which closed on March 1, 2015. In connection with this sale, we retained certain liabilities.

Furthermore, on January 23, 2015, we sold Travelocity.com to Expedia. Pursuant to the Asset Purchase Agreement entered into with Expedia (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 the strategic marketing agreement that we entered into with Expedia (the “Expedia SMA”) in August 2013. 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 to Expedia will be shared with Expedia in accordance with the terms that were in the Expedia SMA. We are jointly and severally liable for Travelocity’s indemnification obligations under the Travelocity Purchase Agreement for liabilities that may arise out of these litigation matters, which could adversely affect our cash flow.

Litigation and Administrative Audit Proceedings Relating to Hotel Occupancy Taxes

Over the past ten years, various state and local governments in the United States have filed approximately 70 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 earn from facilitating hotel reservations using the merchant revenue model. In the merchant revenue model, the customer pays us an amount at the time of booking that includes (i) service fees, which we collect and retain, and (ii) the price of the hotel room and amounts for occupancy or other local taxes, which we pass 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. Courts have dismissed approximately 35 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 Fourth, Sixth and Eleventh Circuits of the United States Courts of Appeals each have ruled in our favor on the merits, as have state appellate courts in Missouri, Alabama, Texas, California, Kentucky, Florida, Colorado and Pennsylvania, and a number of state and federal trial courts. The remaining lawsuits are in various stages of litigation. We have also settled some cases individually, most for nuisance value, 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.

We have received recent favorable decisions pertaining to cases in North Carolina, California, Montana, Arizona and Colorado. On August 19, 2014, the North Carolina Court of Appeals affirmed a judgment in favor of Travelocity and other OTAs after concluding they are not operators of hotels, motel or similar-type businesses and therefore are not subject to hotel occupancy tax. On May 28, 2014, an administrative hearing officer in Arizona ruled that Travelocity is not responsible for collecting or remitting local

hotel taxes and set aside assessments made by twelve municipalities, including Phoenix, Scottsdale, Tempe, and Tucson. Those municipalities have appealed the decision to state court. On March 27, 2014, a California court of appeals upheld a trial court ruling that OTAs, including Travelocity, are not subject to the City of San Diego's transient occupancy tax because they are not hotel operators or managing agents. That case is now pending before the Supreme Court of California. The California court of appeals' decision marked the third time that a California appellate court has ruled in favor of Travelocity on the question of whether OTAs are subject to transient occupancy taxes in California, the prior two cases being brought by the City of Anaheim and City of Santa Monica. Travelocity also has prevailed at the trial court level in cases brought by San Francisco and Los Angeles, both of which are being appealed by the cities. On March 6, 2014, a Montana trial court ruled by summary judgment that Travelocity and other OTAs are not subject to the State of Montana's lodging facility use tax or its sales tax on accommodations and vehicles. The lawsuit had been brought by the Montana Department of Revenue, which has appealed the decision. On July 3, 2014, the Colorado Court of Appeals entered judgment that Travelocity and OTAs are not liable for lodging taxes as claimed by the City of Denver. The City of Denver has petitioned the Supreme Court of Colorado to review the decision. In Florida, Travelocity has been named as a defendant in several proceedings and lawsuits brought by cities and counties in Florida, including the Counties of Leon, Broward, Osceola, and Volusia; and the City of Miami. The suits brought by Leon County and Broward County have been decided on the merits and both were decided in favor of Travelocity and other OTAs. On February 28, 2013 and February 12, 2014, respectively, those decisions were affirmed by the intermediate court of appeals. The Supreme Court of Florida has granted review of the Leon County decision and heard oral arguments on April 30, 2014. A decision is expected in 2015.

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. On April 3, 2014, the Supreme Court of Wyoming affirmed a decision by the Wyoming State Board of Equalization that Travelocity and other OTAs are subject to sales tax on lodging. Similarly, on March 4, 2014, a trial court in Washington D.C. entered final judgment in favor of the District of Columbia on its claim that Travelocity and other OTAs are subject to the District's hotel occupancy tax. Travelocity has appealed the trial court's decision. We did not record material charges associated with these cases during the years ended December 31, 2014, 2013 and 2012. As of December 31, 2014, our reserve for these cases totaled $6 million and is included in other accrued liabilities in our consolidated balance sheets.

In late 2012, the Tax Appeal Court of the State of Hawaii granted summary judgment in favor of Travelocity and other OTAs on the issue of whether Hawaii's transient accommodation tax applies to the merchant revenue model. However, in January 2013, the same court granted summary judgment in favor of the State of Hawaii and against Travelocity and other OTAs on the issue of whether the state's general excise tax, which is assessed on all business activity in the state, applies to the merchant revenue model for the period from 2002 to 2011.

We recorded charges of $2 million, $17 million and $25 million for the years ended December 31, 2014, 2013 and 2012, respectively, which represents the amount we would owe to the State of Hawaii, prior to appealing the Tax Appeal Court's ruling, in back excise taxes, penalties and interest based on the court's interpretation of the statute. These charges are included in net (loss) income from discontinued operations. As of December 31, 2014, we maintained an accrued liability of $9 million included in other accrued liabilities for this case and have not made material payments in the year ended December 31, 2014. Payment of any such amount is not an admission that we are subject to the taxes in question.

The State of Hawaii has appealed the Tax Appeal Court's decision that Travelocity is not subject to transient accommodation tax, and Travelocity has likewise appealed the Tax Appeal Court's determination that we are subject to general excise tax, as we believe the decision is incorrect and inconsistent with the same court's prior rulings. If any excise tax is in fact owed (which we dispute), we believe the correct amount should be under $10 million. The ultimate resolution of these contingencies may differ from the liabilities recorded. To the extent our appeal is successful in reducing or eliminating the assessed excise tax amounts, the State of Hawaii would be required to refund such amounts, plus interest. On May 20, 2013, the State of Hawaii issued additional assessments of general excise tax and hotel occupancy tax for the calendar year 2012. Travelocity has appealed these assessments to the Tax Appeal

Court, and these assessments have been stayed pending a final appellate decision on the original assessments.

On December 9, 2013, the State of Hawaii also issued assessments of general excise tax for merchant rental car bookings facilitated by Travelocity and other OTAs for the period 2001 to 2012 for which we recorded a $2 million reserve in the fourth quarter of 2013. Travelocity has appealed the assessment to the Tax Appeal Court, which ordered a stay of the assessment pending a final appellate decision on the original assessments.

On July 18, 2014, the State of Hawaii also issued additional assessments of general excise tax and hotel occupancy tax for the calendar year 2013. Travelocity appealed those assessments to the Tax Appeal Court, which has stayed the assessments pending a final appellate decision on the original assessments.

On November 21, 2013, the New York State Court of Appeals ruled against Travelocity and other OTAs, holding that New York City’s hotel occupancy tax, which was amended in 2009 to capture revenue from fees charged to customers by third-party travel

companies, is constitutional because such fees constitute rent as they are a condition of occupancy. Travelocity had been collecting and remitting taxes under the amended statute, so the ruling did not impact its financial results in that regard.

On June 21, 2013, a state trial court in Cook County, Illinois granted summary judgment in favor of the City of Chicago and against Travelocity and other OTAs, ruling that Chicago's hotel tax applies to the fees retained by the OTAs because, according to the trial court, OTAs act as hotel "managers" when facilitating hotel reservations. Travelocity subsequently settled the lawsuit prior to the entry of final judgment or any ruling on damages for an amount not material to our results of operations.

On April 4, 2013, the United States District Court for the Western District of Texas ("W.D.T.") entered a final judgment against Travelocity and other OTAs in a class action lawsuit filed by the City of San Antonio. The final judgment was based on a jury verdict from October 30, 2009 that the OTAs "control" hotels for purposes of city hotel occupancy taxes. Following that jury verdict, on July 1, 2011, the W.D.T. concluded that fees charged by the OTAs are subject to hotel occupancy taxes and that the OTAs have a duty to collect and remit these taxes. We disagree with the jury's finding and with the W.D.T.'s conclusions based on the jury finding, and intend to appeal the final judgment to the United States Court of Appeals for the Fifth Circuit. The verdict against us, including penalties and interest, is $4 million which we do not believe we will ultimately pay and therefore have not accrued any loss related to this case.

We believe the Fifth Circuit's resolution of the San Antonio appeal may be affected by a separate Texas state appellate court decision in our favor. On October 26, 2011, the Fourteenth Court of Appeals of Texas affirmed a trial court's summary judgment ruling in favor of the OTAs in a case brought by the City of Houston and the Harris County-Houston Sports Authority on a similarly worded tax ordinance as the one at issue in the San Antonio case. The Texas Supreme Court denied the City of Houston's petition to review the case. We believe this decision should provide persuasive authority to the Fifth Circuit in its review of the San Antonio case.

As of December 31, 2014, we have a reserve of $18 million, included in other accrued liabilities in the consolidated balance sheet, for the potential resolution of issues identified related to litigation involving hotel sales, occupancy or excise taxes, which includes the $11 million liability for the remaining payments to the State of Hawaii. As of December 31, 2013, the reserve for litigation involving hotel sales, occupancy or excise taxes was $18 million. 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, four 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 was dismissed by the trial court and this dismissal was subsequently affirmed by the Texas Supreme Court; one was voluntarily dismissed by the plaintiffs; one is pending in Texas state court, where the court is currently considering the plaintiffs' motion to certify a class action; and the last 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.

In addition to the lawsuits, 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.

US Airways Antitrust Litigation and DOJ Investigation

US Airways Antitrust Litigation

In April 2011, US Airways sued 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 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 that relate to our contracts with airlines, especially US Airways itself, which US Airways says contain anticompetitive content-related provisions, and an alleged conspiracy with the other GDSs, allegedly to maintain the industry structure and not to implement US Airways' preferred system of distributing its Choice Seats product. We strongly deny all of the allegations made by US Airways. US Airways initially quantified its damages at either $317 million or $482 million (before trebling), depending on certain assumptions. We believe both estimates are based on faulty assumptions and analysis and therefore are highly overstated. In the event US Airways were to prevail on the merits of its claim, we believe any monetary damages awarded (before trebling) would be significantly less than either of US Airways' proposed damage amounts.

Document, fact and expert witness discovery are complete. Summary judgment motions were filed in April 2014 and in January 2015, the court issued a summary judgment opinion, which has not yet been published in full in order to preserve some of the confidential information of the parties and other parties. Based on the ruling, the judge eliminated the claims related to a majority of the alleged damages as well as rejected a request that would require us to modify language in our customer contracts. Based on the ruling, the potential remaining range of single damages has been significantly reduced. In respect of all of the remaining claims, US Airways claims damages (before trebling) of either $45 million or $73 million. US Airways has filed a motion for reconsideration on two issues decided in our favor. If the motion for reconsideration is granted in full, US Airways' damages claim would, per US Airways' calculations, be either $184 million or $274 million. With respect to all of the remaining claims in this case, we believe that our business practices and contract terms are lawful and fair, and we will continue to vigorously defend against the remaining claims. The claims that have been dismissed to date are subject to appeal.

