

Sabre Corp  
Form DEF 14A  
March 08, 2019  
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**SCHEDULE 14A**

**PROXY STATEMENT**

**Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as Permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Under Rule 14a-12

**Sabre Corporation**

**(Name of Registrant as Specified In Its Charter)**

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No:

(3) Filing Party:

(4) Date Filed:



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**Notice of 2019 Annual Meeting of Stockholders and  
Proxy Statement**

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March 8, 2019

Dear Fellow Stockholders:

We are pleased to invite you to the 2019 Annual Meeting of Stockholders. The meeting will be held on Tuesday, April 23, 2019, at 9:30 a.m. local time, at our Global Headquarters, located at 3150 Sabre Drive, Southlake, Texas 76092.

Details about the business to be conducted at the Annual Meeting can be found in the accompanying Notice of Annual Meeting of Stockholders and proxy statement.

**Your vote is important.** Regardless of whether you plan to attend the Annual Meeting, we urge you to submit your proxy as soon as possible. You may submit your proxy using the proxy card by completing, signing, and dating it, then returning it by mail. Also, most of our stockholders can submit their proxy by telephone or through the Internet. If telephone or Internet voting is available to you, instructions will be included on your proxy card. Additional information about voting your shares is included in the proxy statement.

As in prior years, we are utilizing rules that allow companies to furnish proxy materials to stockholders on the Internet. We believe furnishing proxy materials in this manner allows us to continue to make this information available to our stockholders, while reducing printing and delivery costs and acting in a sustainable manner.

On behalf of your Board of Directors, thank you for your continued interest and support.

Sincerely,

Larry Kellner  
*Chairman of the Board*

Sean Menke  
*President and Chief Executive Officer*

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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**SABRE CORPORATION**

**3150 Sabre Drive**

**Southlake, Texas 76092**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

The Annual Meeting of Stockholders (including any adjournments or postponements, the Annual Meeting ) of Sabre Corporation, a Delaware corporation, will be held at 9:30 a.m. local time on Tuesday, April 23, 2019, at our Global Headquarters, 3150 Sabre Drive, Southlake, Texas 76092, for the following purposes:

- 1. To elect George Bravante, Jr., Joseph Osness, Zane Rowe and John Siciliano to our Board of Directors, each to serve a one-year term,**
- 2. To ratify the appointment of Ernst & Young LLP as our independent auditors for the fiscal year ending December 31, 2019,**
- 3. To adopt the Fourth Amended and Restated Certificate of Incorporation (the Fourth Amended and Restated Certificate of Incorporation ), which eliminates the supermajority voting provisions and deletes certain obsolete provisions from our Third Amended and Restated Certificate of Incorporation, as amended (the Certificate of Incorporation ),**
- 4. To approve our 2019 Omnibus Incentive Compensation Plan,**
- 5. To approve our 2019 Director Equity Compensation Plan, and**
- 6. To transact any other business that may properly come before the Annual Meeting or any adjournments or postponements.**

Our Board of Directors recommends you vote (1) **FOR** the election of the four nominees for directors named in this proxy statement, (2) **FOR** ratification of the appointment of our independent auditors, (3) **FOR** the adoption of the Fourth Amended and Restated Certificate of Incorporation, which eliminates the supermajority voting provisions and deletes certain obsolete provisions from our Certificate of Incorporation, (4) **FOR** the approval of our 2019 Omnibus Incentive Compensation Plan, and (5) **FOR** the approval of our 2019 Director Equity Compensation Plan.

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Only stockholders of record at the close of business on February 25, 2019 are entitled to notice of, to attend, and to vote at the Annual Meeting and any adjournments or postponements.

Whether or not you expect to attend the Annual Meeting, we encourage you to submit your proxy promptly by using the Internet or telephone or by signing, dating and returning your proxy card.

By order of the Board of Directors.

**Steve Milton**

*Corporate Secretary*

March 8, 2019

**Important Notice Regarding the Availability of Proxy Materials**

**for the Stockholder Meeting to be Held on April 23, 2019**

**This proxy statement and the 2018 annual report are available at**

***[www.proxydocs.com/SABR](http://www.proxydocs.com/SABR)***

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*This summary represents only selected information. You should review the entire proxy statement before voting.*

**Matters for Stockholder Voting**

Proposal	Description	Board Voting Recommendation
1. Election of directors	Election of George Bravante, Jr., Joseph Osnos, Zane Rowe and John Siciliano to serve a one-year term	<b>FOR</b> these nominees
2. Ratification of appointment of auditors	Ratification of the appointment of Ernst & Young LLP as our independent auditors for 2019	<b>FOR</b>
3. Adoption of the Fourth Amended and Restated Certificate of Incorporation	Adoption of the Fourth Amended and Restated Certificate of Incorporation, which eliminates the supermajority voting provisions in favor of simple majority voting requirements and deletes certain obsolete provisions from our Certificate of Incorporation	<b>FOR</b>

4. Approval of our 2019 Omnibus Incentive Compensation Plan	Approval of our 2019 Omnibus Incentive Compensation Plan, to replace our 2016 Omnibus Incentive Compensation Plan and increase the number of shares authorized for issuance under our equity-based compensation plans	<b>FOR</b>
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5. Approval of our 2019 Director Equity Compensation Plan	Approval of our 2019 Director Equity Compensation Plan, to provide for a separate compensation plan for our non-employee directors	<b>FOR</b>
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Information about the four nominees for director is included below. The Governance and Nominating Committee has reviewed the individual director attributes and contributions of these nominees, and the Board of Directors recommends that stockholders vote **FOR** the election of each of these nominees.

Name and Occupation	Committee		
	Roles	Independent	Experience Highlights
George Bravante, Jr. <i>Co-founder of Bravante-Curci Investors, LP, Owner of Bravante Produce and CEO of Pacific Agricultural Realty, LP</i>	Audit Committee		Travel industry experience, as the former Chairman of the Board of ExpressJet Holdings, Inc.  Investment experience  Financial and strategic business knowledge  Audit Committee financial expert
Joseph Osnoss <i>Managing Director, Silver Lake</i>	Compensation Committee  Executive Committee  Governance and Nominating Committee  Technology Committee		Extensive experience in private equity investing, including the technology sector  Service on the boards of directors of other companies, both domestically and internationally
Zane Rowe	Compensation Committee		Extensive experience in the travel industry and the technology sector



<i>Chief Financial Officer, VMware, Inc.</i>	Technology Committee	Financial expertise Experience in sales, operations and strategic roles
John Siciliano <i>Senior Managing Director and Global Strategy Leader, Asset and Wealth Management, PricewaterhouseCoopers, LLP</i>	Audit Committee*	Broad, global leadership as CEO, CFO and senior advisor Significant experience in developing and implementing corporate strategy Well-versed in complexity of issues in areas of governance and ethics

\* Subject to election as a director.

**Fourth Amended and Restated Certificate of Incorporation**

We are proposing to amend and restate our Certificate of Incorporation to eliminate supermajority voting provisions in favor of simple majority voting requirements contained in our Certificate of Incorporation. Currently, our Certificate of Incorporation requires the affirmative vote of the holders of at least 75% of the voting power of our common stock to remove directors, to alter, amend or repeal certain provisions of our Certificate of Incorporation and for stockholders to alter, amend or repeal the Bylaws. The Board of

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PROXY STATEMENT SUMMARY

Directors has adopted resolutions approving the Fourth Amended and Restated Certificate of Incorporation which, if approved by stockholders, would eliminate these supermajority voting provisions. As a result of the deletion of these provisions, under Delaware law, directors may be removed by the holders of a majority in voting power of the shares of the outstanding common stock, all of the provisions of the certificate of incorporation may be amended by the affirmative vote of the holders of at least a majority of the voting power of the outstanding common stock, and stockholders may amend the bylaws by the affirmative vote of the holders of a majority of the voting power of the outstanding common stock entitled to vote on such matter and present, in person or by proxy, at the meeting. In addition, the Fourth Amended and Restated Certificate of Incorporation, if approved by stockholders, would delete certain obsolete provisions from our Certificate of Incorporation that no longer have any application. See Proposal 3: Adoption of the Fourth Amended and Restated Certificate of Incorporation, Which Eliminates the Supermajority Voting Requirements and Deletes Certain Obsolete Provisions from Our Certificate of Incorporation.

The Board of Directors recommends that stockholders vote **FOR** the adoption of the Fourth Amended and Restated Certificate of Incorporation.

### **2019 Omnibus Incentive Compensation Plan**

We are seeking approval of our 2019 Omnibus Incentive Compensation Plan (the 2019 Omnibus Plan ), which our Board of Directors adopted in February 2019, subject to stockholder approval. We currently have the 2016 Omnibus Incentive Compensation Plan (the 2016 Omnibus Plan ) in place. We are proposing adoption of the 2019 Omnibus Plan to replace the 2016 Omnibus Plan, which will also increase the number of shares authorized for issuance pursuant to our equity-based compensation plans. The 2019 Omnibus Plan is a critical part of our overall compensation program and is intended to promote the interests of Sabre and our stockholders by providing our employees, who are largely responsible for the management, growth, and protection of our business, with incentives and rewards to encourage them to continue in the service of Sabre. The 2019 Omnibus Plan is designed to meet these objectives by providing these employees with a proprietary interest in pursuing the long-term growth, profitability, and financial success of Sabre.

The Board of Directors recommends that stockholders vote **FOR** the approval of the 2019 Omnibus Plan.

### **2019 Director Equity Compensation Plan**

We are also seeking approval of our 2019 Director Equity Compensation Plan (the 2019 Director Plan ), which our Board of Directors adopted in February 2019, subject to stockholder approval. Currently, awards to non-employee directors are granted under the 2016 Omnibus Plan. We are proposing that awards to non-employee directors be granted under the 2019 Director Plan. The 2019 Director Plan is intended to promote the interests of Sabre and our stockholders by providing certain compensation to eligible directors to encourage the highest level of performance by

providing them with a proprietary interest in Sabre's success and progress by granting them awards under the 2019 Director Plan.

The Board of Directors recommends that stockholders vote **FOR** the approval of the 2019 Director Plan.

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**PROXY STATEMENT**

**PROXY STATEMENT**

**for the Annual Meeting of Stockholders**

**to be held on April 23, 2019**

**INFORMATION ABOUT OUR ANNUAL MEETING**

**Date, Time and Place of Meeting**

Our 2019 Annual Meeting will be held on Tuesday, April 23, 2019, at 9:30 a.m. local time, at our Global Headquarters, 3150 Sabre Drive, Southlake, Texas 76092.

Only stockholders as of the record date and persons holding proxies from stockholders as of the record date may attend the Annual Meeting. If your shares are registered in your name, you must bring a form of government-issued photo identification to the Annual Meeting. If your shares are held in the name of a broker, trust, bank or other nominee, otherwise known as holding in street name, you must bring a proxy or letter from that broker, trust, bank or other nominee that confirms you are the beneficial owner of those shares, together with a form of government-issued photo identification, to the Annual Meeting. If you are a representative of an entity that owns shares, you must bring a form of government-issued photo identification, evidence that you are the entity's authorized representative or proxyholder, and, if the entity holds the shares in street name, proof of the entity's beneficial ownership to the Annual Meeting. If you are a proxyholder, you must bring a valid legal proxy and a form of government-issued photo identification to the Annual Meeting. Use of cameras and recording devices will not be permitted at the Annual Meeting.

**Record Date; Mailing Date**

The Board of Directors established the close of business on February 25, 2019 as the record date for determining the holders of Sabre stock entitled to notice of and to vote at the Annual Meeting.

On the record date, 275,528,356 shares of common stock were outstanding and entitled to vote at the Annual Meeting. Each share of common stock outstanding is entitled to one vote for each director nominee and one vote for each other item to be voted on at the Annual Meeting.

We are first mailing this proxy statement and the accompanying proxy materials to holders of Sabre common stock on or about March 8, 2019.

**Notice of Electronic Availability of Proxy Statement and Annual Report**

As permitted by rules of the Securities and Exchange Commission ( SEC ), we are making this proxy statement and our annual report available to our stockholders electronically via the Internet. This reduces printing and delivery costs and supports our sustainability efforts. You may have received in the mail a Notice of Electronic Availability explaining how to access this proxy statement and our annual report on the Internet and how to vote online. If you received this Notice but would like to receive a paper copy of the proxy materials, you should follow the instructions contained in the Notice for requesting these materials.

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PROXY STATEMENT

**How to Vote**

You may direct how your shares are voted by proxy, without attending the Annual Meeting. The manner in which your shares may be voted by proxy depends on whether you are a:

**Registered stockholder.** Your shares are represented by certificates or book entries in your name on the records of Sabre's stock transfer agent, American Stock Transfer & Trust Company, LLC, or

**Beneficial stockholder.** You hold your shares in street name through a broker, trust, bank or other nominee. You may vote your shares by proxy in any of the following three ways:

**Using the Internet.** Registered stockholders may submit their proxies using the Internet by going to [www.proxypush.com/SABR](http://www.proxypush.com/SABR) and following the instructions. Beneficial stockholders may submit their proxies by accessing the website specified on the voting instruction forms provided by their brokers, trusts, banks or other nominees. You will be required to enter the control number that is included on the voting instruction form provided by your broker, trust, bank or other nominee.

**By Telephone.** Registered stockholders may submit their proxies, from within the United States, using any touch-tone telephone by calling (866) 206-5104 and following the recorded instructions. Beneficial owners may submit their proxies, from within the United States, using any touch-tone telephone by calling the number specified on the voting instruction forms provided by their brokers, trusts, banks or other nominees. You will be required to enter the control number that is included on the voting instruction form provided by your broker, trust, bank or other nominee.

**By Mail.** Registered stockholders that received printed proxy materials may submit proxies by mail by marking, signing and dating the printed proxy cards and mailing them in the accompanying postage-paid envelopes. Beneficial owners may submit their proxies by marking, signing and dating the voting instruction forms by their brokers, trusts, banks or other nominees provided and mailing them in the accompanying postage-paid envelopes. Please note that if you received a Notice of Electronic Availability, you cannot vote your shares by filling out and returning the Notice. Instead, you should follow the instructions contained in the Notice on how to submit a proxy by using the Internet or telephone.

All proxies properly submitted and not revoked will be voted at the Annual Meeting in accordance with the instructions indicated on the proxies. If you are a stockholder of record and submit your signed proxy voting

instructions but do not direct how to vote on each item, the persons named as proxies will vote your shares as follows:

**FOR the election of the directors named in this proxy statement,**

**FOR the ratification of the appointment of our independent auditors,**

**FOR the adoption of the Fourth Amended and Restated Certificate of Incorporation, which eliminates the supermajority voting provisions and deletes certain obsolete provisions from our Certificate of Incorporation,**

**FOR the approval of the 2019 Omnibus Plan, and**

**FOR the approval of the 2019 Director Plan.**

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**PROXY STATEMENT**

You may also vote in person at the Annual Meeting. Votes in person will replace any previous votes you have made by mail, telephone or the Internet. We will provide a ballot to registered stockholders who request one at the meeting. Shares held in your name as the stockholder of record may be voted on that ballot. Shares held beneficially in street name may be voted on a ballot only if you bring a legal proxy from the broker, trust, bank or other nominee that holds your shares giving you the right to vote the shares. Attendance at the Annual Meeting without voting or revoking a previous proxy in accordance with the voting procedures will not in and of itself revoke a previously submitted proxy.

**How to Revoke Your Vote**

Any stockholder of record submitting a proxy has the power to revoke the proxy at any time prior to its exercise by (1) submitting a new proxy with a later date or time, including a proxy given over the Internet or by telephone, (2) notifying our Corporate Secretary at 3150 Sabre Drive, Southlake, Texas 76092 in writing, which notice must be received by the Corporate Secretary before the meeting or (3) voting in person at the meeting.

If you are a beneficial stockholder, you may revoke your proxy or change your vote only by following the separate instructions provided by your broker, trust, bank or other nominee.

**Quorum**

Transaction of business at the Annual Meeting may occur if a quorum is present. The presence at the Annual Meeting, in person or by proxy, of the holders of a majority in voting power of the outstanding shares of capital stock entitled to be voted at the meeting, present in person or by proxy, constitutes a quorum. If a quorum is not reached, the Annual Meeting will be adjourned until a later time.

**Votes Required**

**Item 1: Election of Directors.** The election of each director will be determined by the vote of a majority of the votes cast with respect to that director's election, requiring the number of votes cast for a director's election to exceed the number of votes cast against that director.

**Item 2: Ratification of Appointment of Our Independent Auditors.** The affirmative vote of the holders of not less than a majority of the outstanding common stock entitled to vote and present, in person or by proxy, at the meeting is required.

**Item 3: Adoption of the Fourth Amended and Restated Certificate of Incorporation.** The affirmative vote of the holders of at least 75% of the voting power of the outstanding shares of common stock entitled to vote at the meeting is required.



***Item 4: Approval of the 2019 Omnibus Plan.*** The affirmative vote of the holders of not less than a majority of the voting power of the outstanding common stock entitled to vote and present, in person or by proxy, at the meeting is required.

***Item 5: Approval of the 2019 Director Plan.*** The affirmative vote of the holders of not less than a majority of the voting power of the outstanding common stock entitled to vote and present, in person or by proxy, at the meeting is required.

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**PROXY STATEMENT**

**Abstentions and Broker Non-Votes**

Abstentions and broker non-votes are counted as present and entitled to vote for purposes of determining a quorum. For Item 1, because the election of each director requires a majority of votes cast, abstentions and broker non-votes will have no effect on the outcome of the vote. For Items 2, 4 and 5, because the affirmative vote of the holders of a majority of the shares present and entitled to vote is required for approval, abstentions will be counted as votes against these proposals and, for Items 4 and 5, broker non-votes will have no effect on the outcome of the vote (and there will be no broker non-votes with respect to Item 2). For Item 3, because the affirmative vote of the holders of at least 75% of the shares entitled to vote at the meeting is required, abstentions and broker non-votes will be counted as votes against this proposal.

If you hold Sabre shares in street name, you must provide your broker, bank or other holder of record with instructions in order to vote these shares. If you do not provide these voting instructions, whether your shares can be voted by your bank, broker or other nominee depends on the type of item being considered for a vote.

***Non-Discretionary Items.*** The election of directors, the adoption of the Fourth Amended and Restated Certificate of Incorporation, the approval of the 2019 Omnibus Plan and the approval of the 2019 Director Plan are non-discretionary items and may NOT be voted on by your broker, bank or other nominee absent specific voting instructions from you.

***Discretionary Item.*** The ratification of Ernst & Young LLP as Sabre's independent registered public accounting firm for the fiscal year ending December 31, 2019 is a discretionary item. Generally, brokers, banks and other nominees that do not receive voting instructions may vote on this proposal in their discretion.

**Solicitation of Proxies**

This solicitation is being made by our Board of Directors. We will bear all costs of this proxy solicitation, including the cost of preparing, printing and delivering materials, the cost of the proxy solicitation and the expenses of brokers, fiduciaries and other nominees who forward proxy materials to stockholders. In addition to mail and electronic means, our employees may solicit proxies by telephone or otherwise. In addition, we may enlist the help of banks, brokers, broker-dealers and similar organizations in soliciting proxies from their customers (*i.e.*, beneficial stockholders). We have retained Alliance Advisors, LLC to aid in the solicitation at a cost of approximately \$11,000 plus reimbursement of out-of-pocket expenses.

**Other Business**

The Board of Directors does not presently intend to bring any business before the Annual Meeting other than the proposals discussed in this proxy statement and specified in the Notice of Annual Meeting of Stockholders. If any other matters should properly come before the Annual Meeting, the persons designated in the proxy will vote on them according to their best judgment.

**Your vote is very important. Whether or not you plan to attend the Annual Meeting, please take the time to submit your proxy via the Internet, by telephone or by returning your marked, signed and dated proxy card so that your shares will be represented at the Annual Meeting.**

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**CORPORATE GOVERNANCE**

**CORPORATE GOVERNANCE**

**Corporate Governance Guidelines**

The Board of Directors has adopted Corporate Governance Guidelines, which govern the Board of Directors' structure and proceedings and contain its position on many governance issues. These Guidelines are available on the investors section of our website at [www.sabre.com](http://www.sabre.com).

**Board Leadership Structure**

Our Corporate Governance Guidelines provide that our Board of Directors has the right to exercise its discretion to either separate or combine the offices of the Chairman of the Board and the CEO. This decision is based upon the Board of Directors' determination of what is in the best interests of Sabre and its stockholders, in light of the circumstances and taking into consideration succession planning, skills and experience of the individuals filling those positions and other relevant factors.

Mr. Kellner currently serves as non-executive Chairman of the Board. As Chairman of the Board, his duties include:

leading and overseeing the Board,

presiding at all meetings of the Board and the stockholders,

establishing, in consultation with the CEO (and any other executive officers as needed), the schedule and agendas for meetings of the Board,

defining the scope, quality, quantity and timeliness of the flow of information between company management and the Board, including Board meeting materials, that is necessary for the Board to effectively and responsibly perform its duties,

advising the Board committee chairs in fulfilling their designated roles and responsibilities to the Board,

facilitating discussions among directors both during and between Board meetings and serving as a liaison between the Board and the CEO,

advising the CEO on strategic matters, including regular discussions on key acquisitions, divestitures, significant company developments and other items requiring Board approval or oversight,

developing the agenda for and presiding over Board executive sessions, as well as providing feedback and perspective to the CEO regarding discussions at these sessions and working with the CEO to address any feedback,

overseeing the Board's review and approval of the CEO's annual goals and objectives for Sabre,

leading the Board in the annual performance evaluation of the CEO,

leading the Board in CEO and senior management succession planning,

managing the Board's oversight and approval of Sabre's annual plan and multi-year outlook,

managing, in coordination with the Compensation Committee, the Board's oversight of company-wide talent management and diversity,

managing the Board's oversight of risks and conflicts of interest, including ensuring appropriate ownership by the full Board or an appropriate Board committee,

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**CORPORATE GOVERNANCE**

leading the annual Board evaluation and, in coordination with the Governance and Nominating Committee, overseeing the process for Board committee evaluations,

chairing the Governance and Nominating Committee,

working with the Governance and Nominating Committee regarding recommendations for Board committee service, including chairing Board committees,

interviewing, along with appropriate members of the Governance and Nominating Committee, all Board candidates and making recommendations to the Governance and Nominating Committee and the Board regarding these candidates,

consulting with stockholders, in coordination with the CEO,

approving the retention of consultants who report directly to the Board, and

assuming such other responsibilities that the Board or the CEO may designate from time to time.

Mr. Menke was elected as President and CEO effective December 31, 2016. The current leadership structure is based on the leadership provided by a non-executive Chairman of the Board (currently Mr. Kellner) and a full-time CEO (currently Mr. Menke), with both positions being subject to oversight and review by Sabre's Board of Directors. The Board of Directors recognizes that, if circumstances change in the future, other leadership structures might also be appropriate, and it has the discretion to revisit this determination of Sabre's leadership structure.

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**Overview of Board Composition**

The following charts provide a snapshot of the Board's composition.

**Board Composition and Director Independence**

Our Board of Directors is currently comprised of ten directors, and will be comprised of eleven directors if Mr. Siciliano is elected. Our Certificate of Incorporation provides that the number of directors on our Board of Directors shall be not less than five directors nor more than thirteen directors, as determined by the affirmative vote of the majority of the Board of Directors then in office.

Our Board of Directors has determined that George Bravante, Jr., Hervé Couturier, Renée James, Lawrence W. Kellner, Gary Kusin, Judy Odom, Joseph Osnoss, Karl Peterson, Zane Rowe and John Siciliano are independent as defined under the corporate governance rules of NASDAQ. The Board also determined that Greg Mondre was independent as defined under the corporate governance rules of NASDAQ during the period in 2018 in which he served as a director. In making these determinations, the Board of Directors considered the applicable legal standards and any relevant transactions, relationships or arrangements, including that we do business with other companies affiliated with the Principal Stockholders. See Certain Relationships and Related Party Transactions.

**Table of Contents****CORPORATE GOVERNANCE****Director Nominee Criteria and Process**

The Board of Directors is responsible for approving candidates for membership to the Board of Directors. The Board of Directors has delegated the screening and recruitment process to the Governance and Nominating Committee, in consultation with our Chairman of the Board and our President and CEO. The Governance and Nominating Committee believes that the criteria for director nominees should support Sabre's strategies and business, ensure effective governance, account for individual director attributes and the overall mix of those attributes and support the successful recruitment of qualified candidates for the Board of Directors.

Qualified candidates for director are those who, in the judgment of the Governance and Nominating Committee, possess all of the general attributes and a sufficient mix of the specific attributes listed below to ensure effective service on the Board of Directors.

General Attributes	Specific Attributes
Leadership skills	Leadership experience, including executive and board experience
Ethical character	Technology or travel industry knowledge
Active participator	Financial background
Relationship skills	Diversity, including geographical, industry, function, gender, race or ethnicity
Effectiveness	International experience
Independence	Marketing or sales background
Financial literacy	Other functional expertise
Reflection of Sabre values	

The Governance and Nominating Committee may receive recommendations for candidates for the Board of Directors from various sources, including our directors, management and stockholders. In addition, the Governance and Nominating Committee may periodically retain a search firm to assist it in identifying and recruiting director candidates meeting the criteria specified by the Governance and Nominating Committee.

The Governance and Nominating Committee recommends nominees to the Board of Directors to fill any vacancies. As provided in our Certificate of Incorporation, the Board of Directors elects a new director when a vacancy occurs between annual meetings of stockholders. The Governance and Nominating Committee also recommends to the Board



of Directors any new appointments and nominees for election as directors at our Annual Meetings.

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**Attributes of Current Directors**

The Governance and Nominating Committee believes that each of our current director possesses all of the general attributes described above. The following chart provides an overview of the specific attributes described above we believe are applicable to our current directors.

See [Certain Information Regarding Nominees for Director](#) for additional information regarding director qualifications.

**Board Tenure**

The Governance and Nominating Committee believes that Board tenure is important, as we seek to achieve the appropriate balance in years of service. New directors provide fresh perspectives, while longer serving directors provide a deep knowledge of the company. Our current Board has an average tenure of 6 years.

Our Corporate Governance Guidelines provide that directors will not stand for re-election after reaching age 74. This guideline may be waived in individual cases by the Governance and Nominating Committee.

**Board Evaluations**

The Governance and Nominating Committee oversees annual performance evaluations of the Board and its committees, and the Board and each committee conducts an annual evaluation. The Governance and Nominating Committee further assesses the individual contributions of directors recommended for re-election, as well as considers the overall composition of the Board and its committees, including whether the directors have an appropriate mix of the attributes described above in order to function effectively and taking into account any anticipated future needs of the Board.

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**Table of Contents****CORPORATE GOVERNANCE****Diversity of Directors**

As noted above, the Governance and Nominating Committee believes that diversity of backgrounds and viewpoints is a key attribute for directors. As a result, the Governance and Nominating Committee considers specific attributes for director candidates, including whether the individual brings an appropriate level of diversity, which may be, among others, geographical, industry, function, gender, race or ethnicity. While the Governance and Nominating Committee considers this diversity when reviewing nominees for director, the Governance and Nominating Committee has not established a formal policy regarding diversity in identifying director nominees.

**Stockholder Nominations for Directors**

The Governance and Nominating Committee considers nominees recommended by stockholders as candidates for election to the Board of Directors. Under our Bylaws, a stockholder wishing to nominate a candidate for election to the Board of Directors at an annual meeting is required to give timely notice in writing to Sabre's Corporate Secretary, which notice must also fulfill the requirements of the Bylaws as described below. The stockholder must be a stockholder of record of Sabre at the time the notice is delivered to the Corporation and must be entitled to vote at the meeting. The notice must be received by Sabre's Corporate Secretary at Sabre's principal executive offices not earlier than the opening of business 120 days before, and not later than the close of business 90 days before, the first anniversary of the date of the preceding year's Annual Meeting. The notice of nomination is required to contain certain information, as set forth in our Bylaws, about both the nominee and the stockholder making the nomination, the nominee's consent to being named in the proxy statement, and a description of certain agreements, arrangements or understandings in connection with the making of the nomination. The Bylaws provide that the notice must also contain information about certain stock holdings of the stockholder making the nomination, including derivative holdings, dividend rights that are separated from or separable from the underlying shares and certain performance-related fees, as well as information that would be required to be disclosed in connection with a proxy solicitation (and whether a proxy solicitation will be conducted). We may require that the proposed nominee furnish other information to determine that person's eligibility to serve as a director.

A nomination that does not comply with the requirements set forth in our Bylaws will not be considered for presentation at the annual meeting, but may be considered by the Governance and Nominating Committee for any vacancies arising on the Board of Directors between annual meetings in accordance with the process described in Director Nominee Criteria and Process.