We have and will incur significant fees, costs and expenses for as long as the litigation 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. If favorable resolution of the matter is not reached, any monetary damages are subject to trebling under the antitrust laws and US Airways would be eligible to be reimbursed by us for its costs and attorneys' fees. Depending on the amount of any such judgment, if we do not have sufficient cash on hand, we may be required to seek financing through the issuance of additional equity or from private or public financing. As noted, US Airways had sought injunctive relief, which the Court in its recent summary judgment ruling dismissed. US Airways has not sought reconsideration of this aspect of the Court's ruling. 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 could have a material adverse effect on our business, financial condition and results of operations.

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 in over two years; however, we have not been notified that this matter is closed.

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. We appealed the tax assessments and the Indian Commissioner of Income Tax Appeals returned a mixed verdict. We filed further appeals with the Income Tax Appellate Tribunal, or the 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 and no hearing date has been set.

We intend to continue to aggressively defend against these 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. If the DIT were to fully prevail on every claim, we could be subject to taxes, interest and penalties of approximately $26 million as of December 31, 2014, which could have a material adverse effect on our business, financial condition and results of operations. We do not believe this outcome is probable and therefore have not made any provisions or recorded any liability for the potential resolution of this matter.

Litigation Relating to Patent Infringement

In April 2010, CEATS, Inc. ("CEATS") filed a patent infringement lawsuit against several ticketing companies and airlines, including JetBlue, in the Eastern District of Texas. CEATS alleged that the mouse-over seat map that appears on the defendants' websites infringes certain of its patents. JetBlue's website is provided by our Airline Solutions business under the SabreSonic Web service. On June 11, 2010, JetBlue requested that we indemnify and defend it for and against the CEATS lawsuit based on the

indemnification provision in our agreement with JetBlue, and we agreed to a conditional indemnification. CEATS claimed damages of $0.30 per segment sold on JetBlue's website during the relevant time period which totaled $10 million. A jury trial began on March 12, 2012, which resulted in a jury verdict invalidating the CEATS' patents. Final judgment was entered and the plaintiff appealed. The Federal Circuit affirmed the jury's decision in our favor on April 26, 2013. CEATS did not appeal the Federal Circuit's decision, and its deadline to do so has passed. On June 28, 2013, the Eastern District denied CEATS' previously filed motion to vacate the judgment based on an alleged conflict of interest with a mediator. CEATS appealed that decision and the Federal Circuit heard the appeal on May 5, 2014, and subsequently denied the appeal. On July 22, 2014, CEATS filed a motion for rehearing en banc before the Federal Circuit which was denied on September 5, 2014. On December 4, 2014, CEATS filed a petition seeking a review with the Supreme Court. Defendants filed their response to the opposing review on February 5, 2015.

Insurance Carriers

We have disputes against some of our insurance carriers for failing to reimburse defense costs incurred in our American Airlines antitrust litigation, which we settled in October 2012. For a description of the American Airlines antitrust litigation, see Note 17, Commitments and Contingencies—Legal Proceedings—Airline Antitrust Litigation, US Airways Antitrust Litigation, and DOJ Investigation to our consolidated financial statements. Both carriers admitted there is coverage, 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 have 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. If we prevail, we may recover some or all amounts already tendered to the insurance companies for payment within the limits of the policies and may be entitled to 18% interest on such amounts. To date, settlement discussions have been unsuccessful. We are currently in the discovery process. The court has not yet scheduled a trial date though we anticipate trial to begin in the second half of 2015.

Hotel Related Antitrust Proceedings

On August 20, 2012, two individuals alleging to represent a putative class of bookers of online hotel reservations filed a complaint against Sabre Holdings, Travelocity.com LP, and several other online travel companies and hotel chains in the U.S. District Court for the Northern District of California, alleging federal and state antitrust and related claims. The complaint alleged generally that the defendants conspired to enter into illegal agreements relating to the price of hotel rooms. Over 30 copycat suits were filed in various courts in the United States. In December 2012, the Judicial Panel on Multi-District Litigation centralized these cases in the U.S. District Court in the Northern District of Texas, which subsequently consolidated them. The proposed class period was January 1, 2003 through May 1, 2013. Together with the other defendants, Travelocity and Sabre filed a motion to dismiss. On February 18, 2014, the court granted the motion and dismissed the plaintiff's claims without prejudice. The plaintiffs had moved for leave to file an amended complaint but the judge denied the motion on October 27, 2014 and dismissed the claims with prejudice. The plaintiffs did not appeal and their opportunity to appeal has expired. The Court closed the case on January 17, 2015 and we regard this matter as fully and finally resolved.

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.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

executive officers of the registrant

The names and ages of our executive officers as of February 26, 2015, together with certain biographical information, are as follows:

Name	Age	Position
Thomas Klein	52	Chief Executive Officer, President and Director, Sabre
Richard A. Simonson	56	Executive Vice President and Chief Financial Officer, Sabre
Alexander S. Alt	40	President and General Manager, Sabre Hospitality Solutions
Rachel A. Gonzalez	45	Executive Vice President and General Counsel, Sabre
Hugh W. Jones	51	Executive Vice President, Sabre and President, Sabre Airline Solutions
Deborah Kerr	43	Executive Vice President and Chief Product and Technology Officer, Sabre
William G. Robinson	50	Executive Vice President and Chief Human Resources Officer, Sabre
Gregory T. Webb	48	Executive Vice President, Sabre and President, Travel Network

Thomas Klein is CEO and president of Sabre and has more than 17 years of experience managing large scale, international technology businesses. Before being named CEO in August 2013, Mr. Klein served as company president since January 2010. His role prior to that was executive vice president, Sabre, and group president of Sabre Travel Network and Sabre Airline Solutions businesses. Earlier roles included various senior leadership positions within Sabre, both in the United States and in Latin America, and he served as the first director general of Sabre Sociedad Tecnológica, a Mexico based joint venture company owned by Sabre, Aeromexico and Mexicana. Prior to joining Sabre in 1994, he held a variety of sales, marketing and operations positions at American Airlines and Consolidated Freightways, Inc. Mr. Klein serves on the Board of Directors and chairs the compensation committee for Cedar Fair Entertainment. In 2010, he was appointed to the Board of Directors for Brand USA by the U.S. Secretary of Commerce and now serves as vice chairman. He also serves on the executive committee of the World Travel and Tourism Council and the Dean's Board of the Villanova School of Business. Mr. Klein holds a bachelor's degree in business administration from Villanova University. Mr. Klein's long service at our company, travel technology industry experience and his leadership experience make him a valuable asset to our management and our board of directors.

Richard A. Simonson is executive vice president and chief financial officer. He leads the company's global finance organization and is responsible for all finance and controls, reporting, investor relations and corporate development activities. He brings a combination of experiences with global finance, operations and capital markets focused on technology sectors. Before joining Sabre in March 2013, Mr. Simonson most recently served as CFO and president for business operations at Rearden Commerce, an e commerce company from March 2011 to May 2012 and as an independent advisor to companies in the telecom, media and technology industry from May 2012 to March 2013 and from July 2010 to May 2011. From September 2001 to July 2010 he worked at Nokia Corporation in several global roles based in locations around the world—in Helsinki, Zurich and New York—including executive vice president and general manager of Nokia's mobile phones unit and more than five years as executive vice president and CFO. Mr. Simonson's career includes time with Barclays Capital as managing director in the telecom and media investment banking group. He also spent 16 years with Bank of America Securities, where he held various finance and investment banking positions in San Francisco and Chicago. Mr. Simonson currently serves on the board of directors of Electronic Arts, where he is lead Director and chairs the audit committee, and Silver Spring Networks, where he chairs the audit committee. He graduated from the Colorado School of Mines and holds an M.B.A. from Wharton School of Business at the University of Pennsylvania.

Alexander S. Alt is president and general manager of Sabre Hospitality Solutions, and oversees one of Sabre's two SaaS businesses. Prior to being named president, Mr. Alt served in an expanded chief operating officer role at Sabre Hospitality Solutions, where he oversaw customer care, data services, implementations, call center and similar services. As part of the Sabre Hospitality Solutions management team, he also helped drive overall business strategy.

Before joining Sabre in 2012, Mr. Alt served as senior vice president of global development and strategy at Rosewood Hotels & Resorts, where he played a key role in the global growth and expansion of the business. Prior to joining Rosewood Hotels in 2006, he was a senior engagement manager at McKinsey & Company. Earlier in his career, he worked in the finance department of Sabre as a manager and senior analyst in the financial planning and analysis group. Mr. Alt is a member of the Dallas Development Board of The Nature Conservancy and is on the Advisory Board of the School of Undergraduate Studies at the University of Texas in Austin. He graduated from the University of Texas in Austin and received his M.B.A. from Harvard University.

Rachel A. Gonzalez is executive vice president and general counsel of Sabre, a position she assumed in September 2014. She manages the global legal department responsible for legal strategy, regulatory affairs, corporate compliance and government affairs. Prior to joining Sabre, Ms. Gonzalez served as executive vice president, general counsel and corporate secretary with Dean Foods in Dallas, Texas from March 2013 to September 2014, as executive vice president, general counsel designate from November 2012 to March 2013. Ms. Gonzalez joined Dean Foods in 2008 as chief counsel, corporate & securities and served as the deputy general counsel prior to her promotion in November 2012. Previously, Ms. Gonzalez was senior vice president and group counsel with Affiliated Computer Services. Ms. Gonzalez was a partner with the law firm of Morgan, Lewis & Bockius, where she focused on corporate finance, mergers & acquisitions, SEC compliance and corporate governance. Ms. Gonzalez serves on the Board of Directors

of Girl Scouts of Northeast Texas and their Audit and Board Development Committees. Ms. Gonzalez earned her J.D. degree from Boalt Hall School of Law the University of California, Berkeley and her bachelor's degree in comparative literature from the University of California, Berkeley.

Hugh W. Jones is executive vice president and president of Sabre Airline Solutions and is a 26 year veteran of the travel industry. Immediately prior to being named to his current role in April 2011, Mr. Jones served as Travelocity's president and CEO beginning in February 2009 and before that, he held a number of executive roles at Sabre including senior vice president and chief operating officer for our Travel Network and Airline and Hospitality Solutions businesses, where he oversaw airline supplier initiatives and global customer support. He also led Travel Network in North America and served as senior vice president and controller for Sabre. Mr. Jones began his career with American Airlines in 1988 and held a variety of finance positions including financial controller for the airline's European and Pacific airport, sales and reservations operations. He earned a master's degree in business administration from Southern Methodist University and a bachelor's degree in geology and geophysics from the University of Wisconsin.

Deborah Kerr is executive vice president and chief product and technology officer at Sabre, and is responsible for leading the global product and technology organization. Prior to her appointment at Sabre in March 2013, she served as executive vice president, chief product and technology officer at FICO from 2009 to April 2012, a leader in predictive analytics and decision management technology. Prior experience includes senior leadership roles with HP, Peregrine Systems and NASA's Jet Propulsion Laboratory. Ms. Kerr is a director of the Davis and Henderson Corporation and EXLService Holdings, Inc. She was previously a director of Mitchell International from January 2010 until October 2013. Ms. Kerr holds a master's degree in Computer Science and a bachelor's degree in Psychology.