**Board Meetings and Annual Meeting Attendance**

The Board of Directors met six times in 2018. All of the directors attended in excess of 75% of the total number of meetings of the Board of Directors and the committees on which they served.

Our Corporate Governance Guidelines provide that directors are expected to attend all or substantially all Board meetings and meetings of the committees of the Board on which they serve, as well as our annual meeting. Our 2018 Annual Meeting was attended by all of our directors then in office.

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**Board Committees**

The Board of Directors has established five standing committees to assist it in carrying out its responsibilities: the Audit Committee, the Compensation Committee, the Governance and Nominating Committee, the Technology Committee and the Executive Committee. The table below provides current membership for each committee.

Director	Audit	Compensation	Governance and Nominating	Technology	Executive
George Bravante, Jr.	Member				
Hervé Couturier				Chair	
Renée James	Member			Member	
Lawrence W. Kellner			Chair		Chair
Gary Kusin		Chair	Member		

Sean Menke

Member Member

Judy Odom

Chair

Joseph Osness

Member Member Member Member

Karl Peterson

Member Member Member

Zane Rowe

Member Member

Mr. Siciliano is expected to serve on the Audit Committee, if elected.

Each of the committees operates under its own written charter adopted by the Board of Directors, each of which is available on the investors section of our website at [www.sabre.com](http://www.sabre.com).

Ad hoc committees may also be designated under the direction of our Board of Directors when necessary to address specific issues.

*Audit Committee*

The Audit Committee assists the Board of Directors in the oversight of, among other things, the following items:

the integrity of Sabre's financial statements and internal control system,

the performance of Sabre's internal audit function,

the annual independent audit of Sabre's financial statements,

the engagement of the independent auditors and the evaluation of their qualifications, independence and performance,

legal and regulatory compliance,

the evaluation of enterprise risk issues, and

review of our cybersecurity and other information technology risks, controls and procedures.

The members of the Audit Committee are Judy Odom (Chairman), George Bravante, Jr. and Renée James, and Mr. Siciliano is expected to serve on the Audit Committee if elected. Each of these individuals is

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**CORPORATE GOVERNANCE**

independent, as defined under NASDAQ rules and Rule 10A-3 of the Securities Exchange Act of 1934, as amended (the Exchange Act ). Our Board of Directors has determined that each director appointed to the Audit Committee is financially literate and meets the criteria of the rules and regulations set forth by the SEC for an audit committee financial expert.

The Audit Committee met six times in 2018.

*Compensation Committee*

The Compensation Committee assists the Board of Directors in the oversight of, among other things, the following items:

the operation of our executive compensation program,

the review and approval of the corporate goals and objectives relevant to the compensation of our CEO, the evaluation of his or her performance in light of those goals and objectives, and the determination and approval of his or her compensation based on that evaluation,

the establishment and annual review of any stock ownership guidelines applicable to our executive officers and management, and the non-employee members of the Board of Directors,

the determination and approval of the compensation level (including base and incentive compensation) and direct and indirect benefits of our executive officers, and

any recommendation to the Board of Directors regarding the establishment and terms of incentive-compensation and equity-based plans, and the administration of these plans.

The members of the Compensation Committee are Gary Kusin (Chairman), Joseph Osness, Karl Peterson and Zane Rowe, each of whom is independent, as defined under NASDAQ rules. The Compensation Committee met six times in 2018.

Committee Consultant

The Compensation Committee's charter provides that the Compensation Committee has the authority to retain advisors, including compensation consultants, to assist in its work. The Compensation Committee believes that a compensation consultant can provide important market information and perspectives that can help it determine compensation programs that best meet the objectives of our compensation philosophy and policies. Pursuant to its charter, prior to selecting a compensation consultant the Compensation Committee considers factors relevant to the independence of the individual advisors, as well as the independence of the advisors' organization.



The Compensation Committee has engaged Compensia, Inc., a national compensation consulting firm, to assist it with compensation matters. Compensia has no other business relationship with Sabre and receives no payments from us other than fees for services to the Compensation Committee. Compensia reports directly to the Compensation Committee, and the Compensation Committee may replace Compensia or hire additional consultants at any time. A representative of Compensia attends Compensation Committee meetings and communicates with the Chairman of the Compensation Committee between meetings from time to time.

The Compensation Committee has assessed the independence of Compensia taking into account, among other things, the factors set forth in Exchange Act Rule 10C-1 and the listing standards of NASDAQ, and has

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**CORPORATE GOVERNANCE**

concluded that no conflict of interest exists with respect to the work that Compensia performs for the Compensation Committee.

**Compensation Policies and Practices Risk Assessment**

At the request of the Compensation Committee, Compensia has assessed the risk profile of Sabre's compensation programs. Based on this review, management and the Compensation Committee have concluded that Sabre's compensation policies and practices, taken as a whole, are not reasonably likely to have a material adverse impact on Sabre.

*Governance and Nominating Committee*

The Governance and Nominating Committee assists the Board of Directors in the oversight of, among other things, the following items:

the review of the performance of our Board of Directors and any recommendations to the Board of Directors regarding the selection of candidates, qualification and competency requirements for service on the Board of Directors and the suitability of proposed nominees as directors,

corporate governance principles applicable to officers, directors and employees of Sabre, and

the review of management's short- and long-term leadership development and succession plans and processes. The members of the Governance and Nominating Committee are Lawrence W. Kellner (Chairman), Gary Kusin, Joseph Osnoos and Karl Peterson, each of whom is independent, as defined under NASDAQ rules. The Governance and Nominating Committee met five times in 2018.

*Technology Committee*

The Technology Committee assists the Board of Directors in the oversight of, among other things, the following items:

the appraisal of major technology-related projects and recommendations to our Board of Directors regarding our technology strategies,

the review of the quality and effectiveness of Sabre's information technology security, data privacy and disaster recovery capabilities, and

the provision of advice to our senior technology management team with respect to existing trends in information technology and new technologies, applications and systems.

The members of the Technology Committee are Hervé Couturier (Chairman), Renée James, Joseph Osnoss, Sean Menke and Zane Rowe. The Technology Committee met four times in 2018.

*Executive Committee*

The Executive Committee's principal function is to exercise, when necessary between meetings of the Board of Directors, certain of the Board of Directors' powers and authority in the management of our business and affairs and to act on behalf of the Board of Directors.

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**CORPORATE GOVERNANCE**

The members of the Executive Committee are Lawrence W. Kellner (Chairman), Sean Menke, Joseph Osnoss and Karl Peterson. The Executive Committee did not meet in 2018.

**Compensation Committee Interlocks and Insider Participation**

None of our executive officers currently serves, or in the past year has served, as a member of the Board of Directors or compensation committee of any entity that has one or more executive officers serving on our Board of Directors or Compensation Committee.

**Other Corporate Governance Practices and Matters**

*Annual Election of Directors*

In 2018, stockholders approved an amendment to our Certificate of Incorporation to provide that directors will be elected on an annual basis instead of for staggered terms of three years each. Under the amendment, directors continue to serve the remainder of their elected terms, and beginning with this year's Annual Meeting of Stockholders, the directors up for election at the Annual Meeting will be elected annually so that, by the 2021 Annual Meeting of Stockholders, all directors will be elected annually.

*Majority Voting for Directors in Uncontested Elections*

In 2017, the Board of Directors and our stockholders approved an amendment to our Certificate of Incorporation to facilitate the implementation of a majority vote standard in uncontested director elections. As a result, our Bylaws now provide for a majority vote standard in these elections.

*Simple Majority Voting Provisions*

The Board of Directors has recommended that stockholders adopt the Fourth Amended and Restated Certificate of Incorporation, which eliminates the supermajority voting provisions contained in our Certificate of Incorporation. To effect this change, the holders of 75% of the outstanding shares of common stock must vote in favor of this proposal. See Proposal 3: Adoption of the Fourth Amended and Restated Certificate of Incorporation, Which Eliminates Supermajority Voting Provisions and Deletes Certain Obsolete Provisions from Our Certificate of Incorporation.

*Communicating with Directors*

Stockholders and other interested parties may communicate with our Board of Directors by writing to the Board of Directors, c/o Corporate Secretary, Sabre Corporation, 3150 Sabre Drive, Southlake, Texas 76092. You may also find information on communicating with the Board of Directors on the investors section of our website at [www.sabre.com](http://www.sabre.com).

*Code of Business Ethics*

We have adopted a Code of Business Ethics, which is the code of conduct applicable to all of our directors, officers and employees. The Code of Business Ethics is available on the investors section of our website at [www.sabre.com](http://www.sabre.com). Any change or amendment to the Code of Business Ethics, and any waivers of the Code of Business Ethics for our directors, CEO or senior financial officers, will be available on our website at the above location. As of the date of this proxy statement, no such waivers had been posted at this location.

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**CORPORATE GOVERNANCE**

*Board and Management Roles in Risk Oversight*

Our Board of Directors has the primary responsibility for risk oversight of Sabre as a whole. The Audit Committee is responsible for overseeing risks associated with financial and accounting matters, including compliance with legal and regulatory requirements and internal control over financial reporting. In addition, the Audit Committee has oversight responsibility relating to the evaluation of enterprise risk issues, as well as for reviewing Sabre's procedures with respect to risk management. The Audit Committee further has oversight authority to review our plans to mitigate cybersecurity risks.

The Board of Directors has also charged the Compensation Committee with evaluating Sabre's compensation program, taking into account Sabre's business strategy and risks to Sabre and its business implied by the compensation program. See Compensation Policies and Practices Risk Assessment. The Governance and Nominating Committee oversees risks associated with corporate governance, including Board leadership structure, succession planning and other matters. The Technology Committee, in coordination with the Audit Committee, is responsible for periodically reviewing, appraising and discussing with management the quality and effectiveness of Sabre's information technology security, data privacy and disaster recovery capabilities.

We believe that the current leadership structure of the Board of Directors is designed to support effective oversight of our risk management processes described above by providing independent leadership at the Board committee level, with ultimate oversight by the full Board of Directors as led by both the Chairman of the Board and the President and CEO.

*Whistleblower Procedures*

The Audit Committee has established procedures for receiving, recording and addressing any complaints we receive regarding accounting, internal accounting controls or auditing matters, and for the confidential and anonymous submission, by our employees or others, of any concerns about our accounting or auditing practices. We also maintain a toll-free Sabre Global Integrity Hotline telephone line and a website, each allowing our employees and others to voice their concerns anonymously.

*Stockholders Agreement*

We were previously a party to a second amended and restated Stockholders Agreement (the Stockholders Agreement) with the Silver Lake Funds, the TPG Funds and Sovereign Co-Invest II (as defined below). The Stockholders Agreement provided that the Silver Lake Funds and the TPG Funds had certain nomination rights to designate candidates for nomination to our Board of Directors and the ability to appoint members to each Board committee. In accordance with the Stockholders Agreement, the TPG Funds previously appointed Messrs. Peterson and Bravante, the Silver Lake Funds previously appointed Messrs. Mondre and Osness to our Board of Directors, and Ms. James was designated as the independent Joint Designee (as defined in the Stockholders Agreement). Notwithstanding these prior designation rights under the Stockholders Agreement, neither Mr. Bravante nor Ms. James are employees of, or otherwise affiliated with TPG or Silver Lake. The Principal Stockholders (as defined below) no longer own any shares of our common stock, and the Stockholders Agreement has terminated pursuant to its terms in November 2018.



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**CORPORATE GOVERNANCE**

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 V, L.P., TPG FOF V-A, L.P. and TPG FOF V-B, L.P., Silver Lake refers to Silver Lake Management Company, L.L.C. and its affiliates and Silver Lake Funds refer to either or both of Silver Lake Partners II, L.P. and Silver Lake Technology Investors II, L.P. Sovereign Co-Invest II refers to Sovereign Co-Invest II, LLC, an entity co-managed by TPG and Silver Lake. Principal Stockholders refer to the TPG Funds, the Silver Lake Funds and Sovereign Co-Invest II.

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**PROPOSAL 1: ELECTION OF DIRECTORS**

**PROPOSAL 1: ELECTION OF DIRECTORS**

**General Information**

Our business and affairs are managed under the direction of our Board of Directors. Our Certificate of Incorporation provides that our Board of Directors shall consist of at least five directors but no more than thirteen directors. The Board of Directors, upon the recommendation of the Governance and Nominating Committee, has recommended John Siciliano for election to the Board of Directors.

The Board of Directors is currently divided into three classes, as required by our Certificate of Incorporation. Directors of one class are elected each year for a term of three years. As of the date of this proxy statement, the Board of Directors consists of ten members, and will be comprised of eleven directors if Mr. Siciliano is elected. Three of the current directors have terms that expire at this year's Annual Meeting, three have terms that expire at the 2020 Annual Meeting and four have terms that expire at the 2021 Annual Meeting. Any additional directorships resulting from an increase in the number of directors or a vacancy will be filled by the directors then in office.

On May 23, 2018, stockholders approved an amendment to our Certificate of Incorporation to declassify the Board of Directors. Under the amendment, directors continue to serve the remainder of their elected terms, and beginning with this year's Annual Meeting of Stockholders, directors up for election at the Annual Meeting will be elected annually so that, by the 2021 Annual Meeting of Stockholders, all directors will be elected annually.

As a result, beginning with this year's Annual Meeting, new directors, and incumbent directors whose terms are expiring, will be elected annually for one-year terms instead of for three-year terms. The four nominees for director set forth on the following pages are proposed to be elected at this year's Annual Meeting to serve for a term to expire at the 2020 Annual Meeting and until their successors are elected and have qualified. Should any nominee become unable to serve, proxies may be voted for another person designated by management. All nominees have advised us that they will serve if elected. The remaining seven directors will continue to serve as directors for the terms set forth on the following pages, in accordance with their previous election.

**Certain Information Regarding Nominees for Director**

The names of the nominees and of the other directors continuing in office, their ages as of February 28, 2019, the year they first became directors, their principal occupations during at least the past five years, information regarding director qualifications and certain other biographical information are set forth below by class, in the order of the next class to stand for election. Information is also provided on public company boards with a class of securities registered pursuant to Section 12 of the Exchange Act or subject to the requirements of Section 15(d) of the Exchange Act or registered under the Investment Company Act of 1940 on which they have served on since January 1, 2014. All of the nominees, other than Mr. Siciliano, are current directors standing for reelection.



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**PROPOSAL 1: ELECTION OF DIRECTORS**

**NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS**

**For a One-Year Term Expiring at the 2020 Annual Meeting of Stockholders**

**GEORGE BRAVANTE, JR.**

**Sabre committee membership:**

Audit Committee

**Professional experience:**

Mr. Bravante is the co-founder and the managing member of the general partner of Bravante-Curci Investors, LP, an investment firm focusing on real estate investments in California. He has held this position since 1996. Since 2005, he has also been the owner of Bravante Produce, a grower, packer and shipper of premium California table grapes and citrus. In addition, since 2012 he has served as the CEO of Pacific Agricultural Realty, LP, a private equity fund investing in agricultural assets in California. Previously, he served as chairman of the board of ExpressJet Holdings, Inc. from 2005 to 2010 and was a member of its board from 2004 to 2010. From 1994 to 1996, Mr. Bravante was President and Chief Operating Officer of Colony Advisors, Inc., a real estate asset management company, and prior to that he was President and Chief Operating Officer of America Real Estate Group, Inc., where he led strategic management, restructuring and disposition of assets. He serves as a director of KBS Growth & Income REIT, Inc., a real estate investment trust.

**Age:** 60

**Director since:** December 2014

*Co-founder of Bravante-Curci Investors, LP, Owner of Bravante Produce and CEO of Pacific Agricultural Realty, LP*

**Director qualifications:**

We believe that Mr. Bravante should serve on the Board of Directors because of his travel industry experience, as well as his investment experience and financial and strategic business knowledge.

**Public company boards served on since 2014:**

KBS Growth & Income REIT, Inc. (2016 to present)

JOSEPH OSNOSS

**Sabre committee membership:**

Compensation Committee, Executive Committee, Governance and Nominating Committee and Technology Committee

**Professional experience:**

Mr. Osnos is a Managing Director of Silver Lake, which he joined in 2002. From 2010 to 2014, before returning to the U.S., Mr. Osnos was based in Silver Lake's London office, where he helped oversee the firm's activities in EMEA. Mr. Osnos is currently on the boards of Cornerstone OnDemand, Global Blue, and LightBox. He previously served on the boards of Cast & Crew Entertainment Services, Instinet Incorporated, Interactive Data Corporation, Mercury Payment Systems, and Virtu Financial. Prior to joining Silver Lake, Mr. Osnos worked in investment banking at Goldman, Sachs & Co., where he focused on mergers and financings in the technology and telecommunications industries. He previously held positions at Coopers & Lybrand Consulting in France and at Bracebridge Capital, a quantitative hedge fund. Mr. Osnos also has served as a Visiting Professor at the London School of Economics.

Age: 41

Director since: March 2007

*Managing Director, Silver Lake*

**Director qualifications:**

Mr. Osnos's extensive experience in private equity investing, including the technology sector, and serving on the boards of directors of other companies, both domestically and internationally, positions him to contribute meaningfully to our Board of Directors.

**Public company boards served on since 2014:**

Virtu Financial Inc. (2015 to 2016) and Cornerstone OnDemand, Inc. (2017 to present)

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**PROPOSAL 1: ELECTION OF DIRECTORS**

**ZANE ROWE**

**Sabre committee membership:**

Compensation Committee and Technology Committee

**Professional experience:**

Mr. Rowe has served as Chief Financial Officer of VMware, Inc. since March 2016. Before joining VMware, which has been indirectly acquired by and thus may be deemed to be an affiliate of Silver Lake, he served as Executive Vice President and Chief Financial Officer of EMC Corporation from October 2014 through February 2016. Prior to joining EMC, Mr. Rowe was Vice President of North American Sales of Apple Inc. from May 2012 to May 2014. He was Executive Vice President and Chief Financial Officer of United Continental Holdings, Inc., an airline holdings company, from October 2010 until April 2012 and was Executive Vice President and Chief Financial Officer of Continental Airlines from August 2008 to September 2010. Mr. Rowe serves on the Board of Directors of Pivotal Software, Inc. and the Board of Trustees of Embry-Riddle Aeronautical University.

**Age:** 48

**Director since:** May 2016

*Chief Financial Officer,  
VMware, Inc.*

**Director qualifications:**

Mr. Rowe's extensive experience in the travel industry and the technology sector, as well as his financial expertise and experience in sales, operations and strategic roles, provides key contributions to our Board of Directors.

**Public company boards served on since 2014:**

Pivotal Software, Inc. (2016 to present)

**JOHN SICILIANO**

**Professional experience:**

Mr. Siciliano has served as Senior Managing Director and Global Strategy Leader, Asset and Wealth Management at PricewaterhouseCoopers, LLP since 2012. Following his election to Sabre's Board, he intends to become a consultant to PricewaterhouseCoopers, LLP. Mr. Siciliano's primary responsibility currently is to lead and assist on global projects, including defining strategic and business challenges; outlining and assessing potential solutions; and assisting the management

**Age:** 64

*Senior Managing Director  
and Global Strategy Leader,  
Asset and Wealth  
Management,  
PricewaterhouseCoopers,  
LLP*

team as regards to the agreement on an implementation of the final business objectives. From 2011 to 2012, Mr. Siciliano served as Chairman of Avondale Strategies, which focused on providing strategic consulting services to organizations in the CLO, marketing and metrics measurement sectors. From 2008 to 2010, Mr. Siciliano served as Chief Executive Officer of the asset management firms owned by New York Life Investments. Mr. Siciliano serves as Trustee and Chair of the Audit Committee of Pacific Global Exchange Traded Funds, a wholly-owned subsidiary of Pacific Life Company.

**Director qualifications:**

Mr. Siciliano has broad, global leadership experience as a CEO, CFO and senior advisor, as well as significant experience in developing and implementing corporate strategy, including acquisitions, divestitures and capital raising. We believe these factors, coupled with his well-versed understanding of the complexity of issues in the areas of governance and ethics, make him an excellent candidate to contribute to our Board of Directors.

**Public company boards served on since 2014:**

Pacific Global ETF Trust (2018 to present)

**The Board of Directors unanimously recommends a vote **FOR** the election of the four nominees for director.**

Table of Contents**PROPOSAL 1: ELECTION OF DIRECTORS****MEMBERS OF THE BOARD OF DIRECTORS CONTINUING IN OFFICE****Term Expiring at the 2020 Annual Meeting of Stockholders****RENÉE JAMES****Sabre committee membership:**

Audit Committee and Technology Committee

**Professional experience:**

Ms. James is a strategic, technology leader with broad, international experience. Her capabilities span from setting corporate strategy to managing large scale, complex global operations and P&Ls. Ms. James is currently the CEO of Ampere Computing, a Carlyle Group owned private company. She had a lengthy career with Intel Corporation, where she was the President of the company and co-leader with the CEO in the executive office. Throughout her career at Intel, she held a variety of positions in Software R&D, P&L management, Sales and Manufacturing. Prior to becoming Intel's President, Ms. James was the Executive Vice President of Intel and the Group General Manager of Software and Services for over a decade of her career. In addition, she has led large scale M&A and the re-structuring and served as Chairman of Intel's subsidiaries. Early in her career, Ms. James served as chief of staff for founder and former Intel CEO, Andy Grove for several years where she was responsible for corporate strategy. In her role with Carlyle, Ms. James is evaluating new technology investments for the firm as well as advising and working with portfolio companies on their strategic direction and operational efficiency. Ms. James currently serves as the Chairman of the National Security Telecommunications Advisory Committee to the President of the United States. Ms. James serves as a non-executive director on the board of Vodafone Group Plc, a multinational telecommunications company, and is a member of the Remuneration Committee. She also serves on the board of Oracle Corporation, a cloud applications and platform services company, and is a member of the Compensation Committee. Ms. James serves on the board of Citigroup, Inc., a global bank, and is a member of the Technology, AML and Risk Committees. She is also a Trustee of the University of Oregon Foundation.

**Age:** 54**Director since:** August 2015*Former President, Intel Corporation***Director qualifications:**

We believe that Ms. James' deep enterprise software and industry insights, as well as her extensive strategy and operating experience in the technology sector, serve an important role for our Board of Directors.

**Public company boards served on since 2014:**

Vodafone, PLC (2011 to present), Oracle Corporation (2015 to present) and Citigroup, Inc. (2016 to present)



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**PROPOSAL 1: ELECTION OF DIRECTORS**

**GARY KUSIN**

**Sabre committee membership:**

Compensation Committee (chair) and Governance and Nominating Committee

**Professional experience:**

Mr. Kusin is a private investor, business advisor and entrepreneur. Mr. Kusin has advised an array of public companies, private companies and private equity firms, including TPG Capital, Leonard Green Partners and Hicks Holdings, on strategic, management and growth issues. He co-founded two companies, Babbage's, operating now as GameStop, and Laura Mercier Cosmetics which today are well known global brands. Mr. Kusin served from 2001 to 2006 as president and chief executive officer of Kinko's, today operating as FedEx Office. He was responsible for the turnaround, strategic growth and transformation of Kinko's and oversaw its ultimate sale to FedEx. An Inc. magazine Entrepreneur of the Year, Mr. Kusin also has served on the board of directors of Petco, Savers, Inc., FleetPride, Taco Bueno and as chairman of the board for Treehouse. Mr. Kusin's community activities include positions held with St. Mark's School of Texas Board of Trustees, Dallas Young Presidents' Organization (YPO) chairman, Dallas Citizens Council board of directors, the Southwestern Medical School Foundation and as chairman of the Advisory Council for the University of Texas McComb's School of Business. A member of the University of Texas McComb's School of Business Hall of Fame, Mr. Kusin earned a BA from the University of Texas at Austin and a MBA from the Harvard Business School.

**Age:** 67

**Director since:** March 2007

*Private investor, business advisor and entrepreneur*

**Director qualifications:**

We believe that Mr. Kusin should serve on our Board of Directors because of his substantial expertise in executive management and corporate governance as a result of his extensive experience as an investor, director and an executive officer of major corporations.

**SEAN MENKE**

**Sabre committee membership:**

Executive Committee and Technology Committee

**Professional experience:**

Mr. Menke was elected President and CEO of Sabre effective December 31, 2016. Prior to that, he served as Sabre’s executive vice president and president of Travel Network. Before joining Sabre in October 2015, Mr. Menke served as executive vice president and chief operating officer of Hawaiian Airlines from October 2014 to October 2015. From 2013 to 2014, he was executive vice president of resources at IHS Inc., a global information technology company. He served as managing partner of Vista Strategic Group, LLC, a consulting firm, from 2012 to 2013 and from 2010 to 2011. From 2011 to 2012, he served as president and chief executive officer of Pinnacle Airlines, and from 2007 to 2010 as president and chief executive officer of Frontier Airlines. Frontier Airlines and Pinnacle Airlines filed for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code in 2008 and 2012, respectively.

**Age:** 50

**Director since:** December 2016

*President and CEO, Sabre Corporation*

**Director qualifications:**

Mr. Menke’s extensive travel technology sector experience and his substantial leadership experience as an executive officer of airline companies make him a valuable asset to our management and our Board of Directors.

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**PROPOSAL 1: ELECTION OF DIRECTORS**

**MEMBERS OF THE BOARD OF DIRECTORS CONTINUING IN OFFICE**

**Term Expiring at the 2021 Annual Meeting of Stockholders**

**HERVÉ COUTURIER**

**Sabre committee membership:**

Technology Committee (chair)

**Professional experience:**

**Age:** 60  
**Director since:** December 2017  
*President, Kerney Partners*

Mr. Couturier is a private investor and product strategy consultant. Mr. Couturier currently serves as President of Kerney Partners, a consulting firm. From 2012 to 2016, he was Executive Vice President, R&D, at Amadeus, an airline reservation systems provider. From 2007 to 2012, he was Executive Vice President of SAP AG's Technology Group and Head of Research. He also serves as a board member for SimCorp A/S, a public Danish software company, and Infovista Inc., and has held management positions at a number of IT companies including Business Objects, the worldwide leader of business intelligence solutions, now part of SAP, S1 Corporation, a provider of payment software for financial institutions, and XRT, a leading European treasury management software company, now part of the Sage Group PLC. Mr. Couturier holds both an engineering degree and a Master of Science degree from the École Centrale Paris in France. He began his career at IBM in 1982, where he held various engineering and business positions until 1997.

**Director qualifications:**

Mr. Couturier has significant experience in the areas of solutions strategy, product strategy, product development and business management at software-based companies, as well as domain experience in the travel, banking and manufacturing segments. We believe this international and industry expertise provides valuable insights for the Board of Directors.

**LAWRENCE W. KELLNER**

**Sabre committee membership:**

Executive Committee (chair) and Governance and Nominating Committee (chair)

**Professional experience:**

Mr. Kellner has served as President of Emerald Creek Group, LLC, a private equity firm that he founded, since 2010. In addition, he has served as Sabre's Chairman of the Board from 2013 to 2016 and since December 31, 2017. Mr. Kellner previously served as Sabre's Executive Chairman of the Board on an interim basis from December 31, 2016 to December 31, 2017. He served as Chairman and Chief Executive Officer of Continental Airlines, Inc., an international airline company, from December 2004 through December 2009. He served as President and Chief Operating Officer of Continental Airlines from March 2003 to December 2004, as President from May 2001 to March 2003 and was a member of Continental Airlines board of directors from May 2001 to December 2009. Mr. Kellner serves on the board of directors of The Boeing Company and Marriott International, Inc.

**Age:** 60

**Director since:** August 2013

*President, Emerald Creek Group, LLC*

*Chairman of the Board, Sabre Corporation*

**Director qualifications:**

We believe that Mr. Kellner is a valuable asset and well qualified to sit on our Board of Directors as a result of his significant experience and relationships in the commercial aviation and travel industries, including oversight of technology utilized in these industries, significant corporate governance experience and financial expertise. In addition, as Chairman of the Board, Mr. Kellner provides key strategic guidance to both our Board and management, and spends a significant amount of time engaging in matters related to our Board.

**Public company boards served on since 2014:**

The Boeing Company (2011 to present), Marriott International, Inc. (2002 to present), and Chubb Limited (including its predecessor company, The Chubb Corporation) (2011 to 2016)

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**PROPOSAL 1: ELECTION OF DIRECTORS**

**JUDY ODOM**

**Sabre committee membership:**

Audit Committee (chair)

**Professional experience:**

From 1985 until her retirement in 2002, Ms. Odom held numerous positions, most recently chief executive officer and chairman of the board, at Software Spectrum, Inc., a global business to business software services company, which she co-founded in 1983. Prior to founding Software Spectrum, Ms. Odom was a partner with the international accounting firm, Grant Thornton. Ms. Odom currently serves on the board of directors of Leggett & Platt, Inc., a diversified manufacturing company. She previously served on the boards of Harte Hanks, a marketing services firm and Storage Technology Corporation, a provider of data storage hardware and software products and services.