William G. Robinson is executive vice president and chief human resources officer. He is responsible for leading Sabre's global human resources organization, including talent management, organizational leadership and culture. Prior to joining Sabre in December 2013, Mr. Robinson served as the senior vice president and chief human resources officer at Coventry Health Care, a diversified managed health care company with 14,000 employees, from 2012 to 2013. From 2010 to 2011, Mr. Robinson served as senior vice president for human resources at Outcomes Health Information Solutions, a healthcare analytics and information company specializing in the optimization and acquisition of medical records. Prior to that, from 1990 to 2010, he worked for General Electric, where he held several human resources leadership roles in diverse industries including information technology, healthcare, energy and industrial. Most recently, he was the human resources leader within the GE Enterprise Solutions division where he led a global team in an organization of 20,000 employees in 200 locations worldwide. He holds a M.A. in Human Resources Development from Bowie State University and a B.S. in Communications from Wake Forest University.

Gregory T. Webb is executive vice president and president of Travel Network, and before being named to his current role, gained experience with all aspects of the business, from leading the marketing organization to managing our supplier relationships, Travel Network business in Asia and Hospitality Solutions business. Since joining Sabre in 1995, Mr. Webb has held several senior leadership positions including chief marketing officer for both our Travel Network and Airline and Hospitality Solutions businesses and senior vice president of global product marketing for Sabre. Early in his career, he served as director of project consulting and risk assessment for American Airlines and Sabre. Prior to joining the company, Mr. Webb was vice president and chief information officer for BellSouth Telecommunications and also served as a senior consultant at Andersen Consulting. Mr. Webb earned a master's degree in business administration with an emphasis in marketing from Louisiana Tech University and a bachelor's degree in advertising from Southern Methodist University. He serves on the board of directors for Abacus.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is listed on the NASDAQ Global Select Market under the symbol "SABR." On April 17, 2014, we completed our initial public offering; prior to that date, there was no public trading market for our common stock. The following table sets forth, for the quarterly period indicated, the high and low market prices per share for our common stock, as reported on the NASDAQ Global Select Market:

	High	Low
Quarter ended June 30, 2014 (from April 17, 2014)	$20.91	$15.00
Quarter ended September 30, 2014	$20.26	$17.65
Quarter ended December 31, 2014	$20.57	$14.86

As of February 26, 2015, there were 276 stockholders of record.

During the third and fourth quarters of 2014, we paid a quarterly cash dividend of $0.09 per share of our common stock totaling $48 million. No dividends were declared or paid in the six months ended June 30, 2014 or in the year ended December 31, 2013. We expect to continue to pay quarterly cash dividends on our common stock, subject to declaration of our board of directors. The amount of future cash dividends, if any, 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 Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Dividends."

Stock Performance Graph

The following graph shows a comparison from April 17, 2014, the date our common stock commenced trading on the NASDAQ Global Select Market, through December 31, 2014 of the cumulative total return for our common stock, the S&P 500 Index and the NASDAQ Composite. The comparison assumes $100 was invested on April 17, 2014 in our common stock and in each of the two indices and assumes reinvestment of dividends.

The stock price performance depicted in the above graph is not necessarily indicative of future price performance. The stock performance graph shall not be deemed "soliciting material" or to be "filed" with the SEC, nor shall such information be incorporated by reference into any future filing by us under the Securities Act or the Exchange Act, except to the extent that we specifically incorporate the graph by reference in such filing.

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data should be read in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and our consolidated financial statements and notes thereto contained in Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K.

The consolidated statements of operations data and consolidated statements of cash flows data for the years ended December 31, 2014, 2013 and 2012 and the consolidated balance sheet data as of December 31, 2014 and 2013 are derived from our audited consolidated financial statements contained in Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K. The consolidated statements of operations data and consolidated statements of cash flows data for the years ended December 31, 2011 and 2010 and the consolidated balance sheet data as of December 31, 2012, 2011 and 2010 are derived from unaudited consolidated financial statements not included in this Annual Report on Form 10-K. The unaudited consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements and, in the opinion of management, reflect all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of this data. Our historical results are not necessarily indicative of the results to be expected in the future.

	Year Ended December 31,				
	2014	2013	2012	2011	2010
Consolidated Statements of Operations Data:					
Revenue	$2,631,417	$2,523,546	$2,382,148	$2,252,446	$2,105,814
Operating income (loss)	421,345	380,930	(6,586)	331,112	340,037
Income (loss) from continuing operations	110,873	52,066	(215,427)	113,477	81,901
Loss from discontinued operations, net of tax	(38,918)	(149,697)	(394,410)	(193,873)	(365,962)
Net income (loss) attributable to Sabre Corporation	69,223	(100,494)	(611,356)	(66,074)	(268,852)
Net income (loss) attributable to common shareholders	57,842	(137,198)	(645,939)	(98,653)	(299,649)
Net income (loss) per share attributable to common shareholders:					
Basic	$0.24	$(0.77)	$(3.65)	$(0.56)	$(1.71)
Diluted	$0.23	$(0.74)	$(3.65)	$(0.56)	$(1.71)
Weighted-average common shares outstanding:					
Basic	238,633	178,125	177,206	176,703	175,655
Diluted	246,747	184,978	177,206	176,703	175,655
Consolidated Statements of Cash Flows Data:					
Cash provided by operating activities	$387,659	$228,232	$308,164	$265,854	$215,260
Cash used in investing activities	(258,791)	(239,999)	(209,815)	(139,861)	(139,502)
Cash (used in) provided by financing activities	(71,945)	262,172	(25,120)	(271,540)	(48,500)
Additions to property and equipment	(227,227)	(209,523)	(167,043)	(128,239)	(84,742)
Cash payments for interest	197,782	255,620	264,990	184,449	195,550
Other Financial Data:					
Adjusted Gross Margin	$1,146,792	$1,060,302	$998,607	$886,018	$815,899
Adjusted Net Income	232,477	182,187	147,734	217,482	170,081
Adjusted EBITDA	840,028	778,754	731,412	649,285	603,461
Adjusted Capital Expenditures	265,038	268,337	245,586	187,348	118,408

Adjusted Free Cash Flow	293,375	181,715	305,662	170,985	140,118

	As of December 31,				
	2014	2013	2012	2011	2010
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$155,679	$308,236	$126,695	$58,350	$176,521
Total assets	4,718,004	4,755,708	4,711,245	5,252,780	5,524,279
Long-term debt	3,061,400	3,643,548	3,420,927	3,307,905	3,350,860
Working capital deficit	(18,775)	(268,272)	(428,569)	(411,482)	(491,864)
Redeemable preferred stock	—	634,843	598,139	563,557	530,975
Noncontrolling interest	621	508	88	(18,693)	19,831
Total stockholders' equity (deficit)	84,383	(952,536)	(876,875)	(196,919)	(34,738)

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	Year Ended December 31,				
	2014	2013	2012	2011	2010
Key Metrics:					
Travel Network					
Direct Billable Bookings - Air	321,962	314,275	326,175	328,200	325,370
Direct Billable Bookings - Non-Air	54,122	53,503	53,669	53,683	49,229
Total Direct Billable Bookings	376,084	367,778	379,844	381,883	374,599
Airline Solutions Passengers Boarded	510,713	478,088	405,420	364,420	313,959

Non-GAAP Financial Measures

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

	Year Ended December 31,				
	2014	2013	2012	2011	2010
Net income (loss) attributable to common shareholders	$57,842	$(137,198)	$(645,939)	$(98,653)	$(299,649)
Net loss from discontinued operations, net of tax	38,918	149,697	394,410	193,873	365,962
Net income (loss) attributable to noncontrolling interests[1]	2,732	2,863	1,519	(14,322)	(15,209)
Preferred stock dividends	11,381	36,704	34,583	32,579	30,797
Income (loss) from continuing operations	110,873	52,066	(215,427)	113,477	81,901
Adjustments:					
Impairment[2]	—	—	44,054	—	—
Acquisition related amortization[3a]	99,383	132,685	129,869	129,235	127,581
Gain on sale of business and assets	—	—	(25,850)	—	—
Loss on extinguishment of debt	33,538	12,181	—	—	—
Other, net [5]	63,860	305	6,635	(65)	(1,873)
Restructuring and other costs [6]	10,470	27,921	5,408	4,578	2,870
Litigation and taxes, including penalties[7]	14,144	18,514	396,412	21,601	—
Stock-based compensation	20,094	3,387	4,365	4,088	3,344
Management fees[8]	23,701	8,761	7,769	7,191	6,730
Tax impact of net income adjustments[9]	(143,586)	(73,633)	(205,501)	(62,623)	(50,472)
Adjusted Net Income from continuing operations	$232,477	$182,187	$147,734	$217,482	$170,081
Adjusted Net Income from continuing operations per share	$0.94	$0.98	$0.81	$1.20	$0.96
Weighted-average shares outstanding adjusted for assumed inclusion of common stock equivalents	246,747	184,978	182,830	181,889	177,370
Adjusted Net Income from continuing operations	232,477	182,187	147,734	217,482	170,081
Adjustments:					
Depreciation and amortization of property and equipment[3b]	157,592	123,414	96,668	78,867	70,296

Amortization of capitalized implementation costs[3c]	35,859	34,143	19,439	11,365	8,162
Amortization of upfront incentive consideration[4]	45,358	36,649	36,527	37,748	26,572
Interest expense, net	218,877	274,689	232,450	174,390	203,226
Remaining provision (benefit) for income taxes	149,865	127,672	198,594	129,433	125,124
Adjusted EBITDA	$840,028	$778,754	$731,412	$649,285	$603,461

The following table sets forth the reconciliation of basic weighted-average common shares outstanding, calculated in accordance with accounting principles generally accepted in the United States ("GAAP"), to the adjusted weighted-average shares outstanding for the assumed inclusion of common stock equivalents (in thousands):

	Year Ended December 31,				
	2014	2013	2012	2011	2010
GAAP basic weighted-average common shares outstanding	238,633	178,125	177,206	176,703	175,655
Dilutive effect of stock options and restricted stock awards	8,114	6,853	5,624	5,186	1,715
Weighted-average common shares outstanding adjusted for assumed inclusion of common stock equivalents	246,747	184,978	182,830	181,889	177,370

The following tables set forth the reconciliation of operating income (loss) in our statement of operations, the most comparable GAAP measure, to Adjusted Gross Margin and Adjusted EBITDA by business segment (in thousands):

	Fiscal Year Ended December 31, 2014				
	Travel Network	Airline and Hospitality Solutions	Eliminations	Corporate	Total
Operating income (loss)	$657,326	$176,730	$ —	$(412,711)	$421,345
Add back:					
Selling, general and administrative	102,059	56,195	(17)	309,915	468,152
Restructuring charges	—	—	—	(558)	(558)
Cost of revenue adjustments:					
Depreciation and amortization[3]	58,533	104,926	—	34,950	198,409
Amortization of upfront incentive consideration[4]	45,358	—	—	—	45,358
Restructuring and other costs [6]	—	—	—	6,042	6,042
Stock-based compensation	—	—	—	8,044	8,044
Adjusted Gross Margin	863,276	337,851	(17)	(54,318)	1,146,792
Selling, general and administrative	(102,059)	(56,195)	17	(309,915)	(468,152)
Joint venture equity income	12,082	—	—	—	12,082
Joint venture intangible amortization[3a]	3,204	—	—	—	3,204
Selling, general and administrative adjustments:					
Depreciation and amortization[3]	2,174	992	—	88,055	91,221
Restructuring and other costs [6]	—	—	—	4,986	4,986
Litigation and taxes, including penalties[7]	—	—	—	14,144	14,144
Stock-based compensation	—	—	—	12,050	12,050
Management fees[8]	—	—	—	23,701	23,701
Adjusted EBITDA	$778,677	$282,648	$ —	$(221,297)	$840,028

	Fiscal Year Ended December 31, 2013				
	Travel Network	Airline and Hospitality Solutions	Eliminations	Corporate	Total
Operating income (loss)	$667,498	$ 135,755	$ —	$(422,323)	$380,930
Add back:					
Selling, general and administrative	106,392	51,538	(140)	271,500	429,290
Restructuring charges	—	—	—	8,163	8,163
Cost of revenue adjustments:					
Depreciation and amortization(3)	50,254	75,093	—	67,076	192,423
Amortization of upfront incentive consideration(4)	36,649	—	—	—	36,649
Restructuring and other costs (6)	—	—	—	11,491	11,491
Stock-based compensation	—	—	—	1,356	1,356
Adjusted Gross Margin	860,793	262,386	(140)	(62,737)	1,060,302
Selling, general and administrative	(106,392)	(51,538)	140	(271,500)	(429,290)
Joint venture equity income	12,350	—	—	—	12,350
Joint venture intangible amortization(3a)	3,204	—	—	—	3,204
Selling, general and administrative adjustments:					
Depreciation and amortization(3)	2,253	2,227	—	90,135	94,615
Restructuring and other costs (6)	—	—	—	8,267	8,267
Litigation and taxes, including penalties(7)	—	—	—	18,514	18,514
Stock-based compensation	—	—	—	2,031	2,031
Management fees(8)	—	—	—	8,761	8,761
Adjusted EBITDA	$772,208	$ 213,075	$ —	$(206,529)	$778,754

	Fiscal Year Ended December 31, 2012				
	Travel Network	Airline and Hospitality Solutions	Eliminations	Corporate	Total
Operating income (loss)	$670,778	$ 114,272	$ —	$(791,636)	$(6,586)
Add back:					
Selling, general and administrative	101,934	52,754	(411)	639,017	793,294
Impairment(2)	—	—	—	20,254	20,254
Cost of revenue adjustments:					
Depreciation and amortization(3)	34,624	51,395	—	63,456	149,475
Amortization of upfront incentive consideration(4)	36,527	—	—	—	36,527
Restructuring and other costs (6)	—	—	—	4,283	4,283
Litigation and taxes, including penalties(7)	—	—	—	(23)	(23)
Stock-based compensation	—	—	—	1,383	1,383
Adjusted Gross Margin	843,863	218,421	(411)	(63,266)	998,607
Selling, general and administrative	(101,934)	(52,754)	411	(639,017)	(793,294)
Joint venture equity income	21,287	—	—	—	21,287

Joint venture intangible amortization(3a)	3,200	—	—	—	3,200
Selling, general and administrative adjustments:					
Depreciation and amortization(3)	2,036	615	—	90,650	93,301
Restructuring and other costs (6)	—	—	—	1,125	1,125
Litigation and taxes, including penalties(7)	—	—	—	396,435	396,435
Stock-based compensation	—	—	—	2,982	2,982
Management fees(8)	—	—	—	7,769	7,769
Adjusted EBITDA	$768,452	$166,282	$ —	$(203,322)	$731,412

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	Fiscal Year Ended December 31, 2011				
	Travel Network	Airline and Hospitality Solutions	Eliminations	Corporate	Total
Operating income (loss)	$594,418	$ 103,254	$ —	$(366,560)	$331,112
Add back:					
Selling, general and administrative	111,003	50,306	(476)	231,475	392,308
Cost of revenue adjustments:					
Depreciation and amortization[3]	29,584	31,587	—	59,384	120,555
Amortization of upfront incentive consideration[4]	37,748	—	—	—	37,748
Restructuring and other costs [6]	—	—	—	3,038	3,038
Stock-based compensation	—	—	—	1,257	1,257
Adjusted Gross Margin	772,753	185,147	(476)	(71,406)	886,018
Selling, general and administrative	(111,003)	(50,306)	476	(231,475)	(392,308)
Joint venture equity income	23,501	—	—	—	23,501
Joint venture intangible amortization[3a]	3,200	—	—	—	3,200
Selling, general and administrative adjustments:					
Depreciation and amortization[3]	4,120	343	—	91,248	95,711
Restructuring and other costs [6]	—	—	—	1,540	1,540
Litigation and taxes, including penalties[7]	—	—	—	21,601	21,601
Stock-based compensation	—	—	—	2,831	2,831
Management fees[8]	—	—	—	7,191	7,191
Adjusted EBITDA	$692,571	$ 135,184	$ —	$(178,470)	$649,285

	Fiscal Year Ended December 31, 2010				
	Travel Network	Airline and Hospitality Solutions	Eliminations	Corporate	Total
Operating income (loss)	$545,762	$ 127,103	$ —	$(78,622)	$340,037
Add back:					
Selling, general and administrative	71,495	39,417	(487)	227,866	338,291
Cost of revenue adjustments:					
Depreciation and amortization[3]	32,349	19,663	—	95,583	108,269
Amortization of upfront incentive consideration[4]	26,572	—	—	—	26,572
Restructuring and other costs [6]	—	—	—	1,736	1,736
Stock-based compensation	—	—	—	994	994
Adjusted Gross Margin	676,178	186,183	(487)	247,557	815,899
Selling, general and administrative	(71,495)	(39,417)	487	(227,866)	(338,291)
Joint venture equity income	17,871			—	17,871
Joint venture intangible amortization[3a]	3,200			—	3,200
Selling, general and administrative adjustments:					
Depreciation and amortization[3]	4,172	450	—	90,846	94,568

Restructuring and other costs [6]	—	—	—	1,134	1,134
Stock-based compensation	—	—	—	2,350	2,350
Management fees[8]	—	—	—	6,730	6,730
Adjusted EBITDA	$629,926	$ 147,216	$ —	$120,751	$603,461

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

	Year Ended December 31,				
	2014	2013	2012	2011	2010
Additions to property and equipment	$227,227	$209,523	$167,043	$128,239	$84,742
Capitalized implementation costs	37,811	58,814	78,543	59,109	33,666
Adjusted capital expenditures	$265,038	$268,337	$245,586	$187,348	$118,408

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

	Year Ended December 31,				
	2014	2013	2012	2011	2010
Cash provided by operating activities	$387,659	$228,232	$308,164	$265,854	$215,260
Cash used in investing activities	(258,791)	(239,999)	(209,815)	(139,861)	(139,502)
Cash (used in) provided by financing activities	(71,945)	262,172	(25,120)	(271,540)	(48,500)

	Year Ended December 31,				
	2014	2013	2012	2011	2010
Cash provided by operating activities	$387,659	$228,232	$308,164	$265,854	$215,260
Additions to property and equipment	(227,227)	(209,523)	(167,043)	(128,239)	(84,742)
Free Cash Flow	160,432	18,709	141,121	137,615	130,518
Adjustments:					
Restructuring and other costs (6)(10)	18,353	19,758	5,408	4,578	2,870
Litigation settlement and tax payments for certain items (7)(11)	76,745	115,973	100,000	—	—
Other litigation costs (7)(10)	14,144	18,514	51,364	21,601	—
Management fees (8)(10)	23,701	8,761	7,769	7,191	6,730
Adjusted Free Cash Flow	$293,375	$181,715	$305,662	$170,985	$140,118

(1) Net income (loss) attributable to non-controlling interests represents an adjustment to include earnings allocated to non-controlling interest held in (i) Sabre Travel Network Middle East of 40% for all periods presented, (ii) Sabre Australia Technologies I Pty Ltd ("Sabre Pacific") of 49% through February 24, 2012, the date we sold this business, (iii) Travelocity.com LLC of approximately 9.5% through December 31, 2012, the date we merged this minority interest back into our capital structure and (iv) Sabre Seyahat Dagitim Sistemleri A.S. of 40% beginning in April 2014. See Note 1, Summary of Business and Significant Accounting Policies, to our audited consolidated financial statements.

(2) Represents asset impairment charges as well as $24 million in 2012 of our share of impairment charges recorded by one of our equity method investments, Abacus.

(3) 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.

(4) 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.

(5) In 2014, other, net primarily includes a fourth quarter charge of $66 million as a result of an increase to our tax receivable agreement ("TRA") liability. The increase in our TRA liability is due to a reduction in a valuation allowance maintained against our deferred tax assets. This charge is fully offset by an income tax benefit recognized in the fourth quarter of 2014 from the reduction in the valuation allowance which is included in tax impacts of net income adjustments. In 2013, 2012, 2011, and 2010, other, net primarily represents 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. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Recent Events Impacting Our Liquidity and Capital Resources—Tax Receivable Agreement" for additional information regarding the TRA.

(6) Restructuring and other costs represents 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.

(7) Litigation settlement and tax payments for certain items represent charges or settlements associated with airline antitrust litigation.

(8) We paid an annual management fee to TPG Global, LLC ("TPG") and Silver Lake Management Company ("Silver Lake") in an amount between (i) $5 million and (ii) $7 million, the actual amount of which is calculated based upon 1% of Adjusted EBITDA, as defined in the management services agreement (the "MSA"), earned by the company in such fiscal year up to a maximum of $7 million. In addition, the MSA provided for the reimbursement of certain costs incurred by TPG and Silver Lake, which are included in this line item. The MSA was terminated in connection with our initial public offering.

(9) In 2014, the tax impact on net income adjustments includes a $66 million benefit recognized in the fourth quarter of 2014 from the reduction in a valuation allowance maintained against our deferred tax assets.

(10) The adjustments to reconcile cash provided by operating activities to Adjusted Free Cash Flow reflect the amounts expensed in our statements of operations in the respective periods adjusted for cash and non-cash portions in instances where material.

(11) Includes payment credits used by American Airlines to pay for purchases of our technology services during the years ended December 31, 2014 and 2013. The payment credits were provided by us as part of our litigation settlement with American Airlines. Also includes a $50

million payment to American Airlines made in the third quarter of 2014 in conjunction with the new Airline Solutions contract, which will be amortized as a reduction to revenue over the contract term. This payment reduces payment credits originally offered to American Airlines as a part of the litigation settlement in 2012, contingent upon the signature of a new reservation agreement, which were extended to include the combined American Airlines and US Airways reservation contract. The payment credits would have been utilized for future billings under the new agreement.