**Age:** 66

**Director since:** March 2014

*Retired Chief Executive Officer and Chairman of the Board, Software Spectrum, Inc.*

**Director qualifications:**

We believe that Ms. Odom's qualifications to serve on our Board of Directors include her board service with several companies allowing her to offer a broad leadership perspective on strategic and operating issues facing companies today. Ms. Odom's experience cofounding Software Spectrum, growing it to a large public company before selling it to another public company and serving as board chair provides the insight and perspective of a successful entrepreneur and long serving chief executive officer with international operating experience.

**Public company boards served on since 2014:**

Harte-Hanks, Inc. (2003 to 2018) and Leggett & Platt, Incorporated (2002 to present)

**KARL PETERSON**

**Sabre committee membership:**

Compensation Committee, Executive Committee and Governance and Nominating Committee

**Professional experience:**

Mr. Peterson is a Senior Partner of TPG and Managing Partner of TPG Pace Group, the firm's newly formed effort to sponsor Special Purpose Acquisition Companies ( SPACs ) and other permanent capital solutions for companies. He also serves as President and CEO of TPG Pace Holdings. Since rejoining TPG in 2004, Mr. Peterson has led investments for the firm in technology, media, financial services and travel sectors and oversaw TPG's European operations from 2010 until 2017. Prior to 2004, he was a co-founder and the president and CEO of Hotwire.com. He led the business from its launch in 2000 through its sale to InterActiveCorp in 2003. Before Hotwire, Mr. Peterson was a principal at TPG in San Francisco, and from 1992 to 1995 he was a financial analyst at Goldman, Sachs & Co. Mr. Peterson is currently a director of Playa Hotels and Resorts, TPG Pace Holdings, TES Global, and Saxo Bank.

**Age:** 48

**Director since:** March 2007

*Senior Partner of TPG and  
Managing Partner, TPG  
Pace Group*

**Director qualifications:**

We believe that as a result of his experience as a director of several travel and technology companies, as a former executive of an online travel company, and as a private equity investor with significant experience working with public companies, Mr. Peterson brings a keen strategic understanding of our industry and of the competitive landscape for our company.

**Public company boards served on since 2014:**

Pace Holdings Corp. (2015 to 2017), Playa Hotels and Resorts (2017 to present), Caesars Acquisition Company (2013 to 2017), Norwegian Cruise Line Holdings Ltd. (2008 to 2016) and TPG Pace Holdings (2017 to present)

**Table of Contents****PROPOSAL 1: ELECTION OF DIRECTORS****Director Compensation Program***2018 Compensation*

Our Board of Directors, based on recommendations by the Compensation Committee, has adopted a formal compensation program for the non-employee members of our Board of Directors (other than our Chairman). This compensation program is designed to pay directors an appropriate amount for their services required as a director, while also seeking to align their interests with the long-term interests of our stockholders. When assessing the director compensation program, the Compensation Committee, with the assistance of Compensia, compares the design and the compensation elements of the program to that of our compensation peer group. For information regarding our compensation peer group, see [Compensation Discussion and Analysis](#) [Competitive Positioning](#) below.

For 2018, this compensation program consisted of the following elements:

Type of Compensation	Dollar Value of Compensation Element
Annual cash retainer	\$90,000 <sup>(1)</sup> , paid quarterly
Annual grant of restricted stock unit awards (vests in full on first anniversary of date of grant)	\$160,000 value, awarded on March 15

Audit Committee chairman annual cash retainer

additional \$30,000, paid quarterly

Audit Committee member annual cash retainer additional \$15,000, paid quarterly

Compensation Committee chairman annual cash retainer additional \$20,000, paid quarterly

Compensation Committee member annual cash retainer additional \$10,000, paid quarterly

Governance and Nominating Committee chairman annual cash retainer additional \$15,000, paid quarterly

Governance and Nominating Committee member annual cash retainer additional \$10,000, paid quarterly

Technology Committee chairman annual cash retainer additional \$15,000<sup>(2)</sup>, paid quarterly

Technology Committee member annual cash retainer additional \$10,000<sup>(2)</sup>, paid quarterly

(1) Increased from \$75,000, effective April 1, 2018.

(2) Increased from no additional compensation, effective April 1, 2018.

In addition, the non-employee members of our Board of Directors are also eligible to receive a one-time restricted stock unit award with a grant date value of \$400,000 in connection with their appointment to the Board of Directors, which vests ratably on a quarterly basis over four years from the date of grant.



Our Chairman of the Board is compensated under a separate program. For 2018, he received an annual cash retainer of \$250,000, payable quarterly in arrears and received no additional fees for being a committee chairman or member, and he received an annual restricted stock unit award with a grant date value of \$350,000, which vests in full on the first anniversary of the date of grant.

*Approval of 2018 Compensation*

In February 2018, the Compensation Committee, with the assistance of Compensia, reviewed the compensation program for the non-employee members of our Board of Directors who are also not employees of TPG or Silver Lake. In its assessment, the Compensation Committee compared the design and the compensation elements of the program to that of the directors' compensation programs of our

**Table of Contents****PROPOSAL 1: ELECTION OF DIRECTORS**

compensation peer group. Based on its review, the Compensation Committee recommended to our Board of Directors, and the Board approved, changes to our director compensation program.

Accordingly, effective April 1, 2018, the annual cash retainer was increased from \$75,000 to \$90,000, payable quarterly, and effective March 15, 2018, the annual grant of restricted stock unit awards was increased from \$150,000 to \$160,000. The Compensation Committee recommended these changes based on its review of the compensation peer data and anticipated trends in non-employee director compensation. Also effective April 1, 2018, the annual retainers for the Technology Committee chairman and its members were set at \$15,000 and \$10,000, respectively, paid quarterly. The Compensation Committee recommended this change in order to provide compensation for members of the Technology Committee, who were previously not compensated for their service, in recognition of the increasing importance of this committee's role with respect to Sabre's strategy and operations.

Also in February 2018, with the assistance of Compensia, the Compensation Committee reviewed the compensation of the non-executive Chairman of the Board, including a review of compensation peer group data. Based on this review, the Compensation Committee recommended to our Board of Directors, and the members of the Board (other than Mr. Kellner) approved, effective March 15, 2018, an annual restricted stock unit award to the non-executive Chairman of the Board with a grant date value of \$350,000, which vests in full on the first anniversary of the date of grant. The non-executive Chairman did not receive the \$150,000 annual restricted stock unit award in addition to this award. The non-executive Chairman also received an annual cash retainer of \$250,000, payable quarterly in arrears, and received no additional fees for being a committee chairman or member. The Compensation Committee recommended this in recognition of the critical role that our Chairman plays, as well as the significant time he spends engaging in matters relating to his position on the Board. In addition, the Compensation Committee noted that our Chairman provides regular valuable strategic guidance to management and our Board of Directors that the Board believes contributes materially to Sabre's success, including with respect to the recent management transitions at Sabre.

*Non-Employee Directors Compensation Deferral Plan*

We maintain the Sabre Corporation Non-Employee Directors Compensation Deferral Plan, a non-qualified deferred compensation plan that allows non-employee directors to defer receipt of all or a portion of the shares of our common stock subject to their restricted stock unit awards. Each participating non-employee director has a notional account established to reflect the vesting of his or her restricted stock unit awards and associated notional dividend equivalents. Non-employee directors are fully vested in their accounts. Deferrals are distributed in the form of Sabre common stock after the director terminates his or her service on the Board of Directors or in the event of a change in control of Sabre.

*2018 Director Compensation Table*

The following table presents the total compensation for each person who served as a non-employee member of our Board of Directors during 2018. Other than as set forth in the table and described more fully below, in 2018 we did not pay any compensation to any person who served as a non-employee member of our Board of Directors who is affiliated with our Principal Stockholders or pay any fees to, reimburse any expense of, make any equity awards or non-equity awards to, or pay any other compensation to any of the other non-employee members of our Board of Directors. Mr. Menke, who is our President and CEO, does not receive any compensation for his service as a director and is not included



**Table of Contents****PROPOSAL 1: ELECTION OF DIRECTORS**

in this table. The compensation received by Mr. Menke as an employee is presented in the 2018 Summary Compensation Table below.

Director	Fees Earned or Paid in Cash (\$)	Stock Awards (\$) <sup>(3)(4)</sup>	Total (\$)
George Bravante, Jr.	\$ 101,250	\$ 160,004	\$ 261,254
Hervé Couturier	\$ 101,780	\$ 160,004	\$ 261,784
Renée James	\$ 108,750	\$ 160,004	\$ 268,754
Lawrence W. Kellner <sup>(1)</sup>	\$ 259,615	\$ 349,991	\$ 609,606
Gary Kusin	\$ 116,250	\$ 160,004	\$ 276,254
Greg Mondre <sup>(2)</sup>			
Judy Odom	\$ 116,250	\$ 160,004	\$ 276,254
Joseph Osnoos			
Karl Peterson			
Zane Rowe	\$ 103,750	\$ 160,004	\$ 263,754

- (1) Includes \$9,615 of compensation for services provided in 2017 and paid in 2018.
- (2) Mr. Mondre retired from the Board effective December 31, 2018.
- (3) The amounts reported in the Stock Awards column represent the grant date fair value of the restricted stock unit award for shares of our common stock granted during 2018, computed in accordance with Financial Accounting Standard Board Accounting Standards Codification Topic 718 ( ASC Topic 718 ), disregarding the impact of estimated forfeitures. The assumptions used in calculating the grant date fair value of these stock-based awards are set forth in Note 12, Equity-Based Awards, to the audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018. The amounts reported in this column reflect the accounting cost for these stock-based awards, and do not correspond to the actual economic value that may be received by the non-employee members of our Board of Directors from their awards.
- (4) The following table sets forth information on the restricted stock unit awards for shares of our common stock granted in 2018 and the aggregate number of shares of our common stock subject to such outstanding restricted stock unit awards held at December 31, 2018 by the non-employee members of our Board of Directors.

Director	Grant Date	Restricted Stock Units Awarded in 2018 (#)	Restricted Stock Units Held at December 31, 2018
George Bravante, Jr.	03/15/2018	7,263 <sup>(a)</sup>	7,263
Hervé Couturier	03/15/2018	7,263	22,617
Renée James	03/15/2018	7,263 <sup>(a)</sup>	10,097
Lawrence W. Kellner	03/15/2018	15,887 <sup>(a)</sup>	101,557
Gary Kusin	03/15/2018	7,263	7,263
Greg Mondre	03/15/2018	7,263 <sup>(a)</sup>	7,263

Judy Odom

Joseph Osnoss

Karl Peterson

Zane Rowe

03/15/2018

7,263

12,596

(a) Per election made by the non-employee director under the Non-Employee Directors Compensation Deferral Plan, receipt of this restricted stock unit award for shares of our common stock was deferred until the end of the respective board member's service. Mr. Bravante, Ms. James, Mr. Kellner and Ms. Odom also earned an aggregate of 470, 298, 3,470 and 470 dividend equivalent shares in 2018 on previously deferred shares, respectively.

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**PROPOSAL 1: ELECTION OF DIRECTORS**

The non-employee members of our Board of Directors are reimbursed for their actual travel and other out-of-pocket expenses in connection with their service on our Board of Directors and Board committees. Non-employee directors are not otherwise provided perquisites or retirement benefits.

*2019 Compensation*

In November 2018, the Principal Stockholders divested all of their remaining shares in Sabre. In light of this divestiture, and given Messrs. Osnoss and Peterson's continuing Board service, the Compensation Committee reviewed the compensation program for the non-employee members of the Board of Directors, with the assistance of Compensia. Based on this review, in February 2019, a sub-committee of the Compensation Committee (which excluded Messrs. Osnoss and Peterson) recommended to our Board of Directors, and the members of the Board (other than Messrs. Osnoss and Peterson) approved, Messrs. Osnoss and Peterson's eligibility to participate in the non-employee director compensation program, effective January 1, 2019. As a result of this determination, beginning January 1, 2019, Messrs. Osnoss and Peterson will receive the annual cash retainer and annual restricted stock unit award, as well as the retainers for their Board committee service, as described above. Messrs. Osnoss and Peterson did not receive the initial one-time restricted stock unit award granted to new directors. In addition, they will be subject to the director stock ownership guidelines and will be required to meet these ownership requirements within five years.

In February 2019, with the assistance of Compensia, the Compensation Committee reviewed the compensation of the non-executive Chairman of the Board, including a review of compensation peer group data. Based on this review, the Compensation Committee recommended to our Board of Directors, and the members of the Board (other than Mr. Kellner) approved, effective March 15, 2019, that the non-executive Chairman will receive the same compensation as other non-employee directors (\$90,000 annual cash retainer and \$160,000 value annual restricted stock unit award) plus an annual cash retainer equal to \$160,000, payable quarterly in arrears, for service as Chairman of the Board. The Chairman of the Board will continue to receive no additional fees for being a committee chairman or member. The Compensation Committee recommended this reduction in compensation in recognition of the evolution of the role that our Chairman plays. See Corporate Governance Board Leadership Structure.

**Table of Contents****PROPOSAL 2: RATIFICATION OF INDEPENDENT AUDITORS****PROPOSAL 2: RATIFICATION OF INDEPENDENT AUDITORS**

The Audit Committee of the Board of Directors has selected Ernst & Young LLP ( Ernst & Young ) as the independent registered public accounting firm to audit our financial statements for the fiscal year ending December 31, 2019, and is requesting ratification by our stockholders. If our stockholders do not approve the selection of Ernst & Young, the selection of other independent auditors for the fiscal year ending December 31, 2020 will be considered by the Audit Committee.

Representatives of Ernst & Young are expected to be present at the Annual Meeting with the opportunity to make a statement if they desire to do so and to respond to questions.

**Principal Accounting Firm Fees**

Our aggregate fees (excluding value added taxes) with respect to the fiscal years ended December 31, 2018 and 2017 to our principal accounting firm, Ernst & Young, were as follows (in thousands):

	2018	2017
Audit Fees <sup>(1)</sup>	\$ 6,867	\$ 5,669
Audit-Related Fees <sup>(2)</sup>	\$ 998	\$ 1,373
Tax Fees <sup>(3)</sup>	\$ 619	\$ 549
All Other Fees <sup>(4)</sup>	\$ 7	\$ 2

(1) Audit fees consist of fees for the audit of our consolidated financial statements, the review of the unaudited interim financial statements included in our quarterly reports on Form 10-Q and other professional services provided in connection with statutory and regulatory filings or which include services provided in connection with our filings with the SEC under the Securities Act of 1933, as amended (the Securities Act ).



- (2) Audit-related fees consist primarily of service organization control examinations and other attestation services.
- (3) Tax fees comprise fees for a variety of permissible services relating to international tax compliance, tax planning, and tax advice.
- (4) All other fees were paid for an online technical accounting research tool.

**Audit Committee Approval of Audit and Non-Audit Services**

All audit and non-audit services provided by Ernst & Young to Sabre are pre-approved by the Audit Committee using the following procedures. At the first in-person meeting of the Audit Committee each year, the Audit Committee reviews a proposal, together with the related fees, to engage Ernst & Young for audit services. In addition, also at the first in-person meeting of the year, our Audit Committee reviews non-audit services to be provided by Ernst & Young during the year. At each subsequent in-person meeting, the Audit Committee reviews, if applicable, updated information regarding approved services and highlights any new audit and non-audit services to be provided by Ernst & Young. All new non-audit services to be provided are described in individual requests for services. The Audit Committee reviews the individual requests for non-audit services and approves the services if acceptable to the Audit Committee.

Predictable and recurring covered services and their related fee estimates or fee arrangements are considered for general pre-approval by the full Audit Committee on an annual basis at the first in-person meeting of the year, based on information that is sufficiently detailed to identify the scope of the services

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**PROPOSAL 2: RATIFICATION OF INDEPENDENT AUDITORS**

to be provided. General pre-approval of any covered services is effective for the applicable fiscal year. A covered service and its related fee estimate or fee arrangement that has not received general pre-approval must be pre-approved by the Audit Committee or the Chairman of the Audit Committee.

In considering whether to pre-approve a covered service, the Audit Committee considers the nature and scope of the proposed service in light of applicable law, as well as the principles and other guidance enunciated by the SEC and the Public Company Accounting Oversight Board ( PCAOB ) with respect to auditor independence, including that an auditor cannot (1) function in the role of management, (2) audit his or her own work, or (3) serve in an advocacy role for his or her client. The Audit Committee also considers whether the independent auditors are best positioned to provide the most effective and efficient service, for reasons such as its familiarity with our business, people, culture, accounting systems, risk profile and other factors, and whether the service might enhance our ability to manage or control risk, or improve audit quality. All these factors are considered as a whole, and no one factor is necessarily determinative. The Audit Committee is also mindful of the ratio of fees for audit to non-audit services in determining whether to grant pre-approval for any service, and considers whether the level of non-audit services, even if permissible under applicable law, is appropriate in light of the independence of the auditor.

To ensure prompt handling of unexpected matters, the Audit Committee has delegated to the Chairman of the Audit Committee the authority to pre-approve any individual covered services that are not the subject of general pre-approval and for which the aggregate estimated fees do not exceed \$250,000. Actions taken are reported to the Audit Committee at its next Committee meeting. All services and fees in 2018 were pre-approved by the Audit Committee or the Chairman of the Audit Committee.

**The Board of Directors unanimously recommends a vote **FOR** ratification of the appointment of Ernst & Young LLP as our independent auditors for the fiscal year ending December 31, 2019.**

**Audit Committee Report**

The Audit Committee operates under a written charter adopted by the Board of Directors. In accordance with this charter, the Audit Committee assists the Board in fulfilling its oversight responsibility relating to the integrity of Sabre's financial statements and internal control system. Management and the independent auditors are responsible for the planning and conduct of audits, as well as for any determination that Sabre's financial statements are complete, accurate and in accordance with accounting principles generally accepted in the United States of America ( GAAP ). The Audit Committee is responsible for the oversight of management and the independent auditors in connection with this process.

In addition, the Audit Committee is responsible for monitoring the independence of and the risk assessment procedures used by the independent auditors, selecting and retaining the independent auditors, and overseeing compliance with various laws and regulations.

In discharging its oversight responsibilities, the Audit Committee reviewed and discussed Sabre's audited financial statements with management and Ernst & Young, Sabre's independent auditors. The Audit Committee also discussed with Ernst & Young all communications required by the auditing standards of the PCAOB, including those required by PCAOB AS 1301, Communications with Audit Committees.



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**PROPOSAL 2: RATIFICATION OF INDEPENDENT AUDITORS**

The Audit Committee received the written disclosures and letter from Ernst & Young required by applicable requirements of the PCAOB regarding Ernst & Young's communications with the Audit Committee concerning independence and has discussed Ernst & Young's independence with them.

The Audit Committee has relied on management's representation that the financial statements have been prepared in accordance with GAAP and on the opinion of Ernst & Young included in their report on Sabre's financial statements.

Based on the above-mentioned review and discussions with management and the auditors, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in Sabre's Annual Report on Form 10-K for the year ended December 31, 2018, for filing with the SEC.

AUDIT COMMITTEE OF

THE BOARD OF DIRECTORS

Judy Odom, Chair

George Bravante, Jr.

Renée James

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**PROPOSAL 3: ADOPTION OF THE FOURTH AMENDED AND RESTATED CERTIFICATE OF INCORPORATION, WHICH ELIMINATES THE SUPERMAJORITY VOTING REQUIREMENTS AND DELETES CERTAIN OBSOLETE PROVISIONS FROM OUR CERTIFICATE OF INCORPORATION**

**PROPOSAL 3: ADOPTION OF THE FOURTH AMENDED AND RESTATED CERTIFICATE OF INCORPORATION, WHICH ELIMINATES THE SUPERMAJORITY VOTING REQUIREMENTS AND DELETES CERTAIN OBSOLETE PROVISIONS FROM OUR CERTIFICATE OF INCORPORATION**

On February 6, 2019, our Board of Directors declared advisable and voted to approve, and to recommend that our stockholders adopt, the Fourth Amended and Restated Certificate of Incorporation, which eliminates the supermajority voting requirements in our Certificate of Incorporation, as well as deletes certain obsolete provisions from our Certificate of Incorporation, as set forth in Appendix A and incorporated by reference.

**Current Supermajority Voting Requirements in Our Certificate of Incorporation**

Our Certificate of Incorporation currently provides that (i) directors may be removed only upon the affirmative vote of the holders of at least 75% of the voting power of our outstanding common stock, (ii) certain provisions of our Certificate of Incorporation may not be amended, unless the amendment is approved by the holders of at least 75% of the voting power of our outstanding common stock and (iii) the provisions of the Bylaws may not be amended by the stockholders unless the amendment is approved by the holders of at least 75% of the voting power of our outstanding common stock.

**Rationale for Eliminating the Supermajority Voting Requirements**

The Board has periodically considered the advantages and disadvantages of maintaining the supermajority voting provisions and concluded that this structure was in the best interests of Sabre and its stockholders. While the protections afforded by supermajority voting provisions can be beneficial to stockholders, the Board is aware that stockholders generally oppose supermajority voting provisions such as the provisions in our Certificate of Incorporation and now believes that these provisions in certain circumstances can limit the ability of stockholders to effectively participate in corporate governance. As a result, the Board has declared advisable and approved, and recommends that stockholders adopt, the Fourth Amended and Restated Certificate of Incorporation, which eliminates the supermajority voting requirements.

**Provisions in Proposed Fourth Amended and Restated Certificate of Incorporation and Bylaws to Eliminate Supermajority Voting Requirements**

Eliminating the supermajority voting requirements in favor of simple majority voting requirements in our Certificate of Incorporation requires changes to our governing documents. If the Fourth Amended and Restated Certificate of Incorporation is adopted by our stockholders and is filed with the Secretary of State of the State of Delaware, Section 3 of Article VI of our Certificate of Incorporation would be amended to provide that any director may be removed from office at any time, with or without cause, by the



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**PROPOSAL 3: ADOPTION OF THE FOURTH AMENDED AND RESTATED CERTIFICATE OF INCORPORATION, WHICH ELIMINATES THE SUPERMAJORITY VOTING REQUIREMENTS AND DELETES CERTAIN OBSOLETE PROVISIONS FROM OUR CERTIFICATE OF INCORPORATION**

affirmative vote of the holders of at least a majority of the voting power of the outstanding common stock. The last sentence of Article X of our Certificate of Incorporation, which provides that certain provisions of our Certificate of Incorporation may only be amended upon approval of the holders of at least 75% of the voting power of our outstanding common stock, would be deleted. The last sentence of Article XI of our Certificate of Incorporation, which restricts stockholders' ability to adopt, amend or repeal Bylaw provisions unless approved by the holders of at least 75% of the voting power of our outstanding common stock, would also be deleted. As a result of the deletion of these provisions, under Delaware law, all of the provisions of the Certificate of Incorporation may be amended by the affirmative vote of the holders of at least a majority of the voting power of the outstanding common stock, and stockholders may amend the bylaws by the affirmative vote of the holders of a majority of the voting power of the outstanding common stock entitled to vote on such matter and present, in person or by proxy, at the meeting.

The Fourth Amended and Restated Certificate of Incorporation, which includes the text of revised Article VI, Article X and Article XI of our Certificate of Incorporation, marked to show the proposed changes, is attached as [Appendix A](#) to this proxy statement. The Fourth Amended and Restated Certificate of Incorporation is subject to adoption by stockholders.

Subject to stockholder approval and the effectiveness of the Fourth Amended and Restated Certificate of Incorporation, the Board has also unanimously approved an amendment to our Bylaws that would delete the last sentence of Section 8.5 of the Bylaws, which provides that any amendment to the Bylaws by the stockholders requires approval of the holders of at least 75% of the voting power of our outstanding common stock. As a result of the deletion of this provision, stockholders may amend the Bylaws by the affirmative vote of the holders of a majority of the voting power of the outstanding common stock entitled to vote on such matter and present, in person or by proxy, at the meeting. The text of the amended Bylaws, marked to show the proposed changes is attached as [Appendix B](#) to this proxy statement. The amendment to our Bylaws is not subject to stockholder approval.

If adopted by our stockholders, the Fourth Amended and Restated Certificate of Incorporation will become effective upon the filing of the Fourth Amended and Restated Certificate of Incorporation with the Secretary of State of Delaware (which the Company anticipates would occur promptly following the 2019 Annual Meeting), whereupon the change to the Bylaws described above would also become effective.

**Removal of Obsolete Provisions**

Our Certificate of Incorporation currently refers to Series A Cumulative Preferred Stock ( Series A Preferred Stock ). There are currently no shares of Series A Preferred Stock outstanding, and we do not currently have any plans or intentions to issue any shares of Series A Preferred Stock. In addition, our Certificate of Incorporation includes provisions regarding the Trigger Date (as defined in the Certificate of Incorporation), as well as certain references to the Stockholders' Agreement, which are no longer relevant. The Fourth Amended and Restated Certificate of Incorporation is also intended to remove these obsolete provisions, as well as to incorporate previously approved amendments to our Certificate of Incorporation and to make other minor clarifying changes. See [Appendix A](#).





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**PROPOSAL 3: ADOPTION OF THE FOURTH AMENDED AND RESTATED CERTIFICATE OF INCORPORATION, WHICH ELIMINATES THE SUPERMAJORITY VOTING REQUIREMENTS AND DELETES CERTAIN OBSOLETE PROVISIONS FROM OUR CERTIFICATE OF INCORPORATION**

The foregoing description of the amendments to the Certificate of Incorporation as set forth in the Fourth Amended and Restated Certificate of Incorporation is a summary of the amendments and is qualified in its entirety by the Fourth Amended and Restated Certificate of Incorporation as set forth in Appendix A.

**The Board of Directors unanimously recommends a vote **FOR** the adoption of the Fourth Amended and Restated Certificate of Incorporation, which eliminates the supermajority voting requirements and deletes certain obsolete provisions from our Certificate of Incorporation.**

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**PROPOSAL 4: APPROVAL OF THE SABRE CORPORATION 2019 OMNIBUS INCENTIVE COMPENSATION PLAN**

**PROPOSAL 4: APPROVAL OF THE SABRE CORPORATION 2019 OMNIBUS INCENTIVE COMPENSATION PLAN**

In February 2019, our Board of Directors adopted the Sabre Corporation 2019 Omnibus Incentive Compensation Plan (the 2019 Omnibus Plan ), subject to approval by our stockholders at the 2019 Annual Meeting.

We currently have the 2016 Omnibus Plan in place, and as of December 31, 2018, there were 10,357,631 shares of our common stock available for issuance under the 2016 Omnibus Plan. We expect to utilize an additional approximately 5,400,000 shares of common stock under the 2016 Omnibus Plan through the date of the 2019 Annual Meeting, which will result in approximately 4,957,631 shares of common stock available for issuance as the date of the 2019 Annual Meeting. Subject to approval of the 2019 Omnibus Plan by stockholders, the 2019 Omnibus Plan will replace the 2016 Omnibus Plan for grants made after the 2019 Annual Meeting, which will also increase the number of shares authorized for issuance pursuant to our equity-based compensation plans.

The 2019 Omnibus Plan is a critical part of Sabre s overall compensation program and is intended to promote the interests of Sabre and its stockholders by providing Sabre s employees, who are largely responsible for the management, growth, and protection of Sabre s business, with incentives and rewards to encourage them to continue in the service of Sabre. The 2019 Omnibus Plan is designed to meet these objectives by providing these employees with a proprietary interest in pursuing the long-term growth, profitability, and financial success of Sabre.

Under the 2016 Omnibus Plan, eligible non-employee directors are eligible to participate in the plan; however, these directors will not be eligible to participate under the 2019 Omnibus Plan. Instead, they would participate in the 2019 Director Plan. See Proposal 5: Approval of the Sabre Corporation 2019 Director Equity Compensation Plan.

**Alignment of 2019 Omnibus Plan with Stockholders Interests**

The 2019 Omnibus Plan is designed to reinforce the alignment of our equity compensation opportunities for officers and employees with stockholders interests and, as highlighted below, includes a number of provisions that we believe are consistent with good compensation practices.

*No Discounted Stock Options.* Stock options may not be granted with an exercise price lower than the fair market value of the underlying shares on the date of grant.

*No Repricings/Cash Buyouts without Stockholder Approval.* The 2019 Omnibus Plan prohibits, without stockholder approval, a stock option or a stock appreciation right from being repurchased for cash at a time when the exercise or strike price, as applicable, is equal to or greater than the fair market value of the underlying shares. The 2019 Omnibus Plan also prohibits any stock option or stock appreciation right from being re-priced, replaced, re-granted through cancellation, or modified without stockholder approval if the effect would be to reduce the exercise or strike price, as applicable, for the shares underlying the option or stock appreciation right.