Definitions of Non-GAAP Financial Measures

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

We define Adjusted Gross Margin as operating income (loss) adjusted for selling, general and administrative expenses, impairment, depreciation and amortization, amortization of upfront incentive consideration, restructuring and other costs, litigation and taxes, including penalties, and stock-based compensation included in cost of revenue. We previously defined Adjusted Gross Margin as operating income (loss) adjusted for selling, general and administrative expenses, impairment, depreciation and amortization, amortization of upfront incentive consideration, restructuring and other costs, litigation and taxes, including penalties and stock-based compensation as presented in our prospectus filed with the SEC pursuant to Rule 424(b) under the Securities Act on April 17, 2014. Adjusted Gross Margin for the prior periods has been recast to conform to our revised definition.

We define Adjusted Net Income as income (loss) from continuing operations adjusted for impairment, acquisition related amortization, loss on extinguishment of debt, other, net, restructuring and other costs, litigation and taxes, including penalties, stock-based compensation, management fees, and 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 remaining provision (benefit) for income taxes.

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

We define Free Cash Flow as cash provided by operating activities less cash used in additions to property and equipment. We define Adjusted Free Cash Flow as Free Cash Flow plus the cash flow effect of restructuring and other costs, litigation settlement and tax payments for certain items, other litigation costs and management fees.

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 includes 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 Margin, 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 Margin, Adjusted Net Income, Adjusted EBITDA, Adjusted Capital Expenditures, Free Cash Flow, Adjusted 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:

- 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 Margin 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 and Adjusted Free Cash Flow do not reflect the cash requirements necessary to service the principal payments on our indebtedness;
- Free Cash Flow and Adjusted Free Cash Flow do not reflect payments related to restructuring, litigation, management fees and Travelocity working capital which reduced the cash available to us;
- Free Cash Flow and Adjusted Free Cash Flow remove the impact of accrual-basis accounting on asset accounts and non-debt liability accounts; and
- other companies, including companies in our industry, may calculate Adjusted Gross Margin, Adjusted Net Income, Adjusted EBITDA, Adjusted Capital Expenditures, Free Cash Flow or Adjusted Free Cash Flow differently, which reduces their usefulness as comparative measures.

ITEM 7. Management’s discussion and analysis of financial condition and results of operations
The following discussion and analysis should be read in conjunction with our consolidated financial statements and related notes included in Item 8 of this Annual Report on Form 10-K.

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 B2B 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 hotel properties. 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 analysis.

In the fourth quarter of 2014, we committed to a plan to divest of our Travelocity segment, our global online travel business. On January 23, 2015, we announced the sale of Travelocity.com. In addition, on December 16, 2014, we announced that we received a binding offer to sell lastminute.com, the European portion of our Travelocity business, which closed on March 1, 2015. Our Travelocity segment has no remaining operations subsequent to these dispositions. The financial results of our Travelocity segment are included in net (loss) income from discontinued operations in our consolidated statements of operations for all periods presented. The assets and liabilities of Travelocity.com and lastminute.com to be disposed of as of December 31, 2014 and 2013 are classified as assets held for sale and liabilities held for sale in our consolidated balance sheets. The discussion and analysis of our results of operations refers to continuing operations unless otherwise indicated.

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 implementation fees and consulting fees. Items that are not allocated to our business segments are identified as corporate and include primarily certain shared technology costs as well as stock-based compensation expense, litigation costs related to occupancy or other taxes and other items that are not identifiable with one of our segments.

Factors Affecting our Results

The following is a discussion of trends that we believe are the most significant opportunities and challenges currently impacting our business and industry. 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. This 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 sections entitled “Risk Factors” and “Cautionary Note Regarding Forward Looking Statements” included elsewhere in this Annual Report on Form 10-K.

Shift to SaaS and hosted solutions by airlines and hotels to manage their daily operations

Initially, large travel suppliers built custom in house software and applications for their business process needs. In response to a desire for more flexible systems given increasingly complex and constantly changing technological requirements, reduced IT budgets and increased focus on cost efficiency, many travel suppliers turned to third party solutions providers for many of their key technologies and began to license software from software providers. We believe that significant revenue opportunity remains in this outsourcing trend, as legacy in house systems continue to migrate and upgrade to third party systems. By moving away from one time license fees to recurring monthly fees associated with our SaaS and hosted solutions, our revenue stream has become more predictable and sustainable. The SaaS and hosted models’ centralized deployment also allows us to save time and money by reducing maintenance and implementation tasks and lowering operating costs.

Geographic mix

There are structural differences between the geographies in which we operate. Due to our geographic concentration, our results of operations are particularly sensitive to factors affecting North America. For example, booking fees per transaction in North America have traditionally been lower than those in Europe. By growing internationally with our TMC and OTA customers and expanding the travel content available on our GDS to target regional traveler preferences, we anticipate that we will maintain share in North America and grow share in Europe, APAC and Latin America. For the year ended December 31, 2014, we derived approximately 68% of our Direct Billable Bookings from North America, 19% from EMEA and 13% from the rest of the world. For the year ended December 31, 2013, we derived approximately 69% of our Direct Billable Bookings from North America, 17% from EMEA and 14% from the rest of the world.

Continued focus by travel suppliers on cost cutting and exerting influence over distribution

Travel suppliers continue to look for ways to decrease their costs and to increase their control over distribution. Airline consolidations, pricing pressure during contract renegotiations and the use of direct distribution may continue to subject our business to challenges. The shift from indirect distribution channels, such as our GDS, to direct distribution channels, may result from increased content availability on supplier operated websites or from increased participation of meta search engines, such as Kayak and Google, which direct consumers to supplier operated websites. This trend may adversely affect our Travel Network contract renegotiations with suppliers that use alternative distribution channels. For example, airlines may withhold part of their content for distribution exclusively through their own direct distribution channels or offer more attractive terms for content available through those direct channels. However, since 2010, we believe the rate at which bookings are shifting from indirect to direct distribution channels has slowed for a number of reasons, including the increased participation of LCC/hybrids in indirect channels. Over the last several years, notable carriers that previously only distributed directly, including JetBlue and Norwegian, have adopted our GDS. Other carriers such as EVA Airways and Virgin Australia have further increased their participation in a GDS.

These trends have impacted the revenue of Travel Network, which recognizes revenue for airline ticket sales based on transaction volumes, and the revenue of Airline and Hospitality Solutions, which recognizes a portion of its revenue based on the number of PBs, depending upon the applicable revenue model. Simultaneously, this focus on cost cutting and direct distribution has also presented opportunities for Airline and Hospitality Solutions. Many airlines have turned to outside providers for key systems, process and industry expertise and other products that assist in their cost cutting initiatives in order to focus on their primary revenue generating activities.

Increasing importance of LCC/hybrids in Travel Network and Airline and Hospitality Solutions

Hybrid and LCCs have become a significant segment of the air travel market, stimulating demand for air travel through low fares. LCC/hybrids have traditionally relied on direct distribution for the majority of their bookings. However, as these LCC/hybrids are evolving, many are increasing their distribution through indirect channels to expand their offering into higher yield markets and to higher yield customers, such as business and international travelers. Other LCC/hybrids, especially start up carriers, may choose not to distribute through the GDS until wider distribution is desired.

Travel buyers can shift their bookings to or from our Travel Network business

Our Travel Network business relies on relationships with several large travel buyers, including TMCs and OTAs, to drive a large portion of its revenue. Although our contracts with larger travel agencies often increase the amount of 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 and increase their bargaining power with the GDS providers. For example, in late 2012, Expedia adopted a dual GDS provider strategy and shifted a sizeable portion of its business from our GDS to a competitor GDS, resulting in a year over year decline in our transaction volumes in 2013. Conversely, certain European OTAs including Unister, eTravel and Bravofly that did not previously use our GDS shifted a portion of their business to our GDS.

Increasing travel agency incentive consideration

Travel agency incentive consideration is a large portion of Travel Network expenses. The vast majority of incentive consideration is tied to absolute booking volumes based on transactions such as flight segments booked. Incentive

consideration, which often increases once a certain volume or percentage of bookings is met, is provided in two ways, according to the terms of the agreement: (i) on a periodic basis over the term of the contract and (ii) in some instances, up front at the inception or modification of contracts, which is capitalized and amortized over the expected life of the contract. Although this consideration has been increasing in real terms, it has been relatively stable as a percentage of Travel Network revenue over the last four years, partially due to our focus on managing incentive consideration. We believe we have been effective in mitigating the trend towards increasing incentive consideration by offering value added products and content, such as Sabre Red Workspace, a SaaS product available to our travel buyers that provides an easy to use interface along with many travel agency workflow and productivity tools.

Growing demand for continued technology improvements in the fragmented hotel market

Most of the hotel market is highly fragmented. Independent hotels and small to medium sized chains (groups of less than 300 properties) comprise a majority of hotel properties and available hotel rooms, with global and regional chains comprising the balance. Hotels use a number of different technology systems to distribute and market their products and operate efficiently. We offer technology solutions to all segments of the hospitality market, particularly independent hotels and small to medium sized chains. Our SynXis Enterprise Platform integrates critical hospitality systems to optimize distribution, operations, retailing and guest experience via one scalable, flexible and intelligent platform. As these markets continue to grow, we believe independent hotel owners and operators will continue to seek increased connectivity and integrated solutions to ensure access to global travelers. We anticipate that this will contribute to the continued growth of Airline and Hospitality Solutions, which is ultimately dependent upon these hoteliers accepting and utilizing our products and services.

Components of Revenues and Expenses

Revenues

Travel Network primarily generates revenues from Direct Billable Bookings processed on our GDS, as well as revenue from certain services we provide our joint ventures and 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 our own secure platforms or deployed through our SaaS. Airlines and Hospitality Solutions also generates revenue through consulting services and software licensing fees.

Cost of revenue

Cost of revenue incurred by Travel Network and Airlines 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 have accrued on a monthly basis.

Corporate cost of revenue includes certain shared technology costs as well as stock-based compensation expense, litigation expenses and other items that are not identifiable with our segments.

Depreciation and amortization included in cost of revenue is associated with property and equipment; software developed for internal use that supports our revenue, businesses and systems; amortization of contract implementation costs which relates to Airlines and Hospitality Solutions; and intangible assets for technology purchased through acquisitions or established with our take-private transaction. 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 for employees that sell our services to new customers and administratively support the business, information technology and communication costs, professional services fees, certain settlement charges and costs to defend legal disputes, bad debt expense, depreciation and amortization and other overhead costs.

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 booked through our GDS. In addition, Travel Network historically recognized intersegment incentive consideration expense for bookings generated by our discontinued Travelocity business. Such costs are representative of costs incurred on a consolidated basis relating to Travel Network's revenue from airlines for bookings transacted through our GDS. See Note 3, Discontinued Operations and Dispositions, and Note 18, Segment Information, to our consolidated financial statements.

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 our key metrics (in thousands):

	Year Ended December 31,			% Change	
	2014	2013	2012	2014 - 2013	2013 - 2012
Key Metrics:					
Travel Network					
Direct Billable Bookings - Air	321,962	314,275	326,175	2.4%	(3.6)%
Direct Billable Bookings - Non-Air	54,122	53,503	53,669	1.2%	(0.3)%
Total Direct Billable Bookings	376,084	367,778	379,844	2.3%	(3.2)%
Airline Solutions Passengers Boarded	510,713	478,088	405,420	6.8%	17.9 %

Matters Affecting Comparability

Mergers and Acquisitions

In the third quarter of 2014, we acquired the assets of Genares Worldwide Reservation Services, Ltd. ("Genares"), a global, privately-held hospitality technology company, to further strengthen our position as a leading technology partner to hoteliers worldwide. The acquisition added more than 2,300 independent and chain hotel properties to our existing Hospitality Solutions portfolio. The acquisition of Genares did not have a material impact on our results of operations.

In the third quarter of 2012, we acquired all of the outstanding stock and ownership interests of PRISM, a leading provider of end to end airline contract business intelligence and decision support software. The acquisition, which adds to our portfolio of products within the Airline and Hospitality Solutions, allows for new relationships with airlines and adds to our existing business intelligence capabilities. See "—Results of Operations."

Dispositions Impacting Results from Continuing Operations

On February 24, 2012, we completed the sale of our 51% stake in Sabre Pacific, an entity jointly owned by a subsidiary of Sabre (51%) and Abacus (49%), to Abacus for $46 million of proceeds, which resulted in reduced revenue and expense for Travel Network in 2013 compared to 2012, and to a greater extent, in 2012 compared to 2011. Of the proceeds received, $9 million was for the sale of stock, $18 million represented the repayment of an intercompany note receivable from Sabre Pacific, which was entered into when the joint venture was originally established, and the remaining $19 million represented the settlement of operational intercompany receivable balances with Sabre Pacific and associated amounts we owed to Abacus. We recorded $25 million as gain on sale of business in our consolidated statements of operations. We have also entered into a license and distribution agreement with Sabre Pacific, under which it will market, sub license, distribute, provide access to and support for our GDS in Australia, New Zealand and surrounding territories. Sabre Pacific is required to pay us an ongoing transaction fee based on booking volumes under this agreement. For the year ended December 31, 2012, joint venture equity income included

a $24 million impairment of goodwill recorded by Abacus associated with its acquisition of Sabre Pacific.

Results of Operations

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

	Year Ended December 31,		
	2014	2013	2012
	(Amounts in thousands)		
Revenue	$2,631,417	$2,523,546	$2,382,148
Cost of revenue	1,742,478	1,705,163	1,575,186
Selling, general and administrative	468,152	429,290	793,294
Impairment	—	—	20,254
Restructuring (adjustments) charges	(558)	8,163	—
Operating income (loss)	421,345	380,930	(6,586)
Interest expense, net	(218,877)	(274,689)	(232,450)
Loss on extinguishment of debt	(33,538)	(12,181)	—
Gain on sale of business	—	—	25,850
Joint venture equity income	12,082	12,350	(2,513)
Other, net	(63,860)	(305)	(6,635)
Income (loss) from continuing operations before income taxes	117,152	106,105	(222,334)
Provision (benefit) for income taxes	6,279	54,039	(6,907)
Income (loss) from continuing operations	$110,873	$52,066	$(215,427)

Years Ended December 31, 2014 and 2013

Revenue

	Year Ended December 31,			
	2014	2013	Change	
	(Amounts in thousands)			
Travel Network	$1,854,785	$1,821,498	$33,287	2 %
Airline and Hospitality Solutions	786,478	711,745	74,733	10%
Total segment revenue	2,641,263	2,533,243	108,020	4 %
Eliminations	(9,846)	(9,697)	(149)	2 %
Total revenue	$2,631,417	$2,523,546	$107,871	4 %

Travel Network—Revenue increased $33 million, or 2%, for the year ended December 31, 2014 compared to the prior year. The increase in revenue primarily resulted from:

a $26 million increase in transaction-based revenue to $1,615 million as a result of an 8 million increase in Direct Billable Bookings, or 2%, to 376 million for the year ended December 31, 2014. The increase in bookings was partially offset by a decrease of less than 1% in the average booking fee primarily due to the impact on our average booking fee from US Airways merger with American Airlines, the unfavorable political and economic environment in Venezuela and the resolution of a billing dispute with US Airways. See “Liquidity and Capital Resources—Recent Events Impacting Our Liquidity—Political and Economic Environment in Venezuela” for a description of the impact of the environment in Venezuela on our business; and

a $7 million increase in other revenue including media and marketing services.

Airline and Hospitality Solutions—Revenue increased $75 million, or 10%, for the year ended December 31, 2014 compared to the prior year. The increase in revenue primarily resulted from:

a $36 million increase in Airline Solutions' SabreSonic CSS revenue for the year ended December 31, 2014 compared to the prior year. PBs increased 33 million, or 7%, to 511 million for the year ended December 31, 2014 which was driven by growth from existing customers and resulted in an increase in revenue of $18 million. In addition, we recognized $19 million in revenue during the year ended December 31, 2014 associated with the extension of a services contract with a significant customer. This contract was extended in conjunction with a litigation settlement agreement with that customer in 2012. These increases were partially offset by a decrease in revenue from professional services;

a $20 million increase in Airline Solutions' commercial and operations solutions; and

a $19 million increase in Hospitality Solutions revenue to $132 million for the year ended December 31, 2014 compared to $113 million in the prior year, primarily driven by an increase in CRS transactions.

Cost of revenue

	Year Ended December 31,			
	2014	2013	Change	
	(Amounts in thousands)			
Travel Network	$991,509	$960,705	$30,804	3 %
Airline and Hospitality Solutions	448,627	449,359	(732)	(0)%
Eliminations	(9,830)	(8,813)	(1,017)	12%
Total segment cost of revenue	1,430,306	1,401,251	29,055	2 %
Corporate	68,405	74,840	(6,435)	(9)%
Depreciation and amortization	198,409	192,423	5,986	3 %
Amortization of upfront incentive consideration	45,358	36,649	8,709	24%
Total cost of revenue	$1,742,478	$1,705,163	$37,315	2 %

Travel Network—Cost of revenue increased $31 million, or 3%, for the year ended December 31, 2014 compared to the prior year. The increase primarily resulted from a $37 million increase in incentive consideration, partially offset by decreases in labor and other costs.

Airline and Hospitality Solutions—Cost of revenue decreased $1 million, or less than 1%, for the year ended December 31, 2014 compared to the prior year. The decrease is primarily the result of a $13 million decrease in labor costs, partially offset by a $12 million increase in technology and transaction-related expenses driven by higher transaction volumes.

Corporate—Cost of revenue associated with corporate unallocated costs decreased $6 million, or 9%, for the year ended December 31, 2014 compared to the prior year. The decrease is primarily due to a $7 million decrease in unallocated labor costs, a $4 million decrease in professional fees and a $2 million decrease in data processing costs. These decreases were partially offset by an increase in cost of revenue from a $7 million contractual settlement received from a service provider in 2013 which did not reoccur in 2014.

Depreciation and amortization—Cost of revenue increased $6 million, or 3%, for the year ended December 31, 2014 compared to the prior year. The increase is primarily due to the completion and amortization of software developed for internal use, partially offset by a decrease in amortization of intangible assets.

Amortization of upfront incentive consideration—Amortization of upfront incentive consideration increased by $9 million, or 24%, for the year ended December 31, 2014 compared to the prior year. The increase is primarily due to an increase in upfront consideration provided to travel agencies in the year ended December 31, 2014 compared to the prior year.

Selling, general and administrative expenses

Year Ended December 31,		
2014	2013	Change

(Amounts in thousands)				
Selling, general and administrative	$468,152	$429,290	$38,862	9%

Selling, general and administrative expenses increased by $39 million, or 9%, for the year ended December 31, 2014 compared to the prior year. The increase was due to an increase of $15 million in management fees paid to TPG and Silver Lake related to our initial public offering, a $10 million increase in professional fees primarily related to the implementation of certain public company requirements and strategic transactions, a $9 million increase in labor costs to support the growth of the business and a $5 million increase in bad debt expenses. These increases were partially offset by lower information technology and communication costs and depreciation and amortization.

Interest expense, net

	Year Ended December 31,			
	2014	2013	Change	
	(Amounts in thousands)			
Interest expense, net	$218,877	$274,689	$(55,812)	(20)%

Interest expense, net, decreased $56 million, or 20%, for the year ended December 31, 2014 compared to the prior year. The decrease is primarily due to the prepayments on our 2019 Notes and Term Loan C (see "—Senior Secured Credit Facilities") and a lower effective interest rate as a result of our repricing amendments completed in February 2014. In addition, interest expense decreased due to lower modification expenses and lower imputed interest expense related to payments made in the fourth quarter of 2013 for our litigation settlement payable to American Airlines.

Loss on extinguishment of debt

	Year Ended December 31,			
	2014	2013	Change	
	(Amounts in thousands)			
Loss on extinguishment of debt	$33,538	$12,181	$21,357	175%

During the year ended December 31, 2014, we recognized losses on extinguishment of debt of $31 million in connection with the prepayments on our 2019 Notes and Term Loan C and $3 million related to the repricing of our Term Loan B completed in February 2014. During the year ended December 31, 2013, we recognized a loss on extinguishment of debt of $12 million as a result of our Amended and Restated Credit Agreement (see "Liquidity and Capital Resources—Senior Secured Credit Facilities").

Other expense, net

	Year Ended December 31,			
	2014	2013	Change	
	(Amounts in thousands)			
Other expenses, net	$63,860	$305	$63,555	**%

** not meaningful

In the fourth quarter of 2014, we recognized a charge of $66 million in other expenses, net as a result of an increase to our TRA liability. The increase in our TRA liability is due to a reduction in a valuation allowance maintained against

our deferred tax assets. This charge is fully offset by an income tax benefit recognized in the fourth quarter of 2014 from the reduction in the valuation allowance. This increase was partially offset by foreign exchange gains related to the remeasurement of foreign currency denominated balances included in our consolidated balance sheets into the relevant functional currency.

Provision for income taxes

	Year Ended December 31,			
	2014	2013	Change	
	(Amounts in thousands)			
Provision for income taxes	$6,279	$54,039	$(47,760)	(88)%

Our effective tax rates for the years ended December 31, 2014 and 2013 were 5.4% and 50.9%, respectively. The decrease in the effective tax rate for the year ended December 31, 2014 as compared to the prior year was primarily due to the reduction in the valuation allowance related to certain U.S. deferred tax assets and the settlement of a state income tax contingency in our favor. These reductions were partially offset by a non-deductible increase in our TRA liability and changes in the geographic mix of our taxable income.

Years Ended December 31, 2013 and 2012

Revenue

	Year Ended December 31,			
	2013	2012	Change	
	(Amounts in thousands)			
Travel Network	$1,821,498	$1,795,127	$26,371	1 %
Airline and Hospitality Solutions	711,745	597,649	114,096	19%
Total segment revenue	2,533,243	2,392,776	140,467	6 %
Eliminations	(9,697)	(10,628)	931	(9)%
Total revenue	$2,523,546	$2,382,148	$141,398	6 %

Travel Network—Revenue increased $26 million, or 1%, for the year ended December 31, 2013 compared to the prior year. The increase was driven by a $25 million increase in other revenue primarily from payments in connection with certain services provided to our joint ventures. Transaction-based revenue was flat at $1,590 million for the year ended December 31, 2013 compared to the prior year. We processed 368 million Direct Billable Bookings in 2013, representing a decrease of 12 million Direct Billable Bookings, or 3%, compared to 2012. The decrease in bookings was offset by a 3% increase in the average booking fee.