*No Evergreen Provision.* There is no evergreen feature pursuant to which the shares available for issuance under the 2019 Omnibus Plan can be automatically replenished.

**Table of Contents****PROPOSAL 4: APPROVAL OF THE SABRE CORPORATION 2019 OMNIBUS INCENTIVE COMPENSATION PLAN**

*No Transferability.* Awards generally may not be transferred, except by will or the laws of descent and distribution or pursuant to a qualified domestic relations order, unless approved by the Compensation Committee.

*No Automatic Grants.* The 2019 Omnibus Plan does not provide for reload or other automatic grants to participants.

*No Tax Gross-ups.* The 2019 Omnibus Plan does not provide for any tax gross-ups.

*Compensation Recovery ( Clawback ).* The 2019 Omnibus Plan provides that Sabre is entitled, to the extent permitted or required by applicable law, Sabre policy (including our Executive Compensation Recovery Policy), or the requirements of any national securities exchange on which Sabre's shares are listed for trading, to claw back compensation paid by Sabre to a participant under the 2019 Omnibus Plan.

*No Single Trigger Vesting Upon a Change in Control.* The 2019 Omnibus Plan provides that all outstanding equity awards will become exercisable and/or vest in the event of a change in control of Sabre only if these awards are not assumed, continued, or substituted by the surviving corporation, or if the holder undergoes a qualifying termination of employment following a change in control of Sabre.

*No Liberal Share Recycling.* Shares of our common stock used to pay the exercise price (whether through actual or constructive transfer) or tax withholding requirements related to any award granted under the 2019 Omnibus Plan may not be regranted, issued, or transferred under the 2019 Omnibus Plan.

*Minimum Vesting Period.* 95% of the shares of our common stock issued pursuant to an equity award granted under the 2019 Omnibus Plan are subject to a minimum one-year vesting requirement.

**Key Data**

The following table includes information regarding outstanding equity awards, shares available for grants of future equity awards and total shares outstanding under the Prior Plans as of December 31, 2018 (and without giving effect to approval of this Proposal 4):

Total shares underlying outstanding options	4,197,243
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Weighted average exercise price of outstanding options	\$ 20.80
Weighted average remaining contractual life of outstanding options	7.6 years
Total shares underlying outstanding unvested restricted stock unit awards	7,332,631
Total shares available for grant	10,357,631
Total shares available for grant as full-value awards	10,357,631
Total shares outstanding	11,529,874

Based on our historical practice, the Board of Directors believes the shares available for grant under the 2019 Omnibus Plan will be sufficient to cover awards for at least the next two to three years, depending on circumstances such as significant market value fluctuations, vesting levels of performance-based restricted stock unit awards, or acquisitions. Since our initial public offering in April 2014, we granted equity awards (gross equity grants, which do not reflect the impact of cancellations) representing a total of approximately 4,996,677 shares in 2014, 2,824,579 shares in 2015, 4,777,809 shares in 2016, 5,681,376 shares in 2017

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**PROPOSAL 4: APPROVAL OF THE SABRE CORPORATION 2019 OMNIBUS INCENTIVE COMPENSATION PLAN**

and 5,679,715 shares in 2018. These awards reflect a five-year average utilization rate of 1.73%. We expect to grant equity awards representing a total of approximately 5,700,000 shares in 2019. Absent circumstances not currently accounted for in our projections, such as the factors described above, the Board of Directors expects to grant awards under the 2019 Omnibus Plan generally consistent with our 2019 share utilization rates.

**Summary of Terms of the 2019 Omnibus Plan**

The principal features of the 2019 Omnibus Plan are described below. This summary is qualified in its entirety by reference to the full text of the 2019 Omnibus Plan, a copy of which is attached as [Appendix C](#) to this proxy statement and incorporated in this proxy statement by reference. Please refer to [Appendix C](#) for more information.

*Term*

Awards under the 2019 Omnibus Plan may be granted for a term of ten years following the date that stockholders approve the 2019 Omnibus Plan at the 2019 Annual Meeting.

*Administration*

The 2019 Omnibus Plan is administered by our Board of Directors, the Compensation Committee of our Board of Directors or such other committee as designated by our Board of Directors (the Committee). Among the Committee's powers under the 2019 Omnibus Plan is the power to determine those employees who will be granted awards and the amount, type and other terms and conditions of awards. The Committee may also prescribe agreements evidencing or settling the terms of any awards, and any amendments thereto; grant awards alone or in addition to, in tandem with, or in substitution or exchange for, any other award, any award granted under the Prior Plans (as defined below) or that of any business entity we are acquiring, or any other right of the plan participant to receive payment from us.

Prior Plans means, with respect to the 2016 Omnibus Plan, the Sabre Corporation 2014 Omnibus Incentive Compensation Plan (the 2014 Omnibus Plan), the Sovereign Holdings, Inc. 2012 Management Equity Incentive Plan (the Sovereign 2012 MEIP), the Sovereign Holdings, Inc. 2007 Management Equity Incentive Plan (as amended in 2010), and the Sovereign Holdings, Inc. Stock Incentive Plan (the Sovereign MEIP), and with respect to the 2019 Omnibus Plan, each of the foregoing plans plus the 2016 Omnibus Plan.

The Committee may delegate its powers and responsibilities under the 2019 Omnibus Plan, in writing, to a sub-committee of our Board of Directors, or delegate certain administration powers (not including the grant of awards) over the plan to one or more of our officers or employees.

The Committee has discretionary authority to interpret and construe any and all provisions of the 2019 Omnibus Plan and the terms of any award (or award agreement) granted thereunder and to adopt and amend such rules and regulations for the administration of the 2019 Omnibus Plan as it deems appropriate. Decisions of the Committee will be final, binding and conclusive on all parties.

On or after the date of grant of any award, the Committee may accelerate the date on which any award becomes vested, exercisable, or transferable, provided that 95% of the shares underlying any stock-settled



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**PROPOSAL 4: APPROVAL OF THE SABRE CORPORATION 2019 OMNIBUS INCENTIVE COMPENSATION PLAN**

award must have a vesting period of at least one year from the date of grant. The Committee may also extend the term of any such award (including the period following a termination of a participant's employment during which any such award may remain outstanding); waive any conditions to the vesting, exercisability or transferability of any such award; grant other awards in addition to, in tandem with or in substitution or exchange for any award granted under the 2019 Omnibus Plan, any Prior Plan or any equity compensation plan of any business entity we are acquiring; or provide for the payment of dividends or dividend equivalents with respect to any such award. The Committee does not have the authority and may not take any such action described in this section to the extent that the grant of such authority or the taking of such action would cause any tax to become due under Section 409A of the Internal Revenue Code of 1986, as amended (the Code).

We will not reprice any stock option or stock appreciation right without the approval of our stockholders.

*Shares Available for Issuance*

*Available Shares.* The aggregate number of shares of our common stock which may be issued under the 2019 Omnibus Plan may not exceed the sum of:

- (1) 12,500,000 shares,
- (2) the number of shares that remain available for issuance under the Prior Plans as of April 23, 2019, and
- (3) the number of shares subject to outstanding awards under the 2016 Omnibus Plan or any of the Prior Plans that may become available if the underlying awards expire, are forfeited, cancelled or terminated, are settled for cash, or otherwise become available in accordance with the terms of such plans.

*Incentive Stock Options.* The number of shares that may be covered by incentive stock options under the 2019 Omnibus Plan may not exceed 12,500,000 shares in the aggregate.

The shares to be delivered under the 2019 Omnibus Plan may be authorized and unissued shares or shares held in or acquired for our treasury, or both.

In general, if awards under the 2019 Omnibus Plan expire or are forfeited, cancelled or terminated without the issuance of shares, or are settled for cash in lieu of shares, or are exchanged for an award not involving shares, the shares covered by such awards will again become available for the grant of awards under the 2019 Omnibus Plan. However, if the exercise price or tax withholding requirements related to any award under the 2019 Omnibus Plan are satisfied through our withholding of shares otherwise then deliverable in respect of an award or through actual or constructive transfer to us of shares already owned, the number of shares equal to such withheld or transferred shares,



as applicable, will no longer be available for issuance under the 2019 Omnibus Plan.

Shares covered by awards granted pursuant to the 2019 Omnibus Plan in connection with the assumption, replacement, conversion or adjustment of outstanding equity-based awards in the context of a corporate acquisition or merger will not count as issued under the 2019 Omnibus Plan.

*Individual Employee Share Limits Per Fiscal Year under the 2019 Omnibus Plan*

*Options.* 1,000,000 shares.

*Stock Appreciation Rights.* 1,000,000 shares.

*Other Stock-Based Awards.* 1,000,000 shares.

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**PROPOSAL 4: APPROVAL OF THE SABRE CORPORATION 2019 OMNIBUS INCENTIVE COMPENSATION PLAN**

*Individual Limits on Cash Incentive Awards*

*Cash Incentive Awards.* The amount payable in respect of a cash incentive award granted to any participant in a single fiscal year that is subject to performance-based vesting may not exceed \$5,000,000.

*Eligibility for Participation*

The individuals eligible to receive awards under the 2019 Omnibus Plan are our employees (including prospective employees who have been offered employment) or other individual service providers and those of our subsidiaries, as selected by the Committee.

As of December 31, 2018, approximately 9,250 individuals, consisting of approximately 8,500 employees and approximately 750 other service providers, would be eligible to participate in the 2019 Omnibus Plan. During 2018, a total of approximately 2,250 individuals received awards under the 2016 Omnibus Plan.

*Cash Incentive Awards*

The Committee may grant cash incentive awards. Cash incentive awards may be settled in cash or in other property, including shares of our common stock.

*Stock Options and Stock Appreciation Rights*

The Committee may grant non-qualified stock options and incentive stock options to purchase shares of our common stock. The Committee will determine the number of shares of our common stock subject to each option, the vesting schedule (provided that no option may be exercisable after the expiration of ten years after the date of grant), the method and procedure to exercise vested options, restrictions on transfer of options and any shares acquired pursuant to the exercise of an option, and the other terms of each option. The exercise price per share of common stock covered by any option may not be less than 100% of the fair market value of a share of common stock on the date of grant.

Additionally, with respect to incentive stock options (within the meaning of Section 422 of the Code), the aggregate fair market value of shares with respect to incentive stock options that are exercisable for the first time by a participant during any calendar year under the 2019 Omnibus Plan or any of our other stock option plans may not exceed \$100,000. To the extent the fair market value of such shares exceeds \$100,000, the incentive stock options granted to such participant, to the extent and in the order required by regulations, automatically will be deemed to be non-qualified stock options, but all other terms and provisions of such option will remain unchanged. No incentive stock option may be granted to a 10% stockholder unless the exercise price of the option is at least 110% of the fair market value of a share of common stock at the time such incentive stock option is granted and such incentive stock option is not exercisable after the expiration of five years from the date such incentive stock option is granted.

*Other Stock-Based Awards*

The Committee may grant other stock, stock-based or stock-related awards in such amounts and subject to such terms and conditions as determined by the Committee. Each such other stock-based award may (i) involve the transfer of actual shares of our common stock to the participant, either at the time of grant or thereafter, or payment in cash or

otherwise of amounts based on the value of shares of common stock, (ii) be subject to performance-based and/or service-based conditions, (iii) be in the form of stock

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**PROPOSAL 4: APPROVAL OF THE SABRE CORPORATION 2019 OMNIBUS INCENTIVE COMPENSATION PLAN**

appreciation rights, phantom stock, restricted stock, restricted stock units, performance shares, deferred share units, or share-denominated performance units, and (iv) be designed to comply with applicable laws of jurisdictions other than the United States; provided, that each award must be denominated in, or must have a value determined by reference to, a number of shares of our common stock that is specified at the time of the grant of such award.

*Performance-Based Compensation, Performance Goals and Measures*

The Committee may grant performance-based compensation to a participant payable upon the attainment of specific performance goals. The performance goals may include: adjusted net earnings, appreciation in and/or maintenance of the price of common stock (including, without limitation, comparisons with various stock market indices), attainment of strategic and operational initiatives, budget, cash flow (including, without limitation, free cash flow), cost of capital, cost reduction, earnings and earnings growth (including, without limitation, earnings per share, earnings before taxes, earnings before interest and taxes, and earnings before interest, taxes, depreciation and amortization), market share, market value added, net income, net sales, net revenue, operating profit and operating income, pretax income before allocation of corporate overhead and bonus, reductions in costs, return on assets and return on net assets, return on equity, return on invested capital, revenues, sales and sales growth, successful acquisition/divestiture, total stockholder return and improvement of stockholder return, gross margin, measures of liquidity or credit metrics, cash flow per share, improvements or attainments of expense levels, improvements or attainment of working capital levels or debt reduction, or such other measures as the Committee may determine from time to time.

Performance goals may relate to individual performance, company performance or business unit performance.

In addition, any performance measure may be used to measure the performance of Sabre or a subsidiary as a whole or any business unit of Sabre or a subsidiary or any combination thereof, as the Committee may deem appropriate, or any of the above performance measures as compared to the performance of a group of comparator companies, or a published or special index that the Committee, in its sole discretion, deems appropriate.

The Committee may, subject to the terms of the 2019 Omnibus Plan, amend previously granted awards whose grant, vesting or payment is subject to performance-based measures.

*Stockholder Rights*

No person will have any rights as a stockholder with respect to any shares of our common stock covered by or relating to any award granted pursuant to the 2019 Omnibus Plan until the date of the issuance of such shares on our books and records.

*Amendment and Termination*

Notwithstanding any other provision of the 2019 Omnibus Plan, our Board of Directors may at any time suspend or discontinue the plan or revise or amend it in any respect whatsoever; provided, however, that to the extent that any applicable law, regulation, or rule of a national securities exchange requires stockholder approval for any such revision or amendment to be effective, such revision or amendment will not be effective without such approval.



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**PROPOSAL 4: APPROVAL OF THE SABRE CORPORATION 2019 OMNIBUS INCENTIVE COMPENSATION PLAN**

*Transferability*

Awards granted under the 2019 Omnibus Plan are generally nontransferable (other than by will or the laws of descent and distribution), except that the Committee may provide for the transferability of non-qualified stock options subject to conditions and limitations as determined by the Committee; however, awards (other than incentive stock options and tandem stock appreciation rights) may be transferred during the lifetime of the participant, and may be exercised by these transferees during the lifetime of the participant, but only to the extent the transfers are permitted by the Committee.

*Change in Control*

Except as otherwise set forth in a participant's award agreement, in the event (i) a participant has a qualifying termination of employment following a change in control of Sabre or (ii) of a change in control of Sabre in which outstanding awards are not assumed, continued, or substituted by the surviving corporation:

All deferral of settlement, forfeiture conditions and other restrictions applicable to awards granted under the 2019 Omnibus Plan will lapse and such awards will be deemed fully vested as of the time of the change-in-control transaction without regard to deferral and vesting conditions, and

Any award carrying a right to exercise that was not previously exercisable and vested will become fully exercisable and vested as of the time of the change in control of Sabre.

For purposes of this provision, a qualifying termination of employment means with respect to a participant, (i) a termination of such participant's employment by Sabre (or any of its then-affiliated entities) without cause or by the participant for good reason, or (ii) a termination of such participant's employment in the event of the participant's death or disability, in each case, following a change in control of Sabre.

**New Plan Benefits**

All awards made under the 2019 Omnibus Plan are discretionary. Therefore, the benefits and amounts that will be received or allocated under the 2019 Omnibus Plan are not determinable at this time. The closing price of our common stock, as reported on the NASDAQ Stock Market, on February 20, 2019 was \$21.97 per share. See

Executive Compensation 2018 Grants of Plan-Based Awards table, which provides information on the equity awards granted to the named executive officers in 2018.

**U.S. Federal Income Tax Consequences**

The following is a summary of certain federal income tax consequences of the awards to be made under the 2019 Omnibus Plan based upon the laws in effect on the date hereof. The discussion is general in nature and does not take

into account a number of considerations which may apply in light of the circumstances of a particular participant under the 2019 Omnibus Plan. The income tax consequences under applicable state and local tax laws may not be the same as under federal income tax laws.

*Non-Qualified Stock Options*

A participant will not recognize taxable income at the time of grant of a non-qualified stock option, and we will not be entitled to a tax deduction at such time. A participant will recognize compensation taxable as

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ordinary income (and subject to income tax withholding in respect of an employee) upon exercise of a non-qualified stock option equal to the excess of the fair market value of the shares purchased over their exercise price, and we generally will be entitled to a corresponding tax deduction.

*Incentive Stock Options*

A participant will not recognize taxable income at the time of grant of an incentive stock option. A participant will not recognize taxable income (except for purposes of the alternative minimum tax) upon exercise of an incentive stock option. If the shares acquired by exercise of an incentive stock option are held for the longer of two years from the date the stock option was granted and one year from the date the shares were transferred, any gain or loss arising from a subsequent disposition of such shares will be taxed as long-term capital gain or loss, and we will not be entitled to any tax deduction. If, however, such shares are disposed of within such two- or one-year periods, then in the year of such disposition the participant will recognize compensation taxable as ordinary income equal to the excess of the lesser of the amount realized upon such disposition and the fair market value of such shares on the date of exercise over the exercise price, and we generally will be entitled to a corresponding tax deduction. The excess of the amount realized through the disposition date over the fair market value of the stock on the exercise date will be treated as capital gain.

*Stock Appreciation Rights*

A participant will not recognize taxable income at the time of grant of a stock appreciation right, and we will not be entitled to a tax deduction at such time. Upon exercise, a participant will recognize compensation taxable as ordinary income (and subject to income tax withholding in respect of an employee) equal to the fair market value of any shares delivered and the amount of cash paid by us, and we generally will be entitled to a corresponding tax deduction.

*Restricted Stock*

A participant will not recognize taxable income at the time of grant of shares of restricted stock award, and we will not be entitled to a tax deduction at such time, unless the participant makes an election under Section 83(b) of the Code to be taxed at such time. If such election is made, the participant will recognize compensation taxable as ordinary income (and subject to income tax withholding in respect of an employee) at the time of the grant equal to the excess of the fair market value of the shares at such time over the amount, if any, paid for such shares. If such election is not made, the participant will recognize compensation taxable as ordinary income (and subject to income tax withholding in respect of an employee) at the time the restrictions lapse in an amount equal to the excess of the fair market value of the shares at such time over the amount, if any, paid for such shares. We are entitled to a corresponding tax deduction at the time the ordinary income is recognized by the participant, except to the extent the deduction limits of Section 162(m) of the Code apply. In addition, a participant receiving dividends with respect to restricted stock for which the above-described election has not been made and prior to the time the restrictions lapse will recognize compensation taxable as ordinary income (and subject to income tax withholding in respect of an employee), rather than dividend income. We will be entitled to a corresponding tax deduction, except to the extent the deduction limits of Section 162(m) of the Code apply.



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**PROPOSAL 4: APPROVAL OF THE SABRE CORPORATION 2019 OMNIBUS INCENTIVE COMPENSATION PLAN**

*Restricted Stock Units*

A participant will not recognize taxable income at the time of grant of a restricted stock unit, and we will not be entitled to a tax deduction at such time. A participant will recognize compensation taxable as ordinary income (and subject to income tax withholding in respect of an employee) at the time of settlement of the award equal to the fair market value of any shares delivered and the amount of cash paid by us, and we will be entitled to a corresponding deduction, except to the extent the deduction limits of Section 162(m) of the Code apply.

*Other Stock-Based Awards*

The grant, exercise or settlement of other stock-based awards granted under the 2019 Omnibus Plan may be taxable based on the specific terms and conditions of such awards.

*Section 162(m) Limitations*

Section 162(m) of the Code generally places a \$1 million annual limit on a company's federal income tax deduction for compensation paid to certain senior executives. Thus, it is possible that Section 162(m) of the Code may disallow compensation deductions that would otherwise be available to us.

The foregoing general tax discussion is intended for the information of stockholders considering how to vote with respect to this proposal and not as tax guidance to participants in the 2019 Omnibus Plan. Participants are strongly urged to consult their own tax advisors regarding the federal, state, local, foreign and other tax consequences to them of participating in the 2019 Omnibus Plan.

**Required Vote**

At the Annual Meeting, stockholders will be asked to approve the 2019 Omnibus Plan. This proposal requires the affirmative vote of the holders of not less than a majority of the voting power of the outstanding common stock, present in person at the Annual Meeting or represented by proxy, voting together as a single class.

Abstentions will be counted toward the tabulation of votes cast on the approval of the proposal to approve the 2019 Omnibus Plan, and will have the same effect as votes against that proposal.

**The Board of Directors unanimously recommends a vote **FOR** approval of the Sabre Corporation 2019 Omnibus Incentive Compensation Plan.**

Table of Contents**PROPOSAL 4: APPROVAL OF THE SABRE CORPORATION 2019 OMNIBUS INCENTIVE COMPENSATION PLAN****Equity Compensation Plan Information**

The following table gives information about our common stock that may be issued upon the exercise of options, warrants and rights under all of our equity compensation plans as of December 31, 2018.

	Number of securities to be issued upon exercise of outstanding options (a)	Weighted average exercise price of outstanding options (b)	Number of securities remaining available for future issuance under equity compensation plan
Equity compensation plans approved by stockholders	11,528,900	\$ 20.80	10,357,631

Equity compensation plans not approved by stockholders

(a) Includes shares to be issued upon the exercise of outstanding options under our 2016 Omnibus Plan, 2014 Omnibus Plan, the Sovereign 2012 MEIP and the Sovereign MEIP. Also includes 7,331,657 restricted stock unit awards under our 2016 Omnibus Plan and 2014 Omnibus Plan (including shares that may be issued pursuant to outstanding performance-based restricted stock unit awards, assuming the target award is met; actual shares may vary, depending on actual performance).

(b) Excludes restricted stock unit awards which do not have an exercise price.

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**PROPOSAL 5: APPROVAL OF THE SABRE CORPORATION 2019 DIRECTOR EQUITY COMPENSATION PLAN**

**PROPOSAL 5: APPROVAL OF THE SABRE CORPORATION 2019 DIRECTOR EQUITY COMPENSATION PLAN**

In February 2019, our Board of Directors adopted the Sabre Corporation 2019 Director Equity Compensation Plan (the 2019 Director Plan ), subject to approval by our stockholders at the 2019 Annual Meeting.

The 2019 Director Plan is intended to promote the interests of Sabre and its stockholders by providing certain compensation to eligible directors of Sabre to encourage the highest level of performance by providing them with a proprietary interest in Sabre's success and progress by granting them awards under the 2019 Director Plan.

**Alignment of 2019 Director Plan with Stockholders' Interests**

The 2019 Director Plan is designed to reinforce the alignment of our compensation opportunities for eligible directors with stockholders' interests and, as highlighted below, includes a number of provisions that we believe are consistent with good compensation practices.

*No Discounted Stock Options.* Stock options may not be granted with an exercise price lower than the fair market value of the underlying shares on the date of grant.

*No Re-pricings/Cash Buyouts without Stockholder Approval.* The 2019 Director Plan prohibits, without stockholder approval, a stock option or a stock appreciation right from being repurchased for cash at a time when the exercise or strike price, as applicable, is equal to or greater than the fair market value of the underlying shares. The 2019 Director Plan also prohibits any option or stock appreciation right from being re-priced, replaced, re-granted through cancellation, or modified without stockholder approval if the effect would be to reduce the exercise or strike price, as applicable, for the shares underlying the option or stock appreciation right.

*No Evergreen Provision.* There is no evergreen feature pursuant to which the shares available for issuance under the 2019 Director Plan can be automatically replenished.

*No Transferability.* Awards generally may not be transferred, except by will or the laws of descent and distribution or pursuant to a qualified domestic relations order, unless approved by the Compensation Committee.

*No Automatic Grants.* The 2019 Director Plan does not provide for reload or other automatic grants to participants.

*No Tax Gross-ups.* The 2019 Director Plan does not provide for any tax gross-ups.

*Compensation Recovery ( Clawback ).* The 2019 Director Plan provides that Sabre is entitled, to the extent permitted or required by applicable law, Sabre policy, or the requirements of any national securities exchange on which Sabre's shares are listed for trading, to claw back compensation paid by Sabre to a participant under the 2019 Director Plan.

*No Single Trigger Vesting Upon a Change in Control.* The 2019 Director Plan provides that all outstanding equity awards will become exercisable and/or vest in the event of a change in control of Sabre only if these awards are not assumed, continued, or substituted by the surviving corporation, or if the holder's service on the Board terminates in connection with a change in control of Sabre.

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**PROPOSAL 5: APPROVAL OF THE SABRE CORPORATION 2019 DIRECTOR EQUITY COMPENSATION PLAN**

*No Liberal Share Recycling.* Shares of our common stock used to pay the exercise price (whether through actual or constructive transfer) or tax withholding requirements related to any award granted under the 2019 Director Plan may not be regranted, issued, or transferred under the 2019 Director Plan.

**Key Data**

Based on our historical practice, the Board of Directors believes the shares available for grant under the 2019 Director Plan will be sufficient to cover awards for at least the next five years. Since our initial public offering in April 2014, we granted equity awards (gross equity grants, which do not reflect the impact of cancellations) to eligible directors, including Mr. Kellner in connection with his service as executive Chairman of the Board, representing a total of approximately 67,912 shares in 2014, 142,199 shares in 2015, 295,464 shares in 2016, 250,823 shares in 2017 and 64,173 shares in 2018. We expect to grant equity awards representing a total of approximately 90,000 shares in 2019. Absent circumstances not currently accounted for in our projections, such as significant market value fluctuations or acquisitions, the Board of Directors expects to grant awards under the 2019 Director Plan generally consistent with our 2019 share utilization rates.

**Summary of Terms of the 2019 Director Plan**

The principal features of the 2019 Director Plan are described below. This summary is qualified in its entirety by reference to the full text of the 2019 Director Plan, a copy of which is attached as [Appendix D](#) to this proxy statement and incorporated in this proxy statement by reference. Please refer to [Appendix D](#) for more information.

*Term*

Awards under the 2019 Director Plan may be granted for a term of ten years following the date that stockholders approve the 2019 Director Plan at the 2019 Annual Meeting.

*Administration*

The 2019 Director Plan is administered by our Board of Directors, the Compensation Committee of our Board of Directors or such other committee as designated by our Board of Directors (the *Committee*). Among the Committee's powers under the 2019 Director Plan is the power to determine those individuals who will be granted awards and the amount, type and other terms and conditions of awards. Our Board of Directors may grant awards to the non-employee members of our Board of Directors. The Committee may also prescribe agreements evidencing or settling the terms of any awards, and any amendments thereto; grant awards alone or in addition to, in tandem with, or in substitution or exchange for, any other award, any award of any business entity we are acquiring, or any other right of the plan participant to receive payment from us.

The Committee may delegate its powers and responsibilities under the 2019 Director Plan, in writing, to a sub-committee of our Board of Directors, or to any other individual as the Committee deems advisable, under any

conditions and subject to any limitations that the Committee may establish.

The Committee has discretionary authority to interpret and construe any and all provisions of the 2019 Director Plan and the terms of any award (or award agreement) granted thereunder and to adopt and amend such rules and regulations for the administration of the 2019 Director Plan as it deems appropriate. Decisions of the Committee will be final, binding and conclusive on all parties.

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**PROPOSAL 5: APPROVAL OF THE SABRE CORPORATION 2019 DIRECTOR EQUITY COMPENSATION PLAN**

On or after the date of grant of any award, the Committee may accelerate the date on which any award becomes vested, exercisable, or transferable. The Committee may also extend the term of any such award (including the period following a termination of a participant's provision of services during which any such award may remain outstanding); waive any conditions to the vesting, exercisability or transferability of any such award; grant other awards in addition to, in tandem with or in substitution or exchange for any award granted under the 2019 Director Plan or any equity compensation plan of any business entity we are acquiring; or provide for the payment of dividends or dividend equivalents with respect to any such award. The Committee does not have the authority and may not take any such action described in this section to the extent that the grant of such authority or the taking of such action would cause any tax to become due under Section 409A of the Code.

We will not reprice any stock option or stock appreciation right without the approval of our stockholders.

*Shares Available for Issuance*

*Available Shares.* The aggregate number of shares of our common stock which may be issued under the 2019 Director Plan may not exceed 500,000 shares.

The shares to be delivered under the 2019 Director Plan may be authorized and unissued shares or shares held in or acquired for our treasury, or both.

In general, if awards under the 2019 Director Plan expire or are forfeited, cancelled or terminated without the issuance of shares, or are settled for cash in lieu of shares, or are exchanged for an award not involving shares, the shares covered by such awards will again become available for the grant of awards under the 2019 Director Plan. However, if the exercise price or tax withholding requirements related to any award under the 2019 Director Plan are satisfied through our withholding of shares otherwise then deliverable in respect of an award or through actual or constructive transfer to us of shares already owned, the number of shares equal to such withheld or transferred shares, as applicable, will no longer be available for issuance under the 2019 Director Plan.