Airline and Hospitality Solutions—Revenue increased $114 million, or 19%, for the year ended December 31, 2013 compared to the prior year. This $114 million increase in revenue primarily resulted from:

- a $48 million increase in Airline Solutions' SabreSonic CSS revenue for the year ended December 31, 2013 compared to the prior year. The increase in revenue was due to an increase of 73 million, or 18%, in PBs to 478 million in 2013. The increase in PBs was primarily due to new customers;
- a $54 million increase in Airline Solutions' commercial and operations solutions revenue primarily the result of $25 million generated from our 2012 acquisition of PRISM and a $29 million increase in other airline software solutions, consulting and professional services; and
- a $12 million increase in Hospitality Solutions revenue to $113 million for the year ended December 31, 2013 compared to $101 million in the prior year, primarily due to an increase in CRS transactions.

Cost of revenue

	Year Ended December 31,			
	2013	2012	Change	
	(Amounts in thousands)			
Travel Network	$960,705	$951,264	$9,441	1 %
Airline and Hospitality Solutions	449,359	379,228	70,131	18%
Eliminations	(8,813)	(6,365)	(2,448)	38%
Total segment cost of revenue	1,401,251	1,324,127	77,124	6 %
Corporate	74,840	65,058	9,782	15%
Depreciation and amortization	192,423	149,474	42,949	29%
Amortization of upfront incentive consideration	36,649	36,527	122	0 %
Total cost of revenue	$1,705,163	$1,575,186	$129,977	8 %

Travel Network—Cost of revenue increased $9 million, or 1%, for the year ended December 31, 2013 compared with the year ended December 31, 2012. The increase primarily resulted from a $18 million increase in incentive consideration, in line with higher Direct Billable Transactions in regions with favorable booking fee rates, partially offset by a $5 million decrease in other operating expenses primarily related to the disposition of Sabre Pacific in February of 2012 and a $2 million decrease in labor costs.

Airline and Hospitality Solutions—Cost of revenue increased $70 million, or 18%, for the year ended December 31, 2013 compared with the year ended December 31, 2012. The increase primarily resulted from a $48 million increase in labor costs and a $12 million increase in technology-related expenses, driven by higher transaction volumes. The increase in labor costs was due to increased headcount to support 2013 implementations, increased customer support and maintenance, additional headcount associated with the acquisition of PRISM in August of 2012 and minor enhancements to our SaaS and hosted systems.

Corporate—Cost of revenue associated with corporate unallocated costs increased $10 million, or 15%, for the year ended December 31, 2013 compared to the prior year. The increase is primarily related to an increase of $8 million in unallocated labor costs.

Depreciation and amortization—Cost of revenue increased $43 million, or 29%, for the year ended December 31, 2013 compared with the year ended December 31, 2012. The increase is primarily due to a $40 million increase in depreciation and amortization associated with the completion and amortization of software developed for internal use as well as capitalized implementation costs and a $3 million increase in amortization of intangible assets related to the PRISM acquisition in August 2012.

Amortization of upfront incentive consideration—Amortization of upfront incentive consideration of $37 million for the year ended December 31, 2013 was flat compared to the prior year

Selling, general and administrative expenses

	Year Ended December 31,			
	2013	2012	Change	
	(Amounts in thousands)			
Selling, general and administrative	$429,290	$793,294	$(364,004)	(46)%

Selling, general and administrative expenses decreased $364 million, or 46%, for the year ended December 31, 2013 compared with the year ended December 31, 2012. This decrease in selling, general and administrative expenses was primarily driven by a $347 million litigation charge recorded during the year ended December 31, 2012 for the settlement of the state and federal cases with American Airlines, which did not reoccur in the year ended December 31, 2013. Additionally, professional services decreased $33 million driven by lower legal fees as a result of the settlement of our dispute with American Airlines in 2012. These declines are partially offset by increases in labor costs of $19 million primarily due to increased corporate headcount to support the growth of the business in addition to an increase in variable compensation as a result of improved overall performance.

Impairment

Year Ended December 31,		
2013	2012	Change
(Amounts in		

	Year Ended December 31,			
	2013	2012	Change	
	(Amounts in thousands)			
Impairment	$—	$20,254	$(20,254)	(100)%

During the year ended December 31, 2012, we recognized impairment charges associated with an abandoned corporate facility. No impairment charges were recognized in continuing operations for the year ended December 31, 2013.

Interest expense, net

	Year Ended December 31,			
	2013	2012	Change	
	(Amounts in thousands)			
Interest expense, net	$274,689	$232,450	$42,239	18%

Interest expense, net, increased $42 million, or 18%, for year ended December 31, 2013 compared with the year ended December 31, 2012. We entered into multiple debt transactions during 2012 and 2013 that increased our overall effective interest rate and increased our debt levels which resulted in additional interest expense of $40 million during the year ended December 31, 2013. See Note 11, Debt—Senior Secured Credit Facility, to our audited consolidated financial statements. Additionally, debt modification expenses and original issue discount amortization increased by $8 million during the year ended December 31, 2013 compared to the prior year. We also incurred $17 million of imputed interest related to a litigation settlement payable during the year ended December 31, 2013. Offsetting these increases was a $16 million reduction associated with accelerating the amortization of our debt issuance

cost in 2012 as well as a $9 million increase in interest savings as a result of the maturity of certain of our interest rates swaps in 2012. See Note 10, Derivatives, to our consolidated financial statements.

Loss on extinguishment of debt

	Year Ended December 31,			
	2013	2012	Change	
	(Amounts in thousands)			
Loss on extinguishment of debt	$12,181	$ —	$12,181	** %

** not meaningful

Loss on extinguishment of debt was $12 million for the year ended December 31, 2013 as a result of our debt restructuring transaction in the first quarter of 2013.

Gain on Sale of Business

	Year Ended December 31,			
	2013	2012	Change	
	(Amounts in thousands)			
Gain on sale of business	$ —	$(25,850)	$25,850	(100)%

Gain on sale of business for the year ended December 31, 2012 primarily related to the sale of our 51% stake in Sabre Pacific to Abacus for $46 million of proceeds. See "—Matters Affecting Comparability."

Joint venture equity income

	Year Ended December 31,			
	2013	2012	Change	
	(Amounts in thousands)			
Joint venture equity income (loss)	$12,350	$(2,513)	$14,863	** %

** not meaningful

Joint venture equity income increased $15 million for the year ended December 31, 2013 compared with the year ended December 31, 2012. This change was driven by a $24 million impairment of goodwill recognized in the year ended December 31, 2012, partially offset by decreased performance of our joint ventures in 2013 compared with the year ended December 31, 2012.

Other expense, net

	Year Ended December 31,			
	2013	2012	Change	
	(Amounts in thousands)			
Other expenses, net	$305	$6,635	$(6,330)	(95)%

Other expenses, net, decreased $6 million for the year ended December 31, 2013 compared with the year ended December 31, 2012. The decrease was driven primarily by a decrease in realized and unrealized foreign currency exchange losses.

Provision for income taxes

	Year Ended December 31,			
	2013	2012	Change	
	(Amounts in thousands)			
Provision (benefit) for income taxes	$54,039	$(6,907)	$60,946	** %

** not meaningful

We recognized a provision for income taxes of $54 million for the year ended December 31, 2013 compared to a benefit of $7 million for the year ended December 31, 2012. The decrease in the tax benefit in the year ended December 31, 2013 was primarily the result of the decrease in pre-tax loss from continuing operations and the impact of sales of business and assets partially offset by changes in valuation allowances.

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 $405 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 December 31, 2014 and 2013, our cash and cash equivalents, Revolver, and outstanding letters of credit were as follows (in thousands):

	As of December 31,	
	2014	2013
Cash and cash equivalents	$155,679	$308,236
Revolver outstanding balance	—	—
Available balance under the Revolver	358,619	285,671
Outstanding letters of credit	(46,545)	(67,949)

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 December 31, 2014 and 2013.

We consider the undistributed earnings of our foreign subsidiaries as of December 31, 2014 to be indefinitely reinvested and, accordingly, no U.S. income taxes have been provided thereon. As of December 31, 2014, the amount of indefinitely reinvested foreign earnings was approximately $177 million. As of December 31, 2014, $84 million of cash, cash equivalents, and marketable securities were held by our foreign subsidiaries. If such cash, cash equivalents and marketable securities are needed for our operations in the United States, we would be required to accrue and pay taxes on up to $55 million of these funds to repatriate all such cash, cash equivalents and marketable securities. We have not, nor do we anticipate the need to, repatriate funds from our controlled foreign corporations to the United States to satisfy domestic liquidity needs arising in the ordinary course of business, including liquidity needs associated with our domestic debt service requirements.

We utilize cash and cash equivalents primarily to pay our operating expenses, make capital expenditures, invest in our products and offerings, pay quarterly dividends on our common stock and service our debt and other long-term liabilities

Ability to Generate Cash in the Future

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 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."

Liquidity Outlook

We believe that cash flows from operations, cash and cash equivalents on hand and the Revolver provide adequate liquidity for our operational and capital expenditures and other obligations over the next twelve months. From time to time, we may supplement our current liquidity through debt or equity offerings to support future strategic investments or to pay down our $400 million of senior unsecured notes due in 2016, if we decide not to refinance this indebtedness. 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." Future strategic investments could include a possible acquisition within the Travel Network business segment that, if it occurs, would require approximately $500 million in funds including advisory and financing costs, which would be funded through some combination of cash on hand, revolver draw and debt financing.

Dividends

We paid cash dividends on our common stock in the third and fourth quarter of 2014 and expect to continue to pay quarterly cash dividends thereafter. Our board of directors declared cash dividends of $0.09 per share of our common stock, which were paid on September 16, 2014 to stockholders of record as of September 1, 2014, and on December 30, 2014 to stockholders of record as of December 15, 2014. In addition, our board of directors declared cash dividends of $0.09 per share of our common stock on February 6, 2015, to be paid on March 30, 2015 to stockholders of record as of March 16, 2015. We funded the 2014 dividends, and 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

Litigation Settlement Agreement

As a result of our litigation settlement agreement with American Airlines in 2012, we have accrued a settlement liability which consists of several elements, including cash to be paid directly to American Airlines, payment credits to pay for future technology services that we provide, as defined in the settlement agreements, and the estimated fair value of other service agreements entered into concurrently with the settlement agreement. As of December 31, 2014, our remaining settlement liability under the settlement agreement was $96 million, of which the current portion of $73 million is recorded in litigation settlement liability and related deferred revenue and the noncurrent portion of $23 million is recorded in other noncurrent liabilities in our consolidated balance sheets. In accordance with the settlement agreement, we paid $100 million during the fourth quarter of 2013 and $100 million during the fourth quarter of 2012. We expect to realize cash tax benefits over the next one-to-four years and payment credits are expected to be fully used by 2017, depending on the level of services we provide to American Airlines. In the year ended December 31, 2012, we recorded settlement charges of $347 million, or $222 million, net of tax, in our results of operations. See Note 17, Commitments and Contingencies, to our consolidated financial statements.