Shares covered by awards granted pursuant to the 2019 Director Plan in connection with the assumption, replacement, conversion or adjustment of outstanding equity-based awards in the context of a corporate acquisition or merger will not count as issued under the 2019 Director Plan.

*Individual Director Share Limits Per Fiscal Year under the 2019 Director Plan*

*Initial Appointment Awards.* The aggregate values of options and other stock-based awards granted to any participant in connection with his or her initial appointment as a non-employee director may not exceed \$500,000, determined based on the aggregate fair market value of the awards on the grant date.

*Other Awards.* The aggregate values of options and other stock-based awards granted to any participant in a single fiscal year may not exceed \$400,000, determined based on the aggregate fair market value of the awards on the

grant date.

*Individual Limits on Cash Awards*

*Cash Awards.* The amount payable in respect of a cash incentive award for which the performance period is not longer than one year may not exceed \$500,000.



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**PROPOSAL 5: APPROVAL OF THE SABRE CORPORATION 2019 DIRECTOR EQUITY COMPENSATION PLAN**

*Eligibility for Participation*

The individuals eligible to receive awards under the 2019 Director Plan are those members of the Board who are not also employees of Sabre or any of its subsidiaries, as selected by the Committee.

Effective as of January 1, 2019, nine directors would be eligible to participate in the 2019 Director Plan. During 2018, a total of seven directors received awards under the 2016 Omnibus Plan.

*Cash Awards*

The Committee may grant cash awards. Cash awards may be settled in cash or in other property, including shares of our common stock.

*Stock Options and Stock Appreciation Rights*

The Committee may grant non-qualified stock options to purchase shares of our common stock. The Committee will determine the number of shares of our common stock subject to each option, the vesting schedule (provided that no option may be exercisable after the expiration of ten years after the date of grant), the method and procedure to exercise vested options, restrictions on transfer of options and any shares acquired pursuant to the exercise of an option, and the other terms of each option. The exercise price per share of common stock covered by any option may not be less than 100% of the fair market value of a share of common stock on the date of grant.

*Other Stock-Based Awards*

The Committee may grant other stock, stock-based or stock-related awards in such amounts and subject to such terms and conditions as determined by the Committee. Each such other stock-based award may (i) involve the transfer of actual shares of our common stock to the participant, either at the time of grant or thereafter, or payment in cash or otherwise of amounts based on the value of shares of common stock, (ii) be subject to performance-based and/or service-based conditions, (iii) be in the form of stock appreciation rights, phantom stock, restricted stock, restricted stock units, performance shares, deferred share units, or share-denominated performance units, and (iv) be designed to comply with applicable laws of jurisdictions other than the United States; provided, that each award must be denominated in, or must have a value determined by reference to, a number of shares of our common stock that is specified at the time of the grant of such award.

*Stockholder Rights*

No person will have any rights as a stockholder with respect to any shares of our common stock covered by or relating to any award granted pursuant to the 2019 Director Plan until the date of the issuance of such shares on our books and records.

*Amendment and Termination*

Notwithstanding any other provision of the 2019 Director Plan, our Board of Directors may at any time suspend or discontinue the plan or revise or amend it in any respect whatsoever; provided, however, that to the extent that any applicable law, regulation, or rule of a national securities exchange requires stockholder approval for any such

revision or amendment to be effective, such revision or amendment will not be effective without such approval.

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**PROPOSAL 5: APPROVAL OF THE SABRE CORPORATION 2019 DIRECTOR EQUITY COMPENSATION PLAN**

*Transferability*

Awards granted under the 2019 Director Plan are generally nontransferable (other than by will or the laws of descent and distribution), except that the Committee may provide for the transferability of non-qualified stock options subject to conditions and limitations as determined by the Committee; however, awards may be transferred during the lifetime of the participant, and may be exercised by these transferees during the lifetime of the participant, but only to the extent the transfers are permitted by the Committee.

*Change in Control*

Except as otherwise set forth in a participant's award agreement, in the event (i) a participant's service on the Board terminates in connection with a change in control of Sabre or (ii) of a change in control of Sabre in which outstanding awards are not assumed, continued, or substituted by the surviving corporation:

All deferral of settlement, forfeiture conditions and other restrictions applicable to awards granted under the 2019 Director Plan will lapse and such awards will be deemed fully vested as of the time of the change-in-control transaction without regard to deferral and vesting conditions, and

Any award carrying a right to exercise that was not previously exercisable and vested will become fully exercisable and vested as of the time of the change in control of Sabre.

**New Plan Benefits**

All awards made under the 2019 Director Plan are discretionary. Therefore, the benefits and amounts that will be received or allocated under the 2019 Director Plan are not determinable at this time. The closing price of our common stock, as reported on the NASDAQ Stock Market, on February 20, 2019 was \$21.97 per share. See Proposal 1: Election of Directors Director Compensation, which provides information on the equity awards granted to our non-employee directors in 2018.

**U.S. Federal Income Tax Consequences**

The following is a summary of certain federal income tax consequences of the awards to be made under the 2019 Director Plan based upon the laws in effect on the date hereof. The discussion is general in nature and does not take into account a number of considerations which may apply in light of the circumstances of a particular participant under the 2019 Director Plan. The income tax consequences under applicable state and local tax laws may not be the same as under federal income tax laws.

*Non-Qualified Stock Options*

A participant will not recognize taxable income at the time of grant of a non-qualified stock option, and we will not be entitled to a tax deduction at such time. A participant will recognize compensation taxable as ordinary income (and subject to income tax withholding in respect of an employee) upon exercise of a non-qualified stock option equal to the excess of the fair market value of the shares purchased over their exercise price, and we generally will be entitled to a corresponding tax deduction.

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**PROPOSAL 5: APPROVAL OF THE SABRE CORPORATION 2019 DIRECTOR EQUITY COMPENSATION PLAN**

*Stock Appreciation Rights*

A participant will not recognize taxable income at the time of grant of a stock appreciation right, and we will not be entitled to a tax deduction at such time. Upon exercise, a participant will recognize compensation taxable as ordinary income (and subject to income tax withholding in respect of an employee) equal to the fair market value of any shares delivered and the amount of cash paid by us, and we generally will be entitled to a corresponding tax deduction.

*Restricted Stock*

A participant will not recognize taxable income at the time of grant of shares of restricted stock award, and we will not be entitled to a tax deduction at such time, unless the participant makes an election under Section 83(b) of the Code to be taxed at such time. If such election is made, the participant will recognize compensation taxable as ordinary income (and subject to income tax withholding in respect of an employee) at the time of the grant equal to the excess of the fair market value of the shares at such time over the amount, if any, paid for such shares. If such election is not made, the participant will recognize compensation taxable as ordinary income (and subject to income tax withholding in respect of an employee) at the time the restrictions lapse in an amount equal to the excess of the fair market value of the shares at such time over the amount, if any, paid for such shares. We are entitled to a corresponding tax deduction at the time the ordinary income is recognized by the participant. In addition, a participant receiving dividends with respect to restricted stock for which the above-described election has not been made and prior to the time the restrictions lapse will recognize compensation taxable as ordinary income (and subject to income tax withholding in respect of an employee), rather than dividend income. We will be entitled to a corresponding tax deduction.

*Restricted Stock Units*

A participant will not recognize taxable income at the time of grant of a restricted stock unit, and we will not be entitled to a tax deduction at such time. A participant will recognize compensation taxable as ordinary income (and subject to income tax withholding in respect of an employee) at the time of settlement of the award equal to the fair market value of any shares delivered and the amount of cash paid by us, and we will be entitled to a corresponding deduction.

*Other Stock-Based Awards*

The grant, exercise or settlement of other stock-based awards granted under the 2019 Director Plan may be taxable based on the specific terms and conditions of such awards.

The foregoing general tax discussion is intended for the information of stockholders considering how to vote with respect to this proposal and not as tax guidance to participants in the 2019 Director Plan. Participants are strongly urged to consult their own tax advisors regarding the federal, state, local, foreign and other tax consequences to them of participating in the 2019 Director Plan.

**Required Vote**

At the Annual Meeting, stockholders will be asked to approve the 2019 Director Plan. This proposal requires the affirmative vote of the holders of not less than a majority of the voting power of the outstanding common stock, present in person at the Annual Meeting or represented by proxy, voting together as a single class.

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**PROPOSAL 5: APPROVAL OF THE SABRE CORPORATION 2019 DIRECTOR EQUITY COMPENSATION PLAN**

Abstentions will be counted toward the tabulation of votes cast on the approval of the proposal to approve the 2019 Director Plan, and will have the same effect as votes against that proposal.

**The Board of Directors unanimously recommends a vote **FOR** approval of the Sabre Corporation 2019 Director Equity Compensation Plan.**

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**Table of Contents****COMPENSATION DISCUSSION AND ANALYSIS****COMPENSATION DISCUSSION AND ANALYSIS**

This Compensation Discussion and Analysis addresses the principles underlying our executive compensation program and the policies and practices that contributed to our executive compensation actions and decisions for the year ended December 31, 2018 for our named executive officers. For 2018, our named executive officers were:

Name	Position
Sean Menke	President and Chief Executive Officer
Douglas Barnett	Executive Vice President and Chief Financial Officer <i>(effective July 23, 2018)</i>
Clinton Anderson	Executive Vice President, Sabre and President, Hospitality Solutions
Wade Jones	Executive Vice President, Sabre and President, Travel Network
David Shirk	Executive Vice President, Sabre and President, Travel Solutions <i>(effective July 23, 2018)</i>
Richard Simonson	Senior Advisor and Former Executive Vice President and Chief Financial Officer <i>(effective July 23, 2018)</i>

**Management Changes in 2018**

On July 23, 2018, Mr. Barnett joined us as our Executive Vice President and Chief Financial Officer. Also on that date, as previously announced, Mr. Simonson retired as Executive Vice President and Chief Financial Officer. He will continue to serve as Senior Advisor to us until June 30, 2019.



Effective July 23, 2018, Mr. Shirk was promoted to the position of Executive Vice President, Sabre and President, Travel Solutions. In this position, Mr. Shirk has leadership responsibility over our Travel Network and Airline Solutions business units, as well as our data and analytics efforts. Mr. Shirk had previously served as Executive Vice President, Sabre and President, Airline Solutions.

## **Executive Summary**

### *Business Overview*

We believe that our 2018 results demonstrate continued progress on a strong foundation. Our commitment to the strategy we laid out at the beginning of 2018 resulted in strong financial and operational performance. We augmented our leadership team with skilled technology executives, evolved our go-to-market strategy and accelerated our technology evolution. We believe that evidence of momentum behind our strategic and commercial initiatives demonstrated that we are delivering for our customers and stockholders. We recorded the following financial results for 2018:

For the full year, our total consolidated revenue was \$3.867 billion, compared to \$3.598 billion in 2017, a 7.5% increase.

Travel Network revenue increased 10.0% to \$2.806 billion from \$2.550 billion in 2017.

Airline Solutions revenue increased 0.8% to \$823 million from \$816 million in 2017.

Hospitality Solutions revenue increased 5.7% to \$273 million from \$258 million in 2017.

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For the full year, diluted net income attributable to common stockholders per share was \$1.22, a 40.2% increase from \$0.87 in 2017. Adjusted net income from continuing operations per share ( Adjusted EPS ) totaled \$1.54, a 10.0% increase from \$1.40 in 2017.

See [Appendix E](#) for a reconciliation of certain non-GAAP and GAAP financial measures presented.

*Stockholder Engagement*

In the fall of 2017, we continued our stockholder outreach program, contacting institutional stockholders representing over 53% of the shares then outstanding and ultimately meeting with stockholders representing over 47% of the shares then outstanding. These discussions included members of our senior management and, in certain cases, our Chairman of the Board. Feedback received on our executive compensation program was generally positive; however, investors did identify certain aspects of our program design for additional consideration. In response to, and after carefully considering this stockholder feedback, the Compensation Committee approved the following changes to our executive compensation program, as highlighted below.

What we heard	What we did
Discussion about the grant of time-based restricted stock unit awards in connection with executive officer promotions, recognition or retention	Moved to using grants of performance-based restricted stock unit awards in connection with executive officer promotions or to satisfy our retention objectives
A desire for changes to the performance measurement period of our performance-based restricted stock unit awards	Beginning with the 2018 annual equity awards, performance-based restricted stock unit awards have four one-year performance measurement periods, with the potential to receive up to 150% of the target amount of performance-based restricted stock unit awards based on our actual performance for each of the four measurement periods

In the fall of 2018, we continued our outreach program, contacting institutional stockholders representing approximately 55% of the shares then outstanding and ultimately meeting with stockholders representing approximately 32% of the shares then outstanding. As in 2017, discussions included members of our senior management and, in certain cases, our Chairman of the Board. Investor feedback received on our executive compensation program continued to be generally positive. Investors did, however, identify certain aspects of our program design for further consideration, including providing feedback on the performance metrics used for our annual incentive program and our performance-based restricted stock unit awards, as well as the length of the performance period for our performance-based restricted stock unit awards. The Compensation Committee carefully considered this feedback; however, given recent significant changes to our 2018 executive compensation program design, as well as the significant changes to our executive leadership team, the Compensation Committee determined

to minimize changes to our 2019 executive compensation program. Instead, the Compensation Committee intends to consider this feedback further when designing our 2020 executive compensation program.

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**Table of Contents****COMPENSATION DISCUSSION AND ANALYSIS***2018 Compensation Highlights*

In 2018, the Compensation Committee took the following actions with respect to the compensation of our named executive officers:

***Timing of annual merit increases.*** Moved the annual review of base salary merit increases for executive officers from May to February to provide the Compensation Committee the opportunity to conduct a holistic review of each executive officer's entire total direct compensation package, including base salary, all at one time in light of his or her performance.

***Amount of merit increases.*** Adjusted the annual base salaries for Messrs. Menke, Anderson, Jones and Shirk to reflect annual merit increases of 2.7%, 4%, 10% and 2.5%, respectively, which were effective April 2018. Mr. Shirk's base salary was subsequently increased again effective July 23, 2018 in connection with his promotion to Executive Vice President, Sabre and President, Travel Solutions. Mr. Simonson did not receive a merit increase in 2018, in light of his announced retirement. See Compensation Elements Base Salary below.

***Annual cash incentive performance measures.*** Selected revenue (25% of funding formula) and Pre-Tax and Pre-VCP/EIP Adjusted EPS (75% of funding formula) as the performance measures for 2018 under our Executive Incentive Program (EIP). Our executive officers' annual cash incentive opportunities continued to be based entirely on corporate-wide measures in 2018. See Compensation Elements Annual Incentive Compensation below.

***Annual cash incentive results.*** Paid annual cash incentive awards under the 2018 EIP in amounts equal to 100% of their target annual cash incentive opportunities. Although our financial results for 2018 actually resulted in a higher payout percentage, the Compensation Committee exercised its discretion to reduce the amount of their annual cash incentive awards in light of its evaluation of Sabre's overall performance and results for the year, in alignment with our pay-for-performance philosophy.

***Annual equity awards.*** Granted annual equity awards, including performance-based restricted stock unit awards, in March 2018. These performance-based restricted stock unit awards utilized revenue (50% of funding formula) and Pre-Tax Adjusted EPS (50% of funding formula) as the performance measures. These performance-based restricted stock unit awards structured with four consecutive one-year performance periods, with the potential to earn up to 150% of the target number of performance-based restricted stock unit awards based on our actual performance in each of the four performance periods. The total value of the equity awards granted in March 2018 to our named executive officers ranged from \$2,000,000 to \$8,400,000. See Compensation Elements of Total Direct Compensation Long-Term Incentive Compensation below.

***Executive hires and promotions.*** On July 23, 2018, Mr. Barnett joined us as our Executive Vice President and Chief Financial Officer. Mr. Shirk was promoted to Executive Vice President, Sabre and President, Travel

Solutions, effective July 23, 2018.

*Pay-for-Performance Philosophy*

Our executive compensation philosophy, which is embodied in the design and operation of our executive compensation program, provides that a substantial portion of each year's target total direct compensation opportunity for our executive officers, including our named executive officers, is delivered through our annual and long-term incentive compensation awards which are earned contingent on our ability to meet and exceed our annual and long-term objectives. Consequently, we believe that our executive compensation program creates commonality of interest between our executive officers and stockholders for long term value creation.

Table of Contents**COMPENSATION DISCUSSION AND ANALYSIS**

Our commitment to a pay-for-performance compensation philosophy is embodied in the following:

A substantial portion of our executive officers' target cash compensation opportunity is performance-based. For 2018, approximately 60% of the target total cash compensation opportunity of Mr. Menke, and approximately 47%, on average, of the target total cash compensation opportunities of our other named executive officers were contingent on meeting and exceeding the financial objectives set forth in our annual operating plan. For 2018, although the metrics resulted in a higher actual payout percentage, the Compensation Committee nevertheless exercised its discretion to reduce the annual cash incentive awards for our named executive officers to 100% of their target annual cash incentive opportunities, based on the Compensation Committee's evaluation of our performance. See 2018 Total Direct Compensation.

We grant performance-based restricted stock unit awards to our executive officers. For 2018, these performance-based restricted stock unit awards have been designed to contain four consecutive one-year performance periods, with the potential to earn up to 150% of the target number of performance-based restricted stock unit awards based on our actual performance in each of the four performance periods. See Compensation Elements of Total Direct Compensation 2018 Equity Awards 2018 Performance-Based Restricted Stock Unit Awards.

*Compensation Program Overview***What we do**

**Independent Compensation Committee consultant.** The Compensation Committee has engaged its own compensation consultant to assist with the review and analysis of our executive compensation program. This consultant performs no other consulting or other services for us.

**Annual executive compensation review.** The Compensation Committee conducts an annual review of our executive compensation program, including a review of the competitive market for executive talent, and has developed a compensation peer group for use during its deliberations when evaluating the competitive market.

**Compensation at-risk.** Our executive compensation program is designed so that a significant portion of compensation is at risk based on corporate performance, as well as equity-based to align the interests of our executive officers and stockholders.

**What we don't do**

**No pension plans.** We do not currently offer, nor do we have plans to provide, pension arrangements, or defined benefit pension plans to our executive officers.

**No tax reimbursements.** We do not provide any tax reimbursement payments (including gross-ups) on any severance or change-in-control payments or benefits.

**No special health or welfare benefits.** Our executive officers participate in broad-based company-sponsored health and welfare benefits programs on the same basis as our other full-time, salaried employees.



**Table of Contents****COMPENSATION DISCUSSION AND ANALYSIS**

What we do	What we don't do
<p><b>Performance-based incentives</b>. We use performance-based annual and long-term incentives</p>	<p><b>X Limited perquisites</b>. We provide only limited perquisites and other personal benefits to our executive officers</p>
<p><b>Multi-year vesting requirements</b>. The equity awards granted to our executive officers vest or are earned over multi-year periods, consistent with current market practice and our retention objectives</p>	<p><b>X Hedging and pledging prohibited</b>. Our Insider Trading Policy prohibits our executive officers and members of our Board of Directors from hedging or pledging any of their shares of Sabre common stock</p>
<p><b>Stock ownership policy</b>. Our stock ownership policy requirements are 5x base salary for our CEO and 3x base salary for our other named executive officers. Named executive officers are required to retain 50% of the net shares from their equity awards until ownership requirements are met</p>	<p><b>X No stock option repricings</b>. We prohibit the repricing of outstanding options to purchase our common stock without prior stockholder approval</p>
<p><b>Clawback policy</b>. We maintain an Executive Compensation Recovery Policy (also referred to as a clawback policy) <i>Objectives of Executive Compensation Program</i></p>	

Our overall corporate rewards strategy, which is embodied in our executive compensation program, is designed to advance three principal objectives:

**Pay for performance**. Link a significant portion of the target total direct compensation opportunities of our executive officers to our annual and long-term business performance and each individual's contribution to that performance.

**Attract, motivate, and retain**. Set compensation at market competitive levels that enable us to hire, incentivize, and retain high-caliber executive officers and that reinforce our succession planning process.

**Long-term equity ownership**. Provide opportunities, consistent with the interests of our stockholders, for our executive officers to accumulate and hold a significant equity stake in the organization, including through performance-based equity awards, if we achieve our strategic and growth objectives.

*Committee Consideration of 2018 Stockholder Advisory ( Say-on-Pay ) Vote on the Compensation of Our Named Executive Officers*

At our 2018 Annual Meeting, our executive compensation program received the support of approximately 81% of the shares of our common stock present at the meeting. See [Stockholder Engagement](#) for a discussion of our stockholder outreach program and actions taken in response. At our 2015 Annual Meeting, our stockholders expressed their



preference for our Board's recommendation to conduct the say-on-pay vote every three years. Based on this outcome, our Board determined that the say-on-pay vote would be held every three years, until the next stockholder vote on the frequency of the say-on-pay vote, or our Board otherwise determines that a different frequency for such advisory votes is in the best interests of our stockholders. As a result, our next say-on-pay vote and the next frequency of say-on-pay vote are anticipated to occur in 2021.

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**COMPENSATION DISCUSSION AND ANALYSIS**

**Compensation Philosophy and Objectives**

The philosophy underlying our executive compensation program is to provide an attractive, flexible, and effective total compensation opportunity to our executive officers, including our named executive officers, tied to our corporate performance and aligned with the interests of our stockholders. Our objective is to recruit, motivate, and retain the caliber of executive officers necessary to deliver sustained high performance to our stockholders, customers, and other stakeholders.

Equally important, we view our compensation policies and practices as a means of communicating our goals and standards of conduct and performance and for motivating and rewarding employees in relation to their achievements. Overall, the same principles that govern the compensation of our executive officers also generally apply to the compensation of our salaried employees. Within this framework, we seek to observe the following principles:

***Retain and hire top-caliber executive officers.*** Executive officers should have base salaries and employee benefits that are market competitive and that permit us to hire and retain high-caliber individuals at all levels.

***Pay for performance.*** A significant portion of the target total direct compensation opportunities of our executive officers should vary with annual and long-term business performance and each individual's contribution to that performance, while the level of at-risk compensation should increase as the scope of the executive officer's responsibility increases.

***Reward long-term growth and profitability.*** Executive officers should be rewarded for achieving long-term results, and these rewards should be aligned with the interests of our stockholders.

***Align compensation with stockholder interests.*** The interests of our executive officers should be linked with those of our stockholders through the risks and rewards of the ownership of shares of our common stock.

***Provide limited personal benefits.*** Perquisites and other personal benefits for our executive officers should be limited to items that serve a reasonable business purpose.

***Reinforce succession planning process.*** The overall compensation program for our executive officers should reinforce our succession planning process.

***Promote transparency.*** We seek to establish an efficient, simple, and transparent process for designing our compensation arrangements, setting performance objectives for annual and long-term incentive compensation

opportunities, and making compensation decisions.

We believe that our compensation philosophy, as reinforced by these principles, has been effective in aligning our executive compensation program with the creation of sustainable long-term stockholder value.

### **2018 Total Direct Compensation Mix**

Our executive compensation program has been designed to reward strong performance. The program seeks to focus a significant portion of each executive officer's target total direct compensation opportunity on annual and long-term incentives that depend upon our performance. Each executive officer has been granted a significant stake in Sabre in the form of an equity award to closely link his or her interests to those of our stockholders. These equity awards also seek to focus his or her efforts on the successful

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**COMPENSATION DISCUSSION AND ANALYSIS**

execution of our long-term strategic and financial objectives. Consequently, whether viewed on an annual basis or over their entire tenure with us, fixed compensation (in the form of base salary) has represented less than half of the target total direct compensation opportunity of each current executive officer, including each named executive officer, with the remainder delivered in the form of annual and long-term incentive compensation.

In addition, the Compensation Committee believes that Mr. Menke's target incentive compensation for 2018 was comprised of an appropriate mix of long-term elements (performance-based restricted stock unit awards and stock options) and short-term elements (an annual cash incentive opportunity), consistent with our emphasis on pay-for-performance:

**Compensation-Setting Process**

*Role of the Compensation Committee*

The Compensation Committee is responsible for overseeing our executive compensation program (including our executive compensation policies and practices), approving the compensation of our executive officers (including our named executive officers), and administering our various employee stock plans.

Pursuant to its charter, the Compensation Committee has sole responsibility for reviewing and determining the compensation of our CEO at least annually, as well as for evaluating our CEO's performance in light of the corporate goals and objectives applicable to him. In reviewing our CEO's compensation each year and considering any potential adjustments, the Compensation Committee exercises its business judgment after taking into consideration several factors, including our financial results, his individual performance and strategic leadership, its understanding of competitive market data and practices, and his current total compensation and pay history.

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**COMPENSATION DISCUSSION AND ANALYSIS**

In addition, the Compensation Committee annually reviews and determines the compensation of our other executive officers, including our other named executive officers, and it also approves any employment agreements with our executive officers. In doing so, the Compensation Committee is responsible for ensuring that the compensation of our executive officers, including our named executive officers, is consistent with our executive compensation philosophy and objectives.

*Role of Executive Officers*

The Compensation Committee receives support from our Human Resources Department in designing our executive compensation program and analyzing competitive market practices. Our CEO and certain other executive officers regularly participate in portions of Compensation Committee meetings, providing management input on organizational structure, executive development, and financial and governance considerations.

Our CEO evaluates the performance of each of our executive officers, including our other named executive officers, against these annual objectives. Our CEO then reviews each executive officer's target total direct compensation opportunity, and based upon his or her target total direct compensation opportunity and his or her performance, proposes compensation adjustments for him or her, subject to review and approval by the Compensation Committee. Our CEO presents the details of each executive officer's target total direct compensation opportunity and performance to the Compensation Committee for its consideration and approval. Our CEO does not participate in the evaluation of his own performance.

In making executive compensation decisions, the Compensation Committee reviews a variety of information for each executive officer, including his or her current total compensation and pay history, his or her equity holdings, individual performance, and competitive market data and practices for comparable positions. Neither our CEO nor our other named executive officers are present when their specific compensation arrangements are discussed.

*Role of Compensation Consultant*

In fulfilling its duties and responsibilities, the Compensation Committee has the authority to engage the services of outside advisers, including compensation consultants. In 2018, the Compensation Committee engaged Compensia, Inc., a national compensation consulting firm, to assist it with compensation matters. A representative of Compensia attends regularly scheduled meetings of the Compensation Committee, responds to inquiries from members of the Compensation Committee, and provides his analysis with respect to these inquiries.

The nature and scope of services provided to the Compensation Committee by Compensia in 2018 were as follows:

Assisted in the review of our compensation peer group.

Analyzed the executive compensation levels and practices of the companies in our compensation peer group.

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Provided advice with respect to compensation best practices and market trends for our executive officers, including our CEO.

Provided advice with respect to market trends and practices for non-employee director compensation.

Assessed our executive compensation risk profile and reported on this assessment.

Provided *ad hoc* advice and support throughout the engagement.

**Table of Contents****COMPENSATION DISCUSSION AND ANALYSIS**

Compensia does not provide any services to us, other than the services provided to the Compensation Committee. The Compensation Committee has assessed the independence of Compensia taking into account, among other things, the factors set forth in Exchange Act Rule 10C-1 and the listing standards of NASDAQ, and has concluded that no conflict of interest exists with respect to the work that Compensia performs for the Compensation Committee.

*Competitive Positioning*

Periodically, the Compensation Committee reviews competitive market data for comparable executive positions in the market as one factor for determining the structure of our executive compensation program and establishing target compensation levels for our executive officers, including our named executive officers.

The Compensation Committee, with the assistance of Compensia, reviewed and updated our compensation peer group based on an evaluation of companies that it believed were comparable to us with respect to operations, industry segment, revenue level, and enterprise value as a reference source in its executive compensation deliberations. This compensation peer group, which was used by the Compensation Committee as a reference in the course of its executive compensation deliberations, consisted of the following companies with respect to 2018 executive compensation matters:

Alliance Data Systems Corporation	Gartner, Inc.
Blackhawk Network Holdings, Inc.	Global Payments, Inc.
Broadridge Financial Solutions, Inc.	Nuance Communications, Inc.
CACI International Inc.	Synopsys, Inc.
Citrix Systems, Inc.	Total System Services, Inc.
CoreLogic, Inc.	Vantiv, Inc.
CSRA Inc.	Verisk Analytics, Inc.
DST Systems, Inc.	The Western Union Company
Euronet Worldwide, Inc.	

In selecting this compensation peer group, the Compensation Committee considered companies with the following primary selection criteria: companies within the software and services, data processing and outsourced services and other companies in related industries, companies with revenues between approximately 0.5x to 2.0x of our preceding four quarters of revenue, and companies with market capitalization between approximately 0.3x to 3.0x our estimated market capitalization. The Compensation Committee also considered companies with the following secondary selection criteria: revenue growth over the prior four quarters exceeding 5.0% and positive operating income over the prior four quarters.

Competitive comparison data was collected from publicly-available information contained in the SEC filings of the compensation peer group companies, as well as from the Radford Global Technology Survey. The Radford survey provides market data for executive positions that may not be available from publicly-available SEC filings and other information related to trends and competitive practices in executive compensation.

The competitive market data described above was not and is not used by the Compensation Committee in isolation but rather serve as one point of reference in its deliberations on executive compensation. The Compensation Committee uses the competitive market data as a guide when making decisions about total direct compensation, as well as individual elements of compensation; however, the Compensation



**Table of Contents****COMPENSATION DISCUSSION AND ANALYSIS**

Committee does not formally benchmark our executive officers' compensation against this data. While market competitiveness is important, it is not the only factor the Compensation Committee considers when establishing compensation opportunities of our executive officers. Actual compensation decisions also depend upon the consideration of other factors that the Compensation Committee deems relevant, such as the financial and operational performance of our businesses, individual performance, specific retention concerns, and internal equity.

In November 2018, the Compensation Committee, with the assistance of Compensia, updated the compensation peer group to be used as a reference for purposes of its deliberations on our 2019 executive compensation program. As part of this review, the Compensation Committee noted that four of the 2018 peer companies had been acquired. To identify replacements for these companies, the Compensation Committee considered companies with the following primary selection criteria: companies within the software and services, data processing and outsourced services, SaaS companies, and other companies in related industries, companies with revenues between approximately \$1.9 billion to \$7.5 billion (or between approximately 0.5x to 2.0x of our preceding four quarters of revenue), and companies with market capitalization of approximately \$2.1 billion to \$21.2 billion (or between approximately 0.3x to 3.0x our estimated market capitalization). The Compensation Committee also considered companies with the following secondary selection criteria: revenue growth over the prior four quarters exceeding 5.0% and positive operating income over the prior four quarters. Based on this review, the Compensation Committee approved a compensation peer group for 2019 consisting of the following companies:

Alliance Data Systems Corporation	Maximus, Inc.
Broadridge Financial Solutions, Inc.	Nuance Communications, Inc.
CACI International Inc.	Symantec Corporation
Citrix Systems, Inc.	Synopsys, Inc.
CoreLogic, Inc.	Total System Services, Inc.
Euronet Worldwide, Inc.	Travelport Worldwide Limited
Gartner, Inc.	Verisk Analytics, Inc.
Global Payments, Inc.	The Western Union Company

The Compensation Committee, with the assistance of Compensia, reviews the compensation peer group annually.

*Compensation-Related Risk Assessment*

The Compensation Committee considers potential risks when reviewing and approving the various elements of our executive compensation program. In evaluating the elements of our executive compensation program, the Compensation Committee assesses each element to ensure that it does not encourage our executive officers to take excessive or unnecessary risks or to engage in decision-making that promotes short-term results at the expense of our long-term interests. In addition, we have designed our executive compensation program, including our incentive compensation plans, with specific features to address potential risks while rewarding our executive officers for achieving financial and strategic objectives through prudent business judgment and appropriate risk taking. Further, the following policies and practices have been incorporated into our executive compensation program:

***Balanced Mix of Compensation Components.*** The target compensation mix for our executive officers is composed of base salary, annual cash incentive compensation, and long-term incentive compensation in

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**COMPENSATION DISCUSSION AND ANALYSIS**

the form of equity and cash awards, including performance-based awards, which provides a compensation mix that is not overly weighted toward short-term cash incentives.

**Minimum Performance Measure Thresholds.** Our annual cash incentive compensation plan, which encourages focus on the achievement of corporate performance objectives for our overall benefit does not pay out unless pre-established target levels for one or more financial measures are met.

**Long-Term Incentive Compensation Vesting.** Our long-term equity-based incentives have multi-year vesting requirements. These long-term incentive programs complement our annual cash incentive compensation plan, and include awards that are earned and pay out only upon meeting specific pre-established performance objectives.

**Capped Annual Cash Incentive and Performance-Based Restricted Stock Unit Awards.** Awards under the annual cash incentive compensation plan and grants of performance-based restricted stock unit awards are capped at 200% and 150%, respectively, of the target award level.

**Compensation Elements of Total Direct Compensation**

Our executive compensation program is designed around the concept of total direct compensation. The performance-based portion of total direct compensation generally increases as an executive officer's level of responsibilities increases. The chart below provides information on the principal elements of total direct compensation and is intended to illustrate our overall objectives relative to our executive compensation program.

<b>Long-term equity-based compensation</b>	<b>Performance-based restricted stock unit awards</b>	Supports achievement of our long-term strategic and financial objectives and creates an incentive to deliver stockholder value
	<b>Stock options</b>	Provides rewards for stock price appreciation, creating an incentive to deliver stockholder value and to achieve our long-term strategic and financial objectives
<b>Annual cash compensation</b>	<b>Annual incentive</b>	Supports and encourages the achievement of our specific annual corporate goals as reflected in our annual operating plan

	<b>Base salary</b>	Provides a consistent and fixed amount of annual cash income
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In setting the appropriate level of total direct compensation, the Compensation Committee seeks to establish each compensation element at a level that is both competitive and attractive for motivating top executive talent, while also keeping the overall compensation levels aligned with stockholder interests and job responsibilities. These compensation elements are structured to motivate our executive officers, including our named executive officers, and to align their financial interests with those of our stockholders.

*Base Salary*

We believe that a competitive base salary is essential in attracting and retaining key executive talent. Historically, the Compensation Committee has reviewed the base salaries of our executive officers, including our named executive officers, on an annual basis or as needed to address changes in job title, a promotion, assumption of additional job responsibilities, or other unique circumstances.

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In evaluating the base salaries of our executive officers, the Compensation Committee considers several factors, including our financial performance, his or her contribution towards meeting our financial objectives, his or her qualifications, knowledge, experience, tenure, and scope of responsibilities, his or her past performance as against individual goals, his or her future potential, the recommendations of our CEO (with respect to the other executive officers), competitive market data and practices, our desired compensation position with respect to the competitive market, retention purposes and internal equity.

2018 Base Salary Decisions

In February 2018, the Compensation Committee reviewed the base salaries of our executive officers, including the following named executive officers, and approved the following base salaries, effective April 2018:

Named Executive Officer	Base Salary
Sean Menke	\$ 950,000
Clinton Anderson	\$ 520,000
Wade Jones	\$ 550,000
David Shirk	\$ 615,000
Richard Simonson	\$ 715,000

As noted above, the Compensation Committee considered several factors in approving these base salaries, including an assessment of competitive market data and each executive officer's contributions towards meeting our financial objectives, as well as the objective of moving certain executives' base salaries closer to the median of the competitive market for similarly-situated executives at the companies in our compensation peer group.

In connection with his promotion to Executive Vice President and President, Travel Solutions, Mr. Shirk's base salary was subsequently increased to \$675,000, effective July 23, 2018, to reflect his additional duties and responsibilities in that position. Effective July 23, 2018, Mr. Simonson's annual base salary was reduced to \$120,000, as a result of his change in position to Senior Advisor in connection with his previously announced retirement as Chief Financial Officer.

The base salaries paid to our named executive officers during 2018 are set forth in the 2018 Summary Compensation Table below.

#### *Annual Incentive Compensation*

We use annual incentive compensation to support and encourage the achievement of our specific annual corporate and business segment goals as reflected in our annual operating plan. Each year, our officers at the level of senior vice president or above, which includes our named executive officers, are eligible to receive annual cash incentive payments under the Executive Incentive Plan, or EIP.

Typically, at the beginning of the fiscal year the Compensation Committee approves the terms and conditions of the EIP for the year, including the selection of one or more performance measures as the basis for determining the funding of annual cash incentive payments for the year. Subject to available funding, the EIP provides cash incentive payments based upon our achievement as measured against the pre-established target levels for these performance measures.

**Table of Contents****COMPENSATION DISCUSSION AND ANALYSIS****Annual Cash Incentive Opportunities**

For purposes of the 2018 EIP, the annual cash incentive opportunity for each of our eligible executive officers, including our named executive officers, was expressed as a percentage of his or her base salary paid during 2018 and was as follows:

Named Executive Officer	2018 Cash Incentive Opportunity (as a percentage of base salary)	Potential Payout
Sean Menke	150%	0% 200% of opportunity
Douglas Barnett	100%	0% 200% of opportunity
Clinton Anderson	85%	0% 200% of opportunity
Wade Jones	85%	0% 200% of opportunity
David Shirk	89% <sup>(1)</sup>	0% 200% of opportunity
Richard Simonson	100%	0% 200% of opportunity

(1) Prorated percentage. In connection with Mr. Shirk's promotion to Executive Vice President and President, Travel Solutions, his cash incentive opportunity was increased from 85% to 95%, effective July 23, 2018, to reflect his additional responsibilities in that position.

The annual cash incentive opportunities were established by the Compensation Committee based on its consideration of various factors such as each executive officer's contribution towards meeting our financial objectives, his or her qualifications, knowledge, experience, tenure, and scope of responsibilities, his or her past performance as against individual goals, his or her future potential, the recommendations of our CEO (with respect to the other executive officers), competitive market data and practices, our desired compensation position with respect to the competitive market, and internal equity. In determining to increase Mr. Menke's annual cash incentive opportunity from 135% to 150% of his base salary, the Compensation Committee considered, in addition to the foregoing factors, the market positioning of his at-risk cash compensation opportunity relative to the similar opportunities of the chief executive officers at the companies in our compensation peer group, as well as its goal of enhancing focus on making significant progress in the near term on the significant transformations in our business initiated in 2017.

Corporate Performance Measures and Weights

For 2018, the Compensation Committee chose the following as performance measures for the EIP for our named executive officers:

2018 Performance Measure	Explanation	Reason for Selection
Pre-Tax and Pre-VCP/EIP Adjusted EPS	Adjusted net income from continuing operations per share for 2018, excluding the impact of taxes and our annual incentive plans <sup>(1)</sup>	An important indicator of overall business performance
Revenue	Revenue for 2018	A key indicator of our overall growth

(1) See [Appendix E](#) for additional information on Adjusted EPS, including a non-GAAP to GAAP reconciliation. The Compensation Committee approved these adjustments to better reflect the efforts and performance of our executive officers in relation to the current year's business performance, as well as to encourage them to make decisions that improve the potential for future growth without being penalized for the short-term investment required to achieve that growth.





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In 2017, we used Adjusted EPS as a performance metric for the EIP, and in 2018, we used Pre-Tax and Pre-VCP/EIP Adjusted EPS. Pre-Tax and Pre-VCP/EIP Adjusted EPS excludes the impact of taxes and amounts payable pursuant to the EIP and the Sabre Corporation Variable Compensation Plan ( VCP ), our annual incentive compensation for employees at the level below senior vice president. The Compensation Committee utilized Pre-Tax and Pre-VCP/EIP Adjusted EPS as a performance measure for the EIP for 2018 based on its belief that Adjusted EPS better aligns with our bottom-line results and stockholder value creation, while the Committee excluded the impact of taxes from Adjusted EPS to mitigate the uncertainties related to the recent U.S. income tax reform legislation. In addition, the Compensation Committee used these corporate-wide measures for each of our executive officers, rather than providing business-unit metrics for executive officers with business line responsibility. The Compensation Committee believes that this approach helps foster company teamwork and further aligns our executive officers with a One Sabre viewpoint.

The following table illustrates information regarding the EIP performance measures (revenue amounts in billions).

Performance Metric	Weighting	Threshold Goal	Target Goal	Maximum Goal
Pre-Tax and Pre-VCP/EIP Adjusted EPS	75%	\$ 1.78	\$ 2.09	\$ 2.61

Revenue	25%	\$ 3.560	\$ 3.747	\$ 3.935
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The Compensation Committee believed that these measures provided a fair value sharing between our stockholders and our named executive officers.

2018 Annual Cash Bonus Decisions

The Compensation Committee determined that we achieved 103.3% of our Pre-Tax and Pre-VCP/EIP Adjusted EPS target and 103.2% of our revenue target, which would have resulted in a payout percentage of 125.7%.

Notwithstanding these results, the Compensation Committee applied discretion and reduced the payout percentage to 100%, to result in a payment that aligns with its overall evaluation of Sabre's performance and results for 2018.

Accordingly, in February 2019, the Compensation Committee approved the cash incentive payments under the 2018 EIP for our named executive officers at the 100% payout level as follows:

Named Executive Officer	2018 Cash Bonus Opportunity	2018 Actual Cash Bonus Payment	2018 Actual Cash Bonus Payment as Percentage of Cash Bonus Opportunity
Sean Menke	\$ 1,414,904	\$ 1,414,904	100%
Douglas Barnett	<p>(1)</p> <p>\$ 291,923</p>	\$ 291,923	100%
Clinton Anderson	\$ 437,423	\$ 437,423	100%
Wade Jones	\$ 456,058	\$ 456,058	100%
David Shirk	\$ 569,768	\$ 569,768	100%
Richard Simonson	\$ 412,500 <sup>(1)</sup>	\$ 412,500	100%

- (1) Based on Mr. Barnett's service that commenced on July 23, 2018 and Mr. Simonson's service as Chief Financial Officer through July 23, 2018. Mr. Simonson is not entitled to an annual incentive for his service as Senior Advisor.

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**COMPENSATION DISCUSSION AND ANALYSIS**

The cash incentives actually paid to our named executive officers for 2018 are set forth in the 2018 Summary Compensation Table below.

*Long-Term Incentive Compensation*

We use long-term incentive compensation in the form of equity awards as the principal element of our executive compensation program to align the financial interests of our executive officers, including our named executive officers, with those of our stockholders. We also seek to retain top executive talent and drive long-term stockholder value creation through the use of equity-based long-term incentive compensation.

In determining the value of the long-term incentive compensation opportunities for our executive officers, including our named executive officers, the Compensation Committee considers several factors, including our financial performance, the executive officer's contribution towards meeting our financial objectives, his or her qualifications, knowledge, experience, tenure, and scope of responsibilities, his or her past performance as against individual goals, his or her future potential, the recommendation of our CEO (with respect to our other executive officers), his or her current equity position (including the value of any unvested equity awards), competitive market data and practices, our desired compensation position with respect to the competitive market, and internal equity.

The Compensation Committee makes annual long-term incentive compensation awards to our executive officers, including our named executive officers, using a portfolio mix of time-based and performance-based equity awards. We believe this approach aligns the interests of our executive officers and stockholders, aids in attracting and retaining talent by conforming more closely to the practices among the members of our compensation peer group, and further mitigates excessive risk incentives by ensuring that we provide incentive compensation with diversified performance measures.

2018 Equity Awards

In February 2018, the Compensation Committee approved equity awards in the form of performance-based restricted stock unit awards and time-based options to purchase shares of our common stock to our named executive officers then in office, other than Mr. Simonson, which were granted in March 2018. For 2018, the Compensation Committee set the long-term incentive compensation award value for each named executive officer, with the size of the award value based on the factors discussed above. Mr. Simonson did not receive an equity award as a result of his previously announced retirement.

This award value was then divided into two separate grants consisting of a performance-based restricted stock unit award and a time-based stock option for an equal number of shares of our common stock.

The equity awards made in March 2018 were as follows:

Named Executive Officer	2018 Equity	2018 Amount of Performance-Based	2018 Number of Stock
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	Award Value	Restricted Stock Unit Awards	Options Granted
Sean Menke	\$ 8,400,000	319,756	319,756
Clinton Anderson	\$ 2,000,000	76,132	76,132
Wade Jones	\$ 2,500,000	95,166	95,166
David Shirk	\$ 2,500,000	95,166	95,166
Richard Simonson	\$ 0	0	0

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**Table of Contents****COMPENSATION DISCUSSION AND ANALYSIS**

In addition to the factors described above, in determining Mr. Menke's 2018 equity award value, the Compensation Committee considered the benefits of providing him with a meaningful long-term incentive opportunity that would only be realized if he were able to successfully execute on our strategies that would enable us to complete the transformations in our business initiated in 2017 in a way that was recognized by the marketplace and reflected in our stock price. The Compensation Committee also took into consideration that, as a new chief executive, Mr. Menke's prior long-term incentive compensation opportunities had been positioned below the market median for similarly-situated executives and that, based on his efforts to transform the fundamental aspects of our business, he had demonstrated leadership qualities that instilled confidence in the Compensation Committee that he was the right person to guide us through the business transformation. Consequently, the Compensation Committee determined to increase Mr. Menke's equity award value for 2018 to \$8,400,000.

***2018 Performance-Based Restricted Stock Unit Awards***

In 2018, our executive officers were focused on executing our key near-term strategies as underpinned by a detailed set of prioritized initiatives, which were intended to build upon the significant transformations in our business that began in 2017. To ensure continued focus on the successful execution of these strategies and to emphasize the importance of maintaining profitability while we continued to grow our key business segments, the Compensation Committee selected revenue and Pre-Tax Adjusted EPS as the performance metrics for the performance-based restricted stock unit awards granted in 2018. The Compensation Committee believes that revenue is a strong indicator of overall corporate growth, including growth driven by these key strategies, while the use of Pre-Tax Adjusted EPS serves as an objective measure of our ability to maintain a sustained focus on profitability. The Compensation Committee believes that these metrics each would serve to promote the desired behaviors during this critical period while, at the same time, aligning a significant portion of the equity awards with the long-term interests of our stockholders.

The Compensation Committee considered that the metrics for the 2018 performance-based restricted stock unit awards were similar to the metrics chosen for the 2018 EIP, as described above. The Compensation Committee, however, believed that, given the challenges posed by our business transformation, the use of these metrics for both the 2018 EIP and the 2018 performance-based restricted stock unit awards would help ensure that management's decision-making would be appropriately focused on top-line growth in a sustained and reasonable manner in the current business environment, enabling us to successfully execute our key strategies while maintaining our market position in key business segments. The Compensation Committee believed that revenue growth was an important measure for the performance-based restricted stock unit awards as our ability to consistently grow revenue is of crucial importance in maintaining and growing stockholder value and furthers the shared interests of our executive officers and stockholders. The Compensation Committee believed that this emphasis on revenue growth was balanced by our Pre-Tax Adjusted EPS target, which was intended to ensure that we appropriately managed our operating risks and maintained our focus on profitability while growing our revenue base.

In addition, given the different purposes of the 2018 EIP and the 2018 performance-based restricted stock unit awards, the Compensation Committee believed that the use of overlapping metrics during 2018 was reasonable. The EIP provides cash-based rewards for performance that meets the short-term operational goals established in our annual plan. On the other hand, performance-based restricted stock unit awards offer a long-term equity-based incentive, the ultimate value of which depends on the sustained performance of our common stock over a multi-year period. As a result, the performance-based restricted





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**COMPENSATION DISCUSSION AND ANALYSIS**

stock unit awards focus our executive officers on longer-term decision-making that the Compensation Committee expects to have a sustained effect on our business growth while maintaining an appropriate level of profitability which, over time, will be reflected in our long-term value.

The Compensation Committee believes that the design of the 2018 performance-based restricted stock unit awards, which includes four consecutive one-year performance periods as described below, maintains an overall long-term focus for the awards since the full value of the award will only be earned if we attain the target performance levels established for each of the four performance years, each of which will progressively take into account the prior year's performance.

In addition, in selecting four one-year period performance periods for the 2018 performance-based restricted stock units, the Compensation Committee sought to achieve a balance between the desire to incorporate an objective performance-based component in the long-term incentive compensation opportunities for our executive officers with an acknowledgment of the difficulties inherent in establishing long-term performance goals in an uncertain macroeconomic environment and a dynamic sector of the technology industry. Although the Compensation Committee considered the implications of using a one-year performance period instead of a longer period for its long-term incentive compensation opportunity, it ultimately determined that any related issues were outweighed by the desire to avoid any unintended consequences of motivating the wrong behavior or limiting the effectiveness of the awards as a result of inapplicable long-term goals in future years.

As noted, the performance-based restricted stock unit awards granted in 2018 contain four consecutive one-year performance periods, with the potential to earn up to 150% of the target number of performance-based restricted stock unit awards based on our actual performance in each of the four performance periods, subject to continued employment through each vesting date. This actual performance is compared to the target levels for revenue and Pre-Tax Adjusted EPS established by the Board of Directors at the beginning of each performance period.

Prior to 2018, our performance-based restricted stock unit awards were designed differently. The total number of units eligible to be earned from these awards would range from zero to 100% of the number of units granted, depending on the degree to which we achieved the target levels for the applicable performance metrics for a one-year performance period. The total units earned would then vest in 25% increments each calendar year, subject to continued employment. For 2018, the Compensation Committee transitioned to the four consecutive one-year performance periods described above. The Compensation Committee believes that, while this transition enhances the program's focus on long-term performance and retention, the design of the performance-based restricted stock unit awards will continue to evolve over time, including the ongoing consideration of the use of longer performance periods. While the Compensation Committee maintained a similar program design for 2019, it is continuing to evaluate the overall design of the performance-based restricted stock unit awards.

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For each one-year performance period for the performance-based restricted stock units granted in 2018, the performance targets are as follows:

**Revenue Performance Metric Vesting (50% of Funding Formula)**

Percent of Revenue Target Achieved	<90% 90% 91% 92% 93% 94% 95% 100% 102% 105%
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Percent of Units Eligible for Vesting	0% 50% 60% 70% 80% 90% 100% 100% 100% 150%
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**Pre-Tax Adjusted EPS Metric Vesting (50% of Funding Formula)**

Percent of Pre-Tax Adjusted Target Achieved	<85% 85% 86% 87% 88% 89% 90% 100% 105% 115%
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Percent of Units Eligible for Vesting	0% 50% 60% 70% 80% 90% 100% 100% 100% 150%
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Our revenue and Pre-Tax Adjusted EPS target levels for Sabre as a whole for purposes of the first year of the performance-based restricted stock unit awards granted in 2018 were \$3.747 billion and \$1.88, respectively. The Pre-Tax Adjusted EPS target level for the 2018 performance-based restricted stock unit awards was lower than the Pre-Tax and Pre-VCP/EIP Adjusted EPS target goal for the EIP because the EIP target goal does not take into account VCP/EIP amounts.

In February 2019, the Compensation Committee evaluated the results of our revenue performance for 2018. Based on this review, the Compensation Committee determined that our 2018 revenue and Pre-Tax Adjusted EPS resulted in 110% of the units vesting with respect to the first-year performance period of the performance-based restricted stock unit awards granted in 2018.

***2018 Stock Option Awards***

The stock options granted in 2018 vest over four years, with 25% of the shares of our common stock subject to the options vesting in March 2019, and 6.25% of these shares vesting each quarter thereafter. The Compensation Committee believes that stock options help further align our executive officers' interest with those of our stockholders and encourage them to remain with us through the multi-year vesting schedule.

***2018 Performance-Based Promotion Grant to Mr. Shirk***

In connection with his promotion to Executive Vice President and President, Travel Solutions, on August 15, 2018, Mr. Shirk was granted an equity award with a value of \$1,500,000, which was divided into an equal number of

performance-based restricted stock unit awards and stock options. This award was designed to recognize Mr. Shirk's new role and the additional duties and responsibilities associated with that role. Mr. Shirk's award, which is to be earned over a multi-year performance period, is not only dependent on his successful transition to a new role and responsibilities, but is also specifically tied to Sabre's financial performance over that period.

The performance-based restricted units subject to the award are to be earned in three equal tranches on each of March 15, 2020, 2021 and 2022, subject to his continued employment through each such date, with the total number of units eligible to be earned for each tranche ranging from zero to 100% of the number of units in that tranche, depending on the degree to which we achieve the revenue and Pre-Tax Adjusted EPS target levels established by our Board for the second half of 2018 and for 2019, for 2020 and for 2021, respectively. For each tranche, the targets are as follows:

**Table of Contents****COMPENSATION DISCUSSION AND ANALYSIS****Revenue Performance Metric Vesting (50% of Funding Formula)**

Percent of Revenue Target Achieved	<90%	90%	91%	92%	93%	94%	95%
Percent of Units Eligible for Vesting	0%	50%	60%	70%	80%	90%	100%

**Pre-Tax Adjusted EPS Metric Vesting (50% of Funding Formula)**

Percent of Pre-Tax Adjusted EPS Target Achieved	<85%	85%	86%	87%	88%	89%	90%
Percent of Units Eligible for Vesting	0%	50%	60%	70%	80%	90%	100%

With respect to the stock options granted to Mr. Shirk, 25% will vest on the first anniversary of the date of grant and 6.25% will vest each quarter thereafter, subject to his continued employment through each vesting date.

**2018 New Hire Grant to Mr. Barnett**

In connection with his appointment as our Executive Vice President and Chief Financial Officer, Mr. Barnett was granted an equity award on August 15, 2018 with a value of \$4,250,000, with \$3,500,000 delivered in an equal number of stock options and restricted stock unit awards, and \$750,000 in performance-based restricted stock unit awards. With respect to the stock options, 25% will vest on the first anniversary of the date of grant and 6.25% will vest each quarter thereafter, subject to his continued employment through each vesting date. With respect to the restricted stock unit award, 25% will vest on each anniversary of the date of grant, subject to his continued employment through each vesting date. The performance-based restricted stock unit awards have the same vesting terms as described above with respect to Mr. Shirk's promotion grant. These awards were designed to provide an appropriate incentive to Mr. Barnett to join Sabre and to reflect the responsibilities associated with his new role, as well as to provide him with a long-term incentive, aligned with our stockholders' interests, to remain with Sabre through the multi-year vesting period. Furthermore, the Committee believes that the addition of the performance-based restricted stock unit awards enhanced the focus of the awards on longer-term decision-making that the Compensation Committee expects to have a sustained effect on our business growth while maintaining an appropriate level of profitability. These awards were based on the Compensation Committee's review of competitive market data, our desired compensation position for Mr. Barnett with respect to the competitive market, and arm's-length negotiations with him.

For additional information on these equity awards, see the 2018 Summary Compensation Table and the 2018 Grants of Plan Based Awards Table below.

**Health, Welfare, and Other Employee Benefits**

We have established a defined contribution or 401(k) retirement plan for all employees who satisfy certain eligibility requirements, including requirements relating to age and length of service. We currently match contributions made to the plan by our employees, including our executive officers, up to 6% of their eligible compensation. We intend for the plan to qualify under Section 401(a) of the Code so that contributions by employees to the plan, and income earned on plan contributions, are not taxable to employees until withdrawn from the plan.



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In addition, we provide other benefits to our executive officers, including our named executive officers, on the same basis as all of our full-time employees. These benefits include medical, dental, and vision benefits, medical and dependent care flexible spending accounts, short-term and long-term disability insurance, accidental death and dismemberment insurance, and basic life insurance coverage.

We design our employee benefits programs to be affordable and competitive in relation to the market, as well as compliant with applicable laws and practices. We adjust our employee benefits programs as needed based upon regular monitoring of applicable laws and practices and the competitive market.

**Perquisites and Other Personal Benefits**

Currently, we do not view perquisites or other personal benefits as a significant component of our executive compensation program. Accordingly, we provide perquisites and other personal benefits to our executive officers in limited situations where we believe it is appropriate to assist an individual in the performance of his or her duties, to make our executive officers more efficient and effective, and for recruitment and retention purposes. For example, each of our executive officers is eligible to receive financial planning benefits, subject to an annual allowance of up to \$5,000 per year. In addition, our executive officers are eligible to participate in our annual physical program. This program provides for an annual executive physical examination in an amount of up to \$5,000. The Compensation Committee believes that these personal benefits are a reasonable component of our overall executive compensation program and are consistent with market practices.

In the future, we may provide perquisites or other personal benefits in limited circumstances. All future practices with respect to perquisites or other personal benefits for named executive officers will be approved and subject to periodic review by the Compensation Committee.

**Employment Agreements and Offer Letters**

We have entered into a written employment agreement or offer letter with each of our named executive officers. We believe that these agreements and letters were necessary to induce these individuals to forego other employment opportunities or leave their current employer for the uncertainty of a demanding position in a new and unfamiliar organization.

In filling these executive positions, the Compensation Committee was aware that it would be necessary to recruit candidates with the requisite experience and skills to manage a growing business in a dynamic and ever-changing industry. Accordingly, it recognized that it would need to develop competitive compensation packages to attract qualified candidates in a highly-competitive labor market. At the same time, the Compensation Committee was sensitive to the need to integrate new executive officers into the executive compensation structure that it was seeking to develop, balancing both competitive and internal equity considerations.

For a description of the employment agreements and offer letters of our named executive officers, see [Employment Agreements and Offer Letters](#) below.