In the third quarter of 2014, we made a $50 million payment to American Airlines in conjunction with their new Airline Solutions contract, which will be amortized against revenue over the contract term. This payment reduces non-cash payment credits originally offered to American Airlines as a part of the litigation settlement, a portion of which were contingent upon the execution of a new reservation agreement. The contingent portion of non-cash credits was incorporated in the combined American Airlines and US Airways reservation contract. The non-cash payment credits would have been utilized for future billings under the new agreement.

Initial Public Offering and Redemption of Preferred Stock

On April 23, 2014, we closed our initial public offering of our common stock in which we sold 39,200,000 shares, and on April 25, 2014, the underwriters exercised in full their overallotment option which resulted in the sale of an additional 5,880,000 shares of our common stock. Our shares of common stock were sold at an initial public offering price of $16.00 per share, which generated $672 million of net proceeds from the offering after deducting underwriting discounts and commissions and offering expenses.

We used the net proceeds from our initial public offering to repay (i) $296 million aggregate principal amount of our Term Loan C (see “—Senior Secured Credit Facilities”) and (ii) $320 million aggregate principal amount of our senior secured notes due 2019 at a redemption price of 108.5% of the principal amount. We also used the net proceeds from our offering to pay the $27 million redemption premium and $13 million in accrued but unpaid interest on the 2019 Notes. We used the remaining portion of the net proceeds from our offering to pay a $21 million fee, in the aggregate, to TPG and Silver Lake pursuant to the MSA, which was thereafter terminated.

Prior to the closing of our initial public offering, we amended our Certificate of Incorporation and exercised our right to redeem all of our Series A Cumulative Preferred Stock. The amendment to our Certificate of Incorporation modified the redemption feature of the Series A Cumulative Preferred Stock to allow for settlement using cash, shares of our common stock or a mix of cash and shares of our common stock. On April 23, 2014, we redeemed all of our outstanding shares of Series A Cumulative Preferred Stock in exchange for 40,343,529 shares of our common stock, which was delivered pro rata to the holders thereof concurrently with the closing of our initial public offering.

Tax Receivable Agreement

Immediately prior to the closing of our initial public offering, we entered into the TRA that provides the right to receive future payments by 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") of 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"). 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, (i) we estimate that future payments under the TRA relating to Pre-IPO Tax Assets will total $387 million (assuming no changes to current limitations on our ability to utilize our NOLs under Section 382 of the Code), of which we expect approximately 85% to 95% of the total payments to be made over the next six years and (ii) we do not expect material payments to occur before 2016.

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. See Note 8, Income Taxes, to our consolidated financial statements for additional information regarding income taxes and the TRA.

In addition, the TRA provides that upon certain mergers, stock and asset sales, other forms of business combinations or other changes of control, the TRA will terminate and we will be required to make a payment intended to equal to the present value of future payments under the TRA, which payment would be based on certain assumptions, including those relating to our and our subsidiaries' future taxable income. In these situations, our obligations under the TRA could have a substantial negative impact on our liquidity and could have the effect of delaying, deferring or preventing certain mergers, asset sales, other forms of business combinations or other changes of control. Different timing rules will apply to payments under the TRA to be made to holders that, prior to the completion of the initial public offering, held stock options and restricted stock units (collectively, the "Pre-IPO Award Holders"). These payments will generally be deemed invested in a notional account rather than made on the scheduled payment dates, and the account will be distributed on the fifth anniversary of the initial public offering, together with an amount equal to the net present value of the Award Holder's future expected payments, if any, under the TRA. Moreover, payments to holders of stock options that were unvested prior to the completion of the initial public offering are subject to vesting on the same schedule as such holder's unvested stock options.

The TRA contains a Change of Control definition that includes, among other things, a change of a majority of the Board of Directors without approval of a majority of the then existing Board members (the "Continuing Directors Provision"). Recent Delaware case law has stressed that such Continuing Directors Provisions could have a potential adverse impact on stockholders' right to elect a company's directors. In this regard, decisions of the Delaware Chancery Court (not involving us or our securities) have considered change of control provisions and noted that a board of directors may "approve" a dissident stockholders' nominees solely to avoid triggering the change of control provisions, without supporting their election, if the board determines in good faith that the election of the dissident nominees would not be materially adverse to the interests of the corporation or its stockholders. Further, according to these decisions, the directors' duty of loyalty to stockholders under Delaware law may, in certain circumstances, require them to give such approval.

Our counterparties under the TRA will not reimburse us for any payments previously made under the TRA if such benefits are subsequently disallowed (although future payments would be adjusted to the extent possible to reflect the result of such disallowance). As a result, in certain circumstances, payments could be made under the TRA in excess

of our cash tax savings. Certain transactions by the company could cause it to recognize taxable income (possibly material amounts of income) without a current receipt of cash. Payments under the TRA with respect to such taxable income would cause a net reduction in our available cash. For example, transactions giving rise to cancellation of debt income, the accrual of income from original issue discount or deferred payments, a "triggering event" requiring the recapture of dual consolidated losses, or "Subpart F" income would each produce income with no corresponding increase in cash. In these cases, we may use some of the Pre-IPO Tax Assets to offset income from these transactions and, under the TRA, would be required to make a payment to our Pre-IPO Existing Stockholders even though we receive no cash from such income.

Because we are a holding company with no operations of our own, our ability to make payments under the TRA is dependent on the ability of our subsidiaries to make distributions to us. To the extent that we are unable to make payments under the TRA for specified reasons, such payments will be deferred and will accrue interest at a rate of the London Interbank Offered Rate ("LIBOR") plus 1.00% per annum until paid. The TRA is designed with the objective of causing our annual cash costs attributable to federal income taxes (without regard to our continuing 15% interest in the Pre-IPO Tax Assets) to be the same as we would have paid had we not had the Pre-IPO Tax Assets available to offset our federal taxable income. As a result, stockholders who are not Pre-IPO Existing Stockholders will not be entitled to the economic benefit of the Pre-IPO Tax Assets that would have been available if the TRA were not in effect (except to the extent of our continuing 15% interest in the Pre-IPO Tax Assets).

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. In January 2014, Venezuela announced a dual-foreign exchange rate system, which has effectively devalued the local currency and subjected airlines to an exchange rate for U.S. dollars available at auctions that has been significantly higher than the official exchange rate. In conjunction with the political and economic uncertainty in Venezuela, demand for travel by local consumers has declined. Certain airlines have scaled back operations in response to the reduced demand as well as the currency controls which has impacted our airline customers in Venezuela. During the year ended December 31, 2014, we collected $21 million from customers in Venezuela of which $4 million was outstanding as of December 31, 2013. Accounts receivable outstanding from customers in Venezuela totaled $6 million as of December 31, 2014.

Acquisitions

In August 2012, we acquired all of the outstanding stock and ownership interests of PRISM Group Inc. and PRISM Technologies LLC, a leading provider of end to end airline contract business intelligence and decision support software. The purchase price was $116 million of which $54 million was contingent consideration paid in two annual installments. The first $27 million installment was paid in August 2013 and second $27 million installment was paid in August 2014.

In September 2014, we paid $32 million to acquire certain assets and liabilities of Genares Worldwide Reservation Services, Ltd., a provider of central reservation systems, revenue management and marketing solutions to more than 2,300 independent and chain hotel properties worldwide.

Discontinued Travelocity Business

In the third quarter of 2013, we initiated plans to shift our Travelocity business in the United States and Canada away from a high fixed-cost model to a lower-cost, performance-based revenue structure. In August 2013, Travelocity entered into the Expedia SMA, pursuant to which Expedia powered the technology platforms for Travelocity’s existing U.S. and Canadian websites as well as provided Travelocity with access to Expedia’s supply and customer service platforms. In February 2014, as a further step in our restructuring plans for Travelocity, we completed a sale of assets associated with Travelocity Partner Network (“TPN”), a business-to-business private white label website offering.

Travelocity’s working capital was impacted by the Expedia SMA and the sale of TPN. As of December 31, 2013, we had approximately $214 million in total travel supplier liabilities of which $129 million represented the liability to travel suppliers in connection with Travelocity.com and TPN. The $129 million liability was extinguished during the year ended December 31, 2014 as a result of the Expedia SMA and the sale of TPN as we no longer received cash directly from consumers and did not incur a payable to travel suppliers for new bookings. Subsequent to the Expedia SMA and the sale of TPN, our Travelocity-related working capital primarily consisted of amounts attributable to lastminute.com as well as amounts due from Expedia offset by payables for marketing and labor related costs, and we continued to pay travel suppliers for travel consumed that originated on our technology platforms. In connection with the divestiture of lastminute.com, the remaining amount of the travel supplier liabilities was transferred to Bravofly Rumbo Group as of the date of the sale.

Cash flows used by discontinued operating activities totaled $206 million, $85 million and $2 million for the years ended December 31, 2014, 2013 and 2012, respectively. The increase in cash flows used by discontinued operating activities in the year ended December 31, 2014 compared to 2013 was primarily due to the decrease in operating liabilities, mainly associated with travel supplier liabilities as described above, partially offset by a decrease in accounts receivable. The increase in cash flows used by discontinued operating activities in the year ended December 31, 2013 compared to 2012 was driven by higher operating losses and a $24 million decrease in travel supplier liabilities and accounts payable due to impact of the Expedia SMA on Travelocity's working capital.

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 17, Commitments and Contingencies, regarding litigation and other contingencies associated with our discontinued Travelocity segment.

Subsequent Events Impacting Our Liquidity and Capital Resources

Sale of Travelocity.com and lastminute.com

On January 23, 2015, we announced the sale of Travelocity.com to Expedia, pursuant to the terms of the Travelocity Purchase Agreement, dated January 23, 2015, by and among Sabre GLBL Inc. and Travelocity.com LP, and Expedia. The signing and closing of the Travelocity Purchase Agreement occurred contemporaneously. Expedia purchased Travelocity.com pursuant to the Travelocity Purchase Agreement for cash consideration of $280 million. Travel Network's agreement with Expedia regarding the use of our GDS remains in place such that air travel booked through the Travelocity-branded websites by Expedia are contractually required to be processed by Travel Network through the beginning of 2019.

On December 16, 2014, we announced that we had received a binding offer from Bravofly Rumbo Group to acquire lastminute.com which subsequently closed on March 1, 2015. The transaction was completed through the transfer of net liabilities to the acquirer as of the date of sale consisting primarily of a working capital deficit. Additionally, at the time of sale, the acquirer entered into a long-term agreement with Travel Network to continue to utilize our GDS for bookings which will generate incentive consideration to be paid by us to the acquirer. We did not receive any cash proceeds or any other significant consideration in the transaction other than payment for specific services to be provided to the acquirer under a transition services agreement during 2015.

Secondary Public Offering

On February 10, 2015, we closed a secondary public offering of our common stock in which certain of our stockholders sold 23,800,000 shares, and the underwriters exercised in full their overallotment option which resulted in the sale of an additional 3,570,000 shares of our common stock. We did not receive any proceeds from the secondary public offering or from the exercise of the underwriters' overallotment option.

Capital Expenditures and Implementation Costs

Capitalized c