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**COMPENSATION DISCUSSION AND ANALYSIS**

**Post-Employment Compensation**

Effective January 1, 2018, we adopted the Sabre Corporation Executive Severance Plan (the Executive Severance Plan) for key executives of Sabre. Under the Executive Severance Plan, participants are eligible to receive certain payments and benefits in the event of a termination of their employment by Sabre without cause or a termination of employment by the participant for good reason, as well as upon disability (as each of these terms is defined in the Executive Severance Plan) and death. The Executive Severance Plan is designed to provide post-employment compensation payments and benefits that approximate the termination benefits that executive officers with employment agreements were entitled to receive under their respective agreements. In connection with the adoption of the Executive Severance Plan, Messrs. Menkes, Andersons, Jones, Shirk and Simonsons employment agreements have been amended to provide that any termination of employment of these individuals will be governed by the Executive Severance Plan instead of their respective employment agreements. Mr. Barnetts offer letter notes that he is eligible to participate in the Executive Severance Plan.

We provide these arrangements under the Executive Severance Plan to encourage our named executive officers to work at a dynamic and growing business where their long-term compensation largely depends on future stock price appreciation. Specifically, the arrangements are intended to mitigate a potential disincentive for our named executive officers when they are evaluating a potential acquisition of Sabre, particularly when their services may not be required by the acquiring entity. In such a situation, we believe that these arrangements are necessary to encourage retention of our named executive officers through the conclusion of the transaction, and to ensure a smooth management transition. We believe that the level of benefits provided under these various agreements is consistent with market practice and help us to attract and retain key talent. For additional information, see Potential Payments upon Termination or Change in Control below.

Change-in control payments and benefits for our named executive officers are based on a double-trigger arrangement (that is, they require both a change in control of Sabre plus a qualifying termination of employment before payments and benefits are paid).

**Amendment to Mr. Simonsons Employment Agreement**

On January 11, 2018, we and Mr. Simonson entered into an amendment to his employment agreement to provide for an orderly transition of Mr. Simonsons duties and responsibilities in connection with his retirement as Executive Vice President and Chief Financial Officer and transition to the role of Senior Advisor. The amendment became effective on July 23, 2018, in connection with the election of Mr. Barnett as Executive Vice President and Chief Financial Officer. The amendment provides that the term of Mr. Simonsons employment will end on June 30, 2019, unless we and Mr. Simonson mutually agree to extend the term for one-month periods, and that the termination of Mr. Simonsons employment will be deemed to be a voluntary termination of his employment. The terms of the amendment were based on arm-length negotiations between the Compensation Committee and Mr. Simonson. For additional information on the amendment, see Employment Agreements and Offer Letters Mr. Simonson below.





Table of Contents**COMPENSATION DISCUSSION AND ANALYSIS****Other Compensation Policies and Programs***Stock Ownership Policy*

We maintain a stock ownership policy for our executive officers and the non-employee members of our Board of Directors. Under this policy, the individuals who have been designated as an executive officer or Senior Vice President are required to own that number of shares of our common stock with a value equal to a specified multiple of their annual base salary divided by the closing price of our common stock on the trading day immediately preceding April 1<sup>st</sup> of each year. As adopted, these base salary multiples are as follows:

Position	Market Value of Stock That Must be Owned (As a Multiple of Base Salary)
Chief Executive Officer	Five
Executive Vice Presidents	Three
Senior Vice Presidents	Two

Shares of our common stock that count towards satisfaction of the guidelines include shares beneficially owned by the individual or immediate family members, shares held in trust for the benefit of the individual or immediate family members, vested shares of restricted stock, vested deferred stock units, restricted stock units or performance share units that may only be settled in shares of stock, and shares acquired as a result of the exercise of vested options to purchase shares of our common stock. Unvested restricted stock awards or restricted stock unit awards, and unexercised stock options do not count towards satisfaction of the guidelines.

In addition, until such time as an executive officer has met his or her specified ownership level, he or she is required to retain an amount equal to 50% of the net shares of our common stock (*i.e.*, shares remaining after the payment of the exercise price or the tax withholding obligations with respect to an equity award) received as the result of the exercise, vesting, or payment of any equity awards granted to him or her.

In the case of the non-employee members of our Board of Directors, each individual is required to own that number of shares of our common stock with a market value equal to five times his or her annual retainer divided by the

volume-weighted average price of our common stock on the trading day immediately preceding April 1<sup>st</sup> of each year.

Our executive officers and the non-employee members of our Board of Directors are required to meet these ownership requirements within five years of the later of (1) April 17, 2014 (the effective date of our initial public offering) or (2) becoming an executive officer or non-employee member of our Board of Directors, as applicable.

Although the stock ownership policy was adopted in 2014, most of our executive officers already have significant stock ownership in us. The Compensation Committee believes that this stock ownership aligns the financial interests of our executive officers with those of our stockholders.

#### *Compensation Recovery Policy*

The Compensation Committee has adopted an executive compensation recovery policy (often referred to as a clawback policy). The policy addresses when the Compensation Committee will be authorized to cause us to seek to recover erroneously-awarded incentive compensation in the event of an accounting

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**COMPENSATION DISCUSSION AND ANALYSIS**

restatement due to material noncompliance with any financial reporting requirements under the federal securities laws. The policy applies to any current or former Section 16 officer during a three-year look-back period. We will further review this policy once the SEC adopts final rules implementing the requirement of Section 954 of the Dodd-Frank Act.

*Derivatives Trading and Hedging and Pledging Policies*

We have adopted a general Insider Trading Policy that provides that no executive officer or member of our Board of Directors may enter into hedging or monetization transactions, including zero-cost collars, equity swaps, exchange fund and forward sale contracts. Similarly, our Insider Trading Policy generally prohibits our executive officers and members of our Board of Directors from pledging any of their shares of our common stock as collateral for a loan or other financial arrangement.

*Equity Award Grant Policy*

We maintain a formal policy for the timing of equity awards. The policy provides that our annual grant pool is approved at a meeting of the Compensation Committee held in the first quarter of each fiscal year and awards are granted on the 15<sup>th</sup> day of the third month of our fiscal year or if such day is not a business day, the first business day immediately preceding such day. In addition to our annual grant pool, we may grant equity awards to our named executive officers at other times during the year in recognition of special events, such as promotions. Under our equity grant policy, all awards to our executive officers must be granted by the Compensation Committee. Awards to newly elected non-employee directors will be granted on the date of the meeting of our Board of Directors at which the new director is elected. If the specified grant date falls on a non-business day, the grant date will be the first business day immediately preceding that day. All stock options must be granted at an option price not less than the fair market value of a share of our common stock on the grant date.

**Tax and Accounting Considerations**

*Deductibility of Compensation*

Section 162(m) of the Code generally disallows for public companies a tax deduction for federal income tax purposes of remuneration in excess of \$1 million paid to the chief executive officer, chief financial officer, and each of the three other most highly-compensated executive officers in any taxable year. Prior to January 1, 2018, remuneration in excess of \$1 million could in general be deducted if it qualified as qualified performance-based compensation within the meaning of the Code. The Tax Cuts and Jobs Act (the TCJA) eliminated the performance-based exception, beginning January 1, 2018; however, the TCJA provides a transition rule with respect to remuneration that is provided pursuant to a written binding contract that was in effect on November 2, 2017 and that was not materially modified after that date. As a result, compensation paid to our covered executive officers in excess of \$1 million in taxable years beginning after December 31, 2017 will not be deductible unless it qualifies for the transition relief described above.

In designing our executive compensation program and determining the compensation of our executive officers, including the named executive officers, the Compensation Committee considers a variety of factors, including the

possible tax consequences to us and our executive officers, such as the potential impact of the Section 162(m) deduction limit. To maintain flexibility to compensate our executive officers in a manner designed to promote short-term and long-term corporate goals and objectives, the

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**COMPENSATION DISCUSSION AND ANALYSIS**

Compensation Committee has not adopted a policy that all compensation must be deductible. The Compensation Committee believes, however, that our stockholder interests are best served if its discretion and flexibility in structuring compensation programs to attract, motivate, and retain key executives is not restricted, even though such arrangements may result in non-deductible compensation expense. Thus, the Compensation Committee may approve compensation for the named executive officers that does not comply with an exemption from the deduction limit when it believes that such compensation is consistent with the goals of our executive compensation program and is in the best interests of the Company and our stockholders.

*Golden Parachute Payments*

Sections 280G and 4999 of the Code provide that executive officers and directors who hold significant equity interests and certain other service providers may be subject to an excise tax if they receive payments or benefits in connection with a change in control of Sabre that exceeds certain prescribed limits, and that we, or a successor, may forfeit a deduction on the amounts subject to this additional tax. We did not provide any executive officer, including any named executive officer, with a gross-up or other reimbursement payment for any tax liability that he or she might owe as a result of the application of Sections 280G or 4999 during 2018, and we have not agreed and are not otherwise obligated to provide any named executive officer with such a gross-up or other reimbursement.

*Accounting for Stock-Based Compensation*

We follow ASC Topic 718 for our stock-based compensation awards, which requires companies to measure the compensation expense for all share-based payment awards made to employees and directors, including stock options, stock appreciation rights and other awards, based on the grant date fair value of these awards. This calculation is performed for accounting purposes and reported in the compensation tables below, even though our employees, including our executive officers, and directors may never realize any value from their awards. ASC Topic 718 also requires companies to recognize the compensation cost of their stock-based compensation awards in their income statements over the period that an employee or director is required to render service in exchange for the stock option, stock appreciation right, or other award.

**Compensation Committee Report**

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with our management, which has the responsibility for preparing the Compensation Discussion and Analysis. Based upon this review and discussion, the Compensation Committee recommended to our Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement and incorporated by reference in our Annual Report on Form 10-K filed with the SEC for the fiscal year ended December 31, 2018.

COMPENSATION COMMITTEE OF

THE BOARD OF DIRECTORS

Gary Kusin, Chair

Joseph Osnoss

Karl Peterson

Zane Rowe

**Table of Contents****EXECUTIVE COMPENSATION****EXECUTIVE COMPENSATION****2018 Summary Compensation Table**

The following table sets forth the compensation paid to, received by, or earned during fiscal years 2018, 2017 and 2016 by our named executive officers:

Name and Principal Position	Fiscal Year	Salary (\$)	Bonus (\$) <sup>(4)</sup>	Stock Awards (\$) <sup>(5)</sup>	Option Awards (\$) <sup>(5)</sup>	Non-Equity Incentive Plan Compensation (\$) <sup>(6)</sup>	All Other Compensation (\$) <sup>(7)</sup>	Total (\$)
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**Sean Menke**

President and CEO	2018	\$ 943,269		\$ 7,044,225	\$ 1,355,765	\$ 1,414,904	\$ 14,182	\$ 10,772,345
	2017	\$ 844,231		\$ 4,258,891	\$ 741,097	\$ 1,025,741	\$ 50,973	\$ 6,920,933
	2016	\$ 609,615		\$ 3,602,186	\$ 697,790	\$ 368,110	\$ 190,153	\$ 5,467,854

**Douglas Barnett<sup>(1)</sup>**



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Executive Vice President and Chief Financial Officer	2018	\$ 291,923	\$ 500,000	\$ 3,629,255	\$ 620,739	\$ 291,923	\$ 13,591	\$ 5,347,431
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**Clinton Anderson**

Executive Vice President, Sabre and Hospitality Solutions	2018	\$ 514,615		\$ 1,677,188	\$ 322,800	\$ 437,423	\$ 20,008	\$ 2,972,034
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**Wade Jones**

Executive Vice President, Sabre and Travel Network	2018	\$ 536,539		\$ 2,096,507	\$ 403,504	\$ 456,058	\$ 17,004	\$ 3,509,612
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**David Shirk<sup>(2)</sup>**

Executive Vice President,	2018	\$ 637,039		\$ 3,330,470	\$ 669,535	\$ 569,768	\$ 29,782	\$ 5,236,594
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Sabre and President,  Travel Solutions	2017	\$ 334,615	\$ 75,000	\$ 3,080,437	\$ 519,559	\$ 459,000	\$ 12,763	\$ 4,481,374
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**Richard  
Simonson<sup>(3)</sup>**

Senior Advisor and  Former Chief Financial Officer	2018	\$ 463,269				\$ 412,500	\$ 26,498	\$ 902,267
	2017	\$ 695,769	\$ 2,129,445	\$ 370,549	\$ 626,192	\$ 24,624	\$ 3,846,579	
	2016	\$ 671,539	\$ 5,069,550	\$ 430,442	\$ 394,338	\$ 24,630	\$ 6,590,499	

- (1) Mr. Barnett joined us as our Executive Vice President and Chief Financial Officer effective July 23, 2018.
- (2) Effective July 23, 2018, Mr. Shirk was promoted from Executive Vice President, Sabre and President, Airline Solutions to Executive Vice President, Sabre and President, Travel Solutions.
- (3) Effective July 23, 2018, Mr. Simonson retired as Executive Vice President and Chief Financial Officer and became Senior Advisor.
- (4) The amounts reported in the Bonus column represent a sign-on bonus paid in 2018 to Mr. Barnett and a sign-on bonus paid in 2017 to Mr. Shirk.
- (5) The amounts reported in the Stock Awards and Option Awards columns represent the aggregate grant date fair value of the stock-based awards granted to our named executive officers in the years indicated, as computed in accordance with ASC Topic 718, disregarding the impact of estimated forfeitures. The assumptions used in calculating the grant date fair value of the stock options reported in the Option Awards column are set forth in Note 12, Equity-Based Awards, to the audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018. Note that the amounts reported in these columns reflect the accounting cost for these stock-based awards, and do not correspond to the actual economic value that may be

received by our named executive officers from these awards.

- (6) The amounts reported in the Non-Equity Incentive Plan Compensation column represent the amounts paid to our named executive officers for the years indicated pursuant to the EIP. For a discussion of this plan, see Compensation Elements of Total Direct Compensation Annual Incentive Compensation above.

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(7) The amounts reported in the "All Other Compensation" column are described in more detail in the following table. The amounts reported for perquisites and other personal benefits represent the actual incremental cost incurred by us in providing these benefits to the indicated named executive officer.

Name	Year	Group Term Life Insurance Premiums	Executive Physical Examinations	Financial Planning Services <sup>(a)</sup>	Relocation <sup>(b)</sup>	Section 401(k) Plan Matching Contributions	Tax Gross-Up <sup>(c)</sup>	Other <sup>(d)</sup>	Total
Sean Menke	2018	\$ 932		\$ 5,000		\$ 8,250			\$ 14,182
	2017	\$ 832	\$ 3,132	\$ 5,000	\$ 32,515	\$ 9,494			\$ 50,973
	2016	\$ 792	\$ 3,898	\$ 4,985	\$ 164,578	\$ 15,900			\$ 190,153
Douglas Barnett	2018	\$ 696					\$ 3,074	\$ 9,821	\$ 13,591
Clinton Anderson	2018	\$ 504	\$ 3,004			\$ 16,500			\$ 20,008
Wade Jones	2018	\$ 504				\$ 16,500			\$ 17,004
David Shirk	2018	\$ 605	\$ 3,127	\$ 8,850		\$ 16,500		\$ 700	\$ 29,782

	2017	\$ 595	\$ 3,889		\$ 8,279	\$ 12,763
Richard Simonson	2018	\$ 721	\$ 4,277	\$ 5,000	\$ 16,500	\$ 26,498
	2017	\$ 696	\$ 3,028	\$ 5,000	\$ 15,900	\$ 24,624
	2016	\$ 832	\$ 2,898	\$ 5,000	\$ 15,900	\$ 24,630

- (a) Represents financial planning services reimbursed to Mr. Shirk in 2018 for services provided in the amounts of \$3,850 and \$5,000 in 2017 and 2018, respectively.
- (b) In connection with his joining us in October 2015 as our Executive Vice President, Sabre and President, Travel Network, and pursuant to the terms and conditions of his employment agreement, we paid Mr. Menke the reported amounts to reimburse him for the costs associated with his relocation to Dallas, Texas.
- (c) Paid in connection with the reimbursement of Mr. Barnett's reasonable attorneys' fees and disbursements incurred by him in connection with the negotiation of his offer letter.
- (d) For Mr. Barnett, represents (i) reimbursement of \$9,552 for his reasonable attorneys' fees and disbursements incurred by him in connection with the negotiation of his offer letter, per the terms of his offer letter, and (ii) contributions of \$269 to Mr. Barnett's Health Savings Account. For Mr. Shirk, represents contributions of \$700 to Mr. Shirk's Health Savings Account.

**Table of Contents****EXECUTIVE COMPENSATION****2018 Grants of Plan-Based Awards Table**

The following table sets forth, for each of our named executive officers, the plan-based awards granted to him or her during 2018.

Grant Name	Grant Type	Grant Date	Approval Date <sup>(1)</sup>	Estimated Future Payouts Under Non- Equity Incentive Plan Awards (Target) (\$) <sup>(2)</sup>	Estimated Future Payouts Under Non- Equity Incentive Plan Awards (Maximum) (\$) <sup>(2)</sup>	Estimated Future Payouts Under Equity Incentive Plan Awards (Target) (#) <sup>(3)</sup>	Estimated Future Payouts Under Equity Incentive Plan Awards (Maximum) (#) <sup>(3)</sup>	All Other Option Awards: Number of Underlying Options (#) <sup>(4)</sup>	Exercise or Base Price of Option Awards (\$/sh)	Grant Date Fair Value of Stock and Option Awards (\$) <sup>(5)</sup>
Sean Menke	Annual cash incentive			\$ 1,414,904	\$ 2,829,808					
	Stock option	03/15/2018	02/06/2018					319,756	\$ 22.03	\$ 1,355,765
	Performance- based RSU	03/15/2018	02/06/2018			319,756	479,634			\$ 7,044,225

Douglas Barnett	Annual cash incentive			\$ 291,923	\$ 583,846		
	Stock options	03/15/2018	06/20/2018			116,900	\$ 24.63 \$ 620,739
	Performance-based	RSU 03/15/2018	06/20/2018		30,451	30,451	\$ 750,008
	Time-based	RSU 03/15/2018	06/20/2018		116,900	116,900	\$ 2,879,247

Clinton Anderson	Annual cash incentive			\$ 437,423	\$ 874,846		
	Stock options	03/15/2018	02/06/2018			76,132	\$ 22.03 \$ 322,800
	Performance-based	RSU 03/15/2018			76,132	114,198	\$ 1,677,188
			02/06/2018				

Wade Jones	Annual cash incentive			\$ 456,058	\$ 912,116			
	Stock option	03/15/2018	02/06/2018			95,166	\$ 22.03	\$ 403,504
	Performance-based RSU	03/15/2018	02/06/2018			95,166	142,749	\$ 2,096,507

David Shirk	Annual cash incentive			\$ 569,768	\$ 1,139,536			
	Stock option	03/15/2018	02/06/2018			95,166	\$ 22.03	\$ 403,504
	Performance-based RSU	03/15/2018	02/06/2018			95,166	95,166	\$ 2,096,507
	Stock option	03/15/2018	07/12/2018			50,100	\$ 24.63	\$ 266,031



08/15/2018	07/12/2018	50,100	50,100	\$ 1,233,963
based RSU				

Richard Annual  
Simonson cash

incentive \$ 412,500 \$ 825,000

- (1) Date of Compensation Committee (or sub-committee thereof) approval of the reported awards.
- (2) The amounts reported reflect the target and maximum annual cash incentive opportunities payable to our named executive officers under the 2018 EIP. See Compensation Elements of Total Direct Compensation Annual Incentive Compensation for information on the funding of these non-equity incentive plan awards.
- (3) The performance-based restricted stock unit awards granted on March 15, 2018 under the 2016 Omnibus Plan to our named executive officers vest as to 25% of the shares of our common stock subject to each such award on March 15 in each of calendar years 2019, 2020, 2021, and 2022, subject to each named executive officer's continued employment through each such vesting date, with the total number of units eligible to be earned for each tranche ranging from zero to 150% of the number of units in that tranche, depending on the degree to which we achieve the revenue and Pre-Tax Adjusted EPS target

**Table of Contents****EXECUTIVE COMPENSATION**

levels established by the Board of Directors for 2018, 2019, 2020 and 2021, respectively. The performance-based restricted stock unit awards granted effective August 15, 2018 to Messrs. Barnett and Shirk vests as to one-third of the shares of our common stock subject to that award on March 15 in each of calendar years 2020, 2021 and 2022, subject to continued employment through each vesting date, with the total number of units eligible to be earned for each tranche ranging from zero to 100% of the number of units in that tranche, depending on the degree to which we achieve the revenue and Pre-Tax Adjusted EPS target levels established by the Board of Directors for the second half of 2018 and 2019, for 2020 and for 2021, respectively. The restricted stock unit awards granted effective August 15, 2018 to Mr. Barnett under the 2016 Omnibus Plan in connection with his hiring vests as to 25% of the shares of Sabre common stock subject to such award on August 15 in each of calendar years 2019, 2020, 2021 and 2022, subject to continued employment through the vesting date.

- (4) All options to purchase shares of our common stock granted to our named executive officers in 2018 were granted under our 2016 Omnibus Plan and are subject to time-based vesting conditions. Each of these options has an exercise price equal to the fair market value of the shares of our common stock on the date of grant and a term of 10 years. With respect to the options granted on March 15, 2018, 25% of the shares of our common stock subject to each such option vests on March 15, 2019 and as to 6.25% of such shares at the end of each successive three-month period thereafter, subject to the named executive officer's continued employment through each vesting date. The options granted to Messrs. Barnett and Shirk on August 15, 2018 vest as to 25% of the shares subject to such options on the first anniversary of the date of grant and as to 6.25% of such shares at the end of each successive three-month period thereafter, subject to continued employment through each vesting date.
- (5) These amounts reflect the aggregate grant date fair value of option and stock awards computed in accordance with ASC Topic 718. The fair value of each option award was estimated on the date of grant using the Black-Scholes option-pricing model, which generated a Black-Scholes-computed value of \$4.24 per share on March 15, 2018 and a value of \$5.31 per share on August 15, 2018.

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**EXECUTIVE COMPENSATION**

**2018 Outstanding Equity Awards at Fiscal Year-End Table**

The following table sets forth, for each of our named executive officers, their equity awards outstanding as of December 31, 2018.

Name	Date of Grant of Equity Award	Option Awards			Option Price (\$)	Option Awards Expiration Date	Equity Incentive Plan Award Market Value of Awards as of Year-End	Equity or Incentive Plan Awards of Restricted Stock or Restricted Stock Units, Other Rights or That Have Not Vested (\$)
		Number of Securities Underlying Unexercised Options (#)	Option Awards	Number of Securities Underlying Unexercised Options (#)				
Sean Menke	10/15/2015	63,489	21,164 <sup>(3)</sup>	\$ 29.23	10/15/2025	\$61.8	\$90.9	
	03/15/2016	36,863	16,756 <sup>(4)</sup>	\$ 27.79				

## NATIONAL CINEMEDIA, INC. AND SUBSIDIARY

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Due to the merger termination fee and related merger expenses, the mandatory distributions of available cash by NCM LLC to its founding members and NCM, Inc. for the three months ended April 2, 2015 was calculated as negative \$25.5 million (\$14.0 million for the founding members and \$11.5 million for NCM, Inc.). Therefore, there was no payment made in the second quarter of 2015. Under the terms of the NCM LLC Operating Agreement, this negative amount was netted against the available cash distributions for the second quarter of 2016. The mandatory distributions of available cash by NCM LLC to its founding members for the three months ended September 29, 2016 of \$25.3 million is included in amounts due to founding members on the unaudited Condensed Consolidated Balance Sheets as of September 29, 2016 and will be made in the fourth quarter of 2016. The distributions to NCM, Inc. are eliminated in consolidation.

Amounts due to founding members as of September 29, 2016 were comprised of the following (in millions):

	AMC	Cinemark	Regal	Total
Theatre access fees, net of beverage revenues	\$ 1.2	\$ 0.8	\$ 1.3	\$ 3.3
Cost and other reimbursement	(0.4)	(0.2 )	(0.1 )	(0.7 )
Distributions payable to founding members	7.8	8.6	8.9	25.3
Total amounts due to founding members	\$ 8.6	\$ 9.2	\$ 10.1	\$ 27.9

Amounts due to founding members as of December 31, 2015 were comprised of the following (in millions):

	AMC	Cinemark	Regal	Total
Theatre access fees, net of beverage revenues	\$ 1.8	\$ 1.0	\$ 1.5	\$ 4.3
Cost and other reimbursement	(0.9 )	(0.3 )	—	(1.2 )
Distributions payable to founding members	10.2	10.9	11.3	32.4
Total amounts due to founding members	\$ 11.1	\$ 11.6	\$ 12.8	\$ 35.5

AC JV, LLC Transactions—In December 2013, NCM LLC sold its Fathom Events business to a newly formed limited liability company, AC JV, LLC, owned 32% by each of the founding members and 4% by NCM LLC. The Company accounts for its investment in AC JV, LLC under the equity method of accounting in accordance with ASC 323-30, Investments—Equity Method and Joint Ventures (“ASC 323-30”) because AC JV, LLC is a limited liability company with the characteristics of a limited partnership and ASC 323-30 requires the use of equity method accounting unless the Company’s interest is so minor that it would have virtually no influence over partnership operating and financial policies. Although NCM LLC does not have a representative on AC JV, LLC’s Board of Directors or any voting, consent or blocking rights with respect to the governance or operations of AC JV, LLC, the Company concluded that its interest was more than minor under the accounting guidance. The Company’s investment in AC JV, LLC was \$1.2 million and \$1.2 million as of September 29, 2016 and December 31, 2015, respectively.

Related Party Affiliates—NCM LLC enters into network affiliate agreements with network affiliates for NCM LLC to provide in-theatre advertising at theatre locations that are owned by companies that are affiliates of certain of the founding members or directors of NCM, Inc. Related party affiliate agreements are entered into at terms that are similar to those of the Company's other network affiliates.

NCM LLC has an agreement with LA Live, an affiliate of The Anschutz Corporation. The Anschutz Corporation is a wholly-owned subsidiary of the Anschutz Company, which is the controlling stockholder of Regal. During the three months ended September 29, 2016 and October 1, 2015 and the nine months ended September 29, 2016 and October 1, 2015, there was approximately \$0.1 million, \$0.1 million, \$0.2 million and \$0.2 million, respectively, included in advertising operating costs related to LA Live, and there was approximately \$0.1 million and \$0.1 million of accounts payable with this company as of September 29, 2016 and December 31, 2015, respectively.

Other Transactions—NCM LLC had an agreement with an interactive media company to sell some of its online inventory. One of NCM, Inc.'s directors is also a director of this media company. There was approximately \$0.0 million and \$0.3 million of accounts receivable due from this company as of September 29, 2016 and December 31, 2015, respectively.

## NATIONAL CINEMEDIA, INC. AND SUBSIDIARY

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

NCM LLC has an agreement with AEG Live, an affiliate of The Anschutz Corporation, for AEG Live to showcase musical artists in NCM LLC's FirstLook pre-show. During the three months ended September 29, 2016 and October 1, 2015 and the nine months ended September 29, 2016 and October 1, 2015, NCM LLC recorded approximately \$0.5 million, \$0.3 million, \$1.3 million and \$1.2 million, respectively, in revenue from AEG Live. As of September 29, 2016 and December 31, 2015, NCM LLC had approximately \$0.5 million and \$0.4 million, respectively, of accounts receivable from AEG Live.

## 5. BORROWINGS

The following table summarizes NCM LLC's total outstanding debt as of September 29, 2016 and December 31, 2015 and the significant terms of its borrowing arrangements (in millions):

	Outstanding Balance as of			
	September	December	Maturity	Interest
	29,	31,	Date	Rate
Borrowings	2016	2015		
Revolving credit facility	\$ 3.0	\$ 66.0	November 26, 2019	(1)
Term loans	270.0	270.0	November 26, 2019	(1)
Senior unsecured notes due 2021	—	200.0	July 15, 2021	7.875%
Senior secured notes due 2022	400.0	400.0	April 15, 2022	6.000%
Senior unsecured notes due 2026	250.0	—	August 15, 2026	5.750%
Total borrowings	\$ 923.0	\$ 936.0		
Less: debt issuance costs related to term				
loans and senior notes	(11.1 )	(10.6 )		
Carrying value of long-term debt	\$ 911.9	\$ 925.4		

(1)The interest rates on the revolving credit facility and term loans are described below.

Senior Secured Credit Facility—As of September 29, 2016, NCM LLC's senior secured credit facility consisted of a \$175.0 million revolving credit facility and a \$270.0 million term loan. On May 26, 2016, NCM LLC entered into an incremental amendment of its senior secured credit facility whereby the revolving credit facility was increased by \$40.0 million from \$135.0 million to \$175.0 million.

Revolving Credit Facility—The revolving credit facility portion of NCM LLC's total borrowings is available, subject to certain conditions, for general corporate purposes of NCM LLC in the ordinary course of business and for other

transactions permitted under the senior secured credit facility, and a portion is available for letters of credit. As of September 29, 2016, NCM LLC's total availability under the \$175.0 million revolving credit facility was \$172.0 million. The unused line fee is 0.50% per annum. Borrowings under the revolving credit facility bear interest at NCM LLC's option of either the LIBOR index plus an applicable margin or the base rate (Prime Rate or the Federal Funds Effective Rate, as defined in the senior secured credit facility) plus an applicable margin. The applicable margin for the revolving credit facility is determined quarterly and is subject to adjustment based upon a consolidated net senior secured leverage ratio for NCM LLC (the ratio of secured funded debt less unrestricted cash and cash equivalents, over a non-GAAP measure defined in the senior secured credit facility). The weighted-average interest rate on the outstanding balance on the revolving credit facility as of September 29, 2016 was 3.79%.

Term Loans—The interest rate on the term loans is a rate chosen at NCM LLC's option of either the LIBOR index plus 2.75% or the base rate (Prime Rate or the Federal Funds Effective Rate, as defined in the senior secured credit facility) plus 1.75%. The weighted-average interest rate on the term loans as of September 29, 2016 was 3.28%. Interest on the term loans is currently paid monthly.

The senior secured credit facility contains a number of covenants and financial ratio requirements, with which NCM LLC was in compliance as of September 29, 2016, including maintaining a consolidated net senior secured leverage ratio of equal to or less than 6.5 times on a quarterly basis. In addition, there are no borrower distribution restrictions as long as NCM LLC's consolidated net senior secured leverage ratio is below 6.5 times and NCM LLC is in compliance with its debt covenants. As of September 29, 2016, NCM LLC's consolidated net senior secured leverage ratio was 3.1 times (versus the covenant of 6.5 times).

NATIONAL CINEMEDIA, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Senior Unsecured Notes due 2021— On September 19, 2016, NCM LLC redeemed its \$200.0 million 7.875% Senior Unsecured Notes (“Notes due 2021”) at a redemption price of 103.938% of the principal amount plus accrued and unpaid interest. As a result of the redemption, NCM LLC wrote-off approximately \$2.5 million in unamortized debt issuance costs and paid a redemption premium of approximately \$7.9 million, which are reflected in the loss on early retirement of debt on the Condensed Consolidated Statements of Income during the three and nine months ended September 29, 2016.

Senior Secured Notes due 2022—On July 27, 2012, NCM LLC completed a private placement of \$400.0 million in aggregate principal amount of 6.000% Senior Secured Notes (the “Notes due 2022”) for which the registered exchange offering was completed on November 26, 2012. The Notes due 2022 pay interest semi-annually in arrears on April 15 and October 15 of each year, which commenced October 15, 2012. The Notes due 2022 are senior secured obligations of NCM LLC, rank the same as NCM LLC’s senior secured credit facility, subject to certain exceptions, and share in the same collateral that secures NCM LLC’s obligations under the senior secured credit facility.

NCM LLC may redeem all or any portion of the Notes due 2022 prior to April 15, 2017, at once or over time, at 100% of the principal amount plus the applicable make-whole premium, plus accrued and unpaid interest, if any, to the redemption date. NCM LLC may redeem all or any portion of the Notes due 2022, at once or over time, on or after April 15, 2017 at specified redemption prices, plus accrued and unpaid interest, if any, to the redemption date. In addition, at any time prior to April 15, 2015, NCM LLC may on any one or more occasions redeem up to 35% of the original aggregate principal amount of Notes due 2022 from the net proceeds of certain equity offerings at a redemption price equal to 106.00% of the principal amount of the Notes due 2022 redeemed, plus accrued and unpaid interest, if any, to the redemption date. Upon the occurrence of a Change of Control (as defined in the Indenture), NCM LLC will be required to make an offer to each holder of Notes due 2022 to repurchase all of such holder’s Notes due 2022 for a cash payment equal to 101.00% of the aggregate principal amount of the Notes due 2022 repurchased, plus accrued and unpaid interest, if any, to the date of repurchase.

The indenture contains covenants that, among other things, restrict NCM LLC’s ability and the ability of its restricted subsidiaries, if any, to: (1) incur additional debt; (2) make distributions or make certain other restricted payments; (3) make investments; (4) incur liens; (5) sell assets or merge with or into other companies; and (6) enter into transactions with affiliates. All of these restrictive covenants are subject to a number of important exceptions and qualifications. In particular, NCM LLC has the ability to distribute all of its quarterly available cash as a restricted payment or as an investment, if it meets a minimum net senior secured leverage ratio. NCM LLC was in compliance with these non-maintenance covenants as of September 29, 2016.

Senior Unsecured Notes due 2026—On August 19, 2016, NCM LLC completed a private placement of \$250.0 million in aggregate principal amount of 5.750% Senior Unsecured Notes (the “Notes due 2026”). The Notes due 2026 pay interest semi-annually in arrears on February 15 and August 15 of each year, commencing on February 15, 2017. The Notes due 2026 were issued at 100% of the face amount thereof and are the senior unsecured obligations of NCM LLC and will be effectively subordinated to all existing and future secured debt, including the Notes due 2022, its senior secured credit facility and any future asset backed loan facility. The Notes due 2026 will rank equally in right of payment with all of NCM LLC’s existing and future senior indebtedness, including the Notes due 2022, NCM LLC’s existing senior secured credit facility, any future asset backed loan facility, in each case, without giving effect to collateral arrangements. The Notes due 2026 will be effectively subordinated to all liabilities of any subsidiaries that



NCM LLC may form or acquire in the future, unless those subsidiaries become guarantors of the Notes due 2026. NCM LLC does not currently have any subsidiaries, and the Notes due 2026 will not be guaranteed by any subsidiaries that NCM LLC may form or acquire in the future except in very limited circumstances.

NCM LLC may redeem all or any portion of the Notes due 2026 prior to August 15, 2021, at once or over time, at 100% of the principal amount plus the applicable make-whole premium, plus accrued and unpaid interest, if any, to the redemption date. NCM LLC may redeem all or any portion of the Notes due 2026, at once or over time, on or after August 15, 2021 at specified redemption prices, plus accrued and unpaid interest, if any, to the redemption date. In addition, at any time prior to August 15, 2019, NCM LLC may on any one or more occasions redeem up to 35% of the original aggregate principal amount of Notes due 2026 from the net proceeds of certain equity offerings at a redemption price equal to 105.750% of the principal amount of the Notes due 2026 redeemed, plus accrued and unpaid interest, if any, to the redemption date. Upon the occurrence of a Change of Control (as defined in the indenture), NCM LLC will be required to make an offer to each holder of Notes due 2026 to repurchase all of such holder's Notes due 2026 for a cash payment equal to 101.00% of the aggregate principal amount of the Notes due 2026 repurchased, plus accrued and unpaid interest, if any, to the date of repurchase.

NATIONAL CINEMEDIA, INC. AND SUBSIDIARY

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(UNAUDITED)

The indenture contains covenants that, among other things, restrict NCM LLC's ability and the ability of its restricted subsidiaries, if any, to: (1) incur additional debt; (2) make distributions or make certain other restricted payments; (3) make investments; (4) incur liens; (5) sell assets or merge with or into other companies; and (6) enter into transactions with affiliates. All of these restrictive covenants are subject to a number of important exceptions and qualifications. In particular, NCM LLC has the ability to distribute all of its quarterly available cash as a restricted payment or as an investment, if it meets a minimum net senior secured leverage ratio. NCM LLC was in compliance with these non-maintenance covenants as of September 29, 2016.

On October 3, 2016, NCM LLC filed a registration statement with the Securities and Exchange Commission (the "Commission"), pursuant to which NCM LLC offered to exchange the Notes due 2026 for substantially identical notes registered under the Securities Act of 1933, as amended, that do not contain terms restricting the transfer thereof or providing for registration rights. The registration statement was declared effective by the Commission on October 11, 2016. After the exchange offer expires on November 8, 2016, all of the original Notes due 2026 will be exchanged.

## 6. INCOME TAXES

The Company is subject to taxation in the U.S. and various states. The Company has established a contingency reserve for material, known tax exposures. The Company's reserve reflects management's judgment as to the resolution of the issues involved if subject to judicial review or other settlement. While the Company believes its reserves are adequate to cover reasonably expected tax risks, there can be no assurance that, in all instances, an issue raised by a tax authority will be resolved at a financial cost that does not exceed its related reserve. With respect to the reserve, the Company's income tax expense would include (i) any changes in tax reserves arising from material changes during the period in the facts and circumstances (i.e., new information) surrounding a tax issue and (ii) any difference from the Company's tax position as recorded in the financial statements and the final resolution of a tax issue during the period. Such resolution could materially increase or decrease income tax expense in the unaudited Condensed Consolidated Financial Statements in future periods and could impact operating cash flows.

Unrecognized tax benefits represent the aggregate tax effect of differences between tax return positions and the amounts otherwise recognized in the unaudited Condensed Consolidated Financial Statements. The total amount of unrecognized tax benefits as of September 29, 2016 and December 31, 2015, was \$1.6 million and \$3.9 million, respectively, excluding accrued interest and penalties, which if recognized would affect the effective tax rate. The Company recognizes interest and penalties with respect to unrecognized tax benefits in income tax expense in the unaudited Condensed Consolidated Statements of Income and records the liability in income taxes payable in the unaudited Condensed Consolidated Balance Sheets. The Company recognized \$0.0 million, \$0.0 million, \$0.1 million and \$0.0 million interest and penalties during the three months ended September 29, 2016 and October 1, 2015 and the nine months ended September 29, 2016 and October 1, 2015, respectively. The Company has accrued \$0.4 million and \$1.0 million for the payment of interest and penalties as of September 29, 2016 and December 31, 2015, respectively.

During the three months ended September 29, 2016, the Company reversed approximately \$2.9 million of its contingency reserve (\$2.3 million of unrecognized tax benefits and \$0.6 million of accrued interest and penalties)

because the statute of limitations expired. It is reasonably possible that the Company's total unrecognized tax benefits will decrease by approximately \$1.3 million during the next twelve months due to the expiration of certain statutes of limitations.

## 7. COMMITMENTS AND CONTINGENCIES

**Legal Actions**—The Company is subject to claims and legal actions in the ordinary course of business. The Company believes such claims will not have a material effect individually and in the aggregate on its financial position, results of operations or cash flows.

NATIONAL CINEMEDIA, INC. AND SUBSIDIARY

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(UNAUDITED)

**Minimum Revenue Guarantees** As part of the network affiliate agreements entered into in the ordinary course of business under which the Company sells advertising for display in various network affiliate theatre chains, the Company has agreed to certain minimum revenue guarantees on a per attendee basis. If a network affiliate achieves the attendance set forth in their respective agreement, the Company has guaranteed minimum revenue for the network affiliate per attendee if such amount paid under the revenue share arrangement is less than its guaranteed amount. The amount and term varies for each network affiliate, but terms range from three to twenty years, prior to any renewal periods of which some are at the option of the Company. As of September 29, 2016, the maximum potential amount of future payments the Company could be required to make pursuant to the minimum revenue guarantees is \$40.2 million over the remaining terms of the network affiliate agreements, which calculation does not include any potential future extensions. As of September 29, 2016 and December 31, 2015, the Company had no liabilities recorded for these obligations, as such guarantees are less than the expected share of revenue paid to the network affiliate.

## 8. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1—Quoted prices in active markets for identical assets or liabilities.

Level 2—Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3—Inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

**Non-Recurring Measurements**—Certain assets are measured at fair value on a non-recurring basis. These assets are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances. These assets include long-lived assets, intangible assets, cost and equity method investments, notes receivable and borrowings.

**Long-Lived Assets, Intangible Assets, Other Investments and Notes Receivable**—The Company regularly reviews long-lived assets (primarily property, plant and equipment), intangible assets, investments accounted for under the cost or equity method and notes receivable for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be fully recoverable. When the estimated fair value is determined to be lower than the carrying value of the asset, an impairment charge is recorded to write the asset down to its estimated fair value.

Other investments consisted of the following (in millions):

	As of	
	September	December
	29,	31,
	2016	2015
Investment in AC JV, LLC (1)	\$1.2	\$ 1.2
Other investments (2)	5.6	4.2
<b>Total</b>	<b>\$6.8</b>	<b>\$ 5.4</b>

(1) Refer to Note 4—Related Party Transactions.

(2) The Company received equity securities in privately held companies as consideration for a portion of advertising contracts. The equity securities were accounted for under the cost method and represent an ownership of less than 20%. The Company does not exert significant influence on these companies' operating or financial activities.

## NATIONAL CINEMEDIA, INC. AND SUBSIDIARY

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

During the nine months ended September 29, 2016, the Company recorded an other-than-temporary impairment charge of \$0.7 million on one of its investments which brought the investment to a remaining value of \$0.0 million. The fair value of the other investments has not been estimated as of September 29, 2016 and December 31, 2015 as there were no identified events or changes in the circumstances that had a significant adverse effect on the fair value of those investments and it is not practicable to do so because the equity securities are not in publicly traded companies. As the inputs to the determination of fair value are based upon non-identical assets and use significant unobservable inputs, they have been classified as Level 3 in the fair value hierarchy.

As of September 29, 2016 and December 31, 2015, the Company had notes receivable totaling \$16.7 million and \$16.7 million, respectively, from its founding members related to the sale of Fathom Events, as described in Note 4—Related Party Transactions. These notes were initially valued using comparative market multiples. There were no identified events or changes in circumstances that had a significant adverse effect on the fair value of the notes receivable. The notes are classified as Level 3 in the fair value hierarchy as the inputs to the determination of fair value are based upon non-identical assets and use significant unobservable inputs.

Borrowings—The carrying amount of the revolving credit facility is considered a reasonable estimate of fair value due to its floating-rate terms. The estimated fair values of the Company's financial instruments where carrying values do not approximate fair value were as follows (in millions):

	As of September 29, 2016		As of December 31, 2015	
	Carrying Value	Fair Value (1)	Carrying Value	Fair Value (1)
Term loans	\$270.0	\$ 270.7	\$270.0	\$ 269.3
Senior unsecured notes due 2021	—	—	200.0	208.4
Senior secured notes due 2022	400.0	418.0	400.0	414.5
Senior unsecured notes due 2026	250.0	259.2	—	—

(1) The Company has estimated the fair value on an average of at least two non-binding broker quotes and the Company's analysis. If the Company were to measure the borrowings in the above table at fair value on the balance sheet they would be classified as Level 2.

Recurring Measurements—The fair values of the Company's assets and liabilities measured on a recurring basis pursuant to ASC 820-10, Fair Value Measurements and Disclosures are as follows (in millions):

Fair Value Measurements at Reporting  
Date Using

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	Fair Value as of September 29, 2016	Quoted Active Identical (Level 1)	Significant Other Observable Assets Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>ASSETS:</b>				
Cash equivalents (1)	\$ 2.6	\$0.1	\$ 2.5	\$ —
Short-term marketable securities (2)	32.8	3.7	29.1	—
Long-term marketable securities (2)	15.6	12.6	3.0	—
Total assets	\$ 51.0	\$16.4	\$ 34.6	\$ —

	Fair Value Measurements at Reporting Date Using			
	Fair Value as of December 31, 2015	Quoted Active Identical (Level 1)	Significant Other Observable Assets Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>ASSETS:</b>				
Cash equivalents (1)	\$ 6.4	\$6.4	\$ —	\$ —
Short-term marketable securities (2)	13.2	9.5	3.7	—
Long-term marketable securities (2)	40.5	30.6	9.9	—
Total assets	\$ 60.1	\$46.5	\$ 13.6	\$ —

## NATIONAL CINEMEDIA, INC. AND SUBSIDIARY

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

- (1) Cash Equivalents—The Company's cash equivalents are carried at estimated fair value. Cash equivalents consist of money market accounts which the Company has classified as Level 1 given the active market for these accounts and commercial paper with original maturities of three months or less, which are classified as Level 2 and are valued as described below.
- (2) Short-Term and Long-Term Marketable Securities—The carrying amount and fair value of the marketable securities are equivalent since the Company accounts for these instruments at fair value. The Company's government agency bonds, commercial paper and certificates of deposit are valued using third party broker quotes. The value of the Company's government agency bonds is derived from quoted market information. The inputs in the valuation are generally classified as Level 1 given the active market for these securities; however, if an active market does not exist, the inputs are recorded at a lower level in the fair value hierarchy. The value of commercial paper and certificates of deposit is derived from pricing models using inputs based upon market information, including contractual terms, market prices and yield curves. The inputs to the valuation pricing models are observable in the market, and as such are generally classified as Level 2 in the fair value hierarchy. For the three and nine months ended September 29, 2016 and October 1, 2015, there was an inconsequential amount of net realized gains (losses) recognized in interest income and an inconsequential amount of net unrealized holding gains (losses) included in other comprehensive income. Original cost of short-term marketable securities is based on the specific identification method. As of September 29, 2016 and December 31, 2015, there were no gross unrealized losses related to individual securities that had been in a continuous loss position for 12 months or longer. The amortized cost basis, aggregate fair value and maturities of the marketable securities the Company held as of September 29, 2016 and December 31, 2015 were as follows:

	As of September 29, 2016		
	Amortized Cost Basis	Aggregate Fair Value	Maturities (1)
	(in millions)	(in millions)	(in years)
<b>MARKETABLE SECURITIES:</b>			
Short-term municipal bonds	\$2.7	\$ 2.7	0.5
Short-term U.S. government agency bonds	1.0	1.0	0.8
Short-term commercial paper:			
Financial	10.6	10.6	0.4
Industrial	5.3	5.3	0.1
Utility	4.8	4.8	0.1
Short-term certificates of deposit	8.4	8.4	0.7
Total short-term marketable securities	32.8	32.8	
Long-term U.S. government treasury bonds	1.2	1.2	1.1
Long-term municipal bonds	1.2	1.2	1.0
Long-term U.S. government agency bonds	10.1	10.2	3.0
Long-term certificates of deposit:			



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Financial	2.7	2.7	2.6
Industrial	0.3	0.3	1.1
Total long-term marketable securities	15.5	15.6	
Total marketable securities	\$48.3	\$ 48.4	

## NATIONAL CINEMEDIA, INC. AND SUBSIDIARY

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

	As of December 31, 2015		
	Amortized Cost		
	Basis	Value	Maturities (1)
	(in millions)		(in years)
<b>MARKETABLE SECURITIES:</b>			
Short-term municipal bonds	\$9.5	\$ 9.5	0.4
Short-term certificates of deposit	3.7	3.7	0.6
Total short-term marketable securities	13.2	13.2	
Long-term U.S. government treasury bonds	1.2	1.2	1.8
Long-term municipal bonds	1.7	1.7	1.7
Long-term U.S. government agency bonds	27.9	27.7	3.4
Long-term certificates of deposit	9.9	9.9	1.9
Total long-term marketable securities	40.7	40.5	
Total marketable securities	\$53.9	\$ 53.7	

(1) Maturities—Securities available for sale include obligations with various contractual maturity dates some of which are greater than one year. The Company considers the securities to be liquid and convertible to cash within 30 days.

## 9. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

During 2012, NCM LLC terminated interest rate swap agreements that were used to hedge its interest rate risk associated with its term loan. Following the termination of the swap agreements, the variable interest rate on NCM LLC's \$270.0 million term loan is unhedged and as of September 29, 2016 and December 31, 2015, the Company did not have any outstanding derivative assets or liabilities. A portion of the breakage fees paid to terminate the swap agreements was for swaps in which the underlying debt remained outstanding. The balance in AOCI related to these swaps was fixed and was amortized into earnings over the remaining period during which interest payments were hedged, or February 13, 2015. The Company considered the guidance in ASC 815, Derivatives and Hedging which states that amounts in AOCI shall be reclassified into earnings in the same period or periods during which the hedged forecasted transaction affects earnings. As of September 29, 2016, there were no amounts outstanding related to these discontinued cash flow hedges.

The changes in AOCI by component for the nine months ended September 29, 2016 and October 1, 2015 were as follows (in millions):

	Nine Months Ended September 29, 1,	2016 2015	Income Statement Location
Balance at beginning of period		\$— \$ (0.4 )	
Amounts reclassified from AOCI:			
Amortization on discontinued cash			Amortization of
flow hedges		— 1.6	terminated derivatives
Total amounts reclassified from AOCI		— 1.6	
Noncontrolling interest on reclassifications		— (0.9 )	
Tax effect on reclassifications		— (0.3 )	
Balance at end of period		\$— \$ —	

#### 10. SUBSEQUENT EVENT

On November 3, 2016, the Company declared a cash dividend of \$0.22 per share (approximately \$13.2 million) on each share of the Company's common stock (not including outstanding restricted stock which will accrue dividends until the shares vest) to stockholders of record on November 18, 2016 to be paid on December 2, 2016.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Some of the information in this Quarterly Report on Form 10-Q includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"), as amended. All statements other than statements of historical facts included in this Form 10-Q, including, without limitation, certain statements under "Management's Discussion and Analysis of Financial Condition and Results of Operations", may constitute forward-looking statements. In some cases, you can identify these "forward-looking statements" by the specific words, including but not limited to "may," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of those words and other comparative words. These forward-looking statements involve risks and uncertainties. Our actual results could differ materially from those indicated in these statements as a result of certain factors as more fully discussed under the heading "Risk Factors" contained in our annual report on Form 10-K for the Company's fiscal year ended December 31, 2015. The following discussion and analysis should be read in conjunction with the unaudited Condensed Consolidated Financial Statements and notes thereto included herein and the audited financial statements and other disclosure included in our annual report on Form 10-K for the Company's fiscal year ended December 31, 2015. In the following discussion and analysis, the term net income refers to net income attributable to NCM, Inc.

### Overview

NCM LLC operates the largest digital in-theatre video advertising network in North America, through which it distributes national and local advertising that the Company has sold on theatre screens and video screens in theatre lobbies. NCM LLC also sells theatre lobby promotions and online and mobile advertising that are displayed on its and other company websites and mobile sites and apps. Our revenue is principally derived from advertising distributed to NCM LLC's founding member theatres in accordance with long-term ESAs (approximately 20 years remaining as of September 29, 2016) and to network affiliates in accordance with multi-year agreements, which expire at various dates through July 22, 2031. The weighted average remaining term (based on attendance) of the ESAs and the network affiliate agreements is 18.4 years as of September 29, 2016. The ESAs with the founding members and network affiliate agreements grant NCM LLC exclusive rights in their theatres to sell advertising, subject to limited exceptions. Our advertising FirstLook pre-show and LEN programming are distributed predominantly via satellite through our proprietary DCN. Approximately 98% of the aggregate founding member and network affiliate theatre attendance is generated by theatres connected to our DCN (the remaining 375 screens receive advertisements on USB drives) and 100% of the FirstLook pre-show is projected on digital projectors (90% digital cinema projectors and 10% LCD projectors).

Management focuses on several measurements that we believe provide us with the necessary ratios and key performance indicators to manage our business, determine how we are performing versus our internal goals and targets, and against the performance of our competitors and other benchmarks in the marketplace in which we operate.

Senior executives hold meetings at least once per quarter with officers, managers and staff to discuss and analyze operating results and address significant variances to budget and prior year in an effort to identify trends and changes in our business. We focus on many operating metrics including changes in revenue, OIBDA, Adjusted OIBDA and Adjusted OIBDA margin, as defined and discussed below, as some of our primary measurement metrics. In addition, we monitor our monthly advertising performance measurements, including advertising inventory utilization, national and local and regional advertising pricing (CPM), local and regional advertising rate per screen per week and local and regional and total advertising revenue per attendee. We also monitor free cash flow, the dividend coverage ratio, financial leverage (net debt divided by Adjusted OIBDA), cash balances and revolving credit facility availability to ensure debt covenant compliance and that there is adequate cash availability to fund our working capital needs and debt obligations and current and future dividends declared by our Board of Directors.

On May 5, 2014, NCM, Inc. entered into the Merger Agreement to merge with Screenvision, which was terminated on March 16, 2015. After the Merger Agreement was terminated, NCM LLC reimbursed, or paid on behalf of, NCM, Inc.

for certain expenses, including an approximate \$26.8 million termination payment to Screenvision pursuant to an indemnification agreement among NCM LLC, NCM, Inc. and the founding members. During the nine months ended October 1, 2015, NCM LLC also either paid directly or reimbursed NCM, Inc. for the legal and other merger-related costs of approximately \$15.0 million (\$7.5 million incurred by NCM, Inc. during the year ended January 1, 2015 and approximately \$7.5 million incurred by NCM LLC during the nine months ended October 1, 2015). The Company and the founding members each bore a pro rata portion of the termination fee and the related merger expenses based on their aggregate ownership percentages in NCM LLC when the expenses were incurred.

Our operating results may be affected by a variety of internal and external factors and trends described more fully in the section entitled “Risk Factors” in our Form 10-K filed with the SEC on February 26, 2016 for the Company’s fiscal year ended December 31, 2015.

### Summary Historical and Operating Data

The following table presents operating data and Adjusted OIBDA (dollars in millions, except share and margin data):

	Three Months Ended		Nine Months Ended		% Change Q3 2016 to Q3 2015		YTD 2016 to YTD 2015	
	September 29, 2016	October 1, 2015	September 29, 2016	October 1, 2015				
Revenue	\$113.5	\$111.7	\$305.1	\$310.1	1.6 %		(1.6 %)	
Operating expenses:								
Advertising	42.6	41.7	129.2	124.2	2.2 %		4.0 %	
Network, administrative and unallocated costs	22.5	22.2	75.2	65.1	1.4 %		15.5 %	
Merger termination fee and related merger costs (1)	—	—	—	34.3	0.0 %		(100.0 %)	
Total operating expenses	65.1	63.9	204.4	223.6	1.9 %		(8.6 %)	
Operating income	48.4	47.8	100.7	86.5	1.3 %		16.4 %	
Non-operating expenses	27.8	16.1	60.7	50.2	72.7 %		20.9 %	
Income tax expense	(1.1 )	4.8	1.3	6.3	NM		(79.4 %)	
Net income attributable to noncontrolling interests	13.5	19.2	28.0	21.2	(29.7 %)		32.1 %	
Net income attributable to NCM, Inc.	\$8.2	\$7.7	\$10.7	\$8.8	6.5 %		21.6 %	
Net income per NCM, Inc. basic share	\$0.14	\$0.13	\$0.18	\$0.15	7.7 %		20.0 %	
Net income per NCM, Inc. diluted share	\$0.13	\$0.13	\$0.18	\$0.15	0.0 %		20.0 %	
Adjusted OIBDA	\$60.9	\$59.6	\$144.3	\$154.7	2.2 %		(6.7 %)	
Adjusted OIBDA margin	53.7 %	53.4 %	47.3 %	49.9 %	0.3 %		(2.6 %)	
Total theatre attendance (in millions) (2)	179.6	164.1	524.1	517.3	9.4 %		1.3 %	

NM = Not meaningful.

(1) Merger termination fee and related merger costs primarily include the merger termination payment and legal, accounting, advisory and other professional fees associated with the terminated merger with Screenvision.

(2)

Represents the total attendance within NCM LLC's advertising network, excluding screens and attendance associated with certain AMC Rave and Cinemark Rave theatres that are currently part of another cinema advertising network for all periods presented.

## Non-GAAP Financial Measures

Operating Income Before Depreciation and Amortization (“OIBDA”), Adjusted OIBDA and Adjusted OIBDA margin are not financial measures calculated in accordance with GAAP in the United States. OIBDA represents operating income before depreciation and amortization expense. Adjusted OIBDA excludes from OIBDA non-cash share based compensation costs, the merger termination fee and related merger costs and Chief Executive Officer transition costs. Adjusted OIBDA margin is calculated by dividing Adjusted OIBDA by total revenue. Our management uses these non-GAAP financial measures to evaluate operating performance, to forecast future results and as a basis for compensation. The Company believes these are important supplemental measures of operating performance because they eliminate items that have less bearing on its operating performance and so highlight trends in its core business that may not otherwise be apparent when relying solely on GAAP financial measures. The Company believes the presentation of these measures is relevant and useful for investors because it enables them to view performance in a manner similar to the method used by the Company’s management, helps improve their ability to understand the Company’s operating performance and makes it easier to compare the Company’s results with other companies that may have different depreciation and amortization policies, non-cash share based compensation programs, levels of mergers and acquisitions, CEO turnover, interest rates, debt levels or income tax rates. A limitation of these measures, however, is that they exclude depreciation and amortization, which represent a proxy for the periodic costs of certain capitalized tangible and intangible assets used in generating revenues in the Company’s business. In addition, Adjusted OIBDA has the limitation of not reflecting the effect of the Company’s share based payment costs, costs associated with the terminated merger with Screenvision, or costs associated with the resignation of the Company’s former Chief Executive Officer. OIBDA or Adjusted OIBDA should not be regarded as an alternative to operating income, net income or as indicators of operating performance, nor should they be considered in isolation of, or as substitutes for financial measures prepared in accordance with GAAP. The Company believes that operating income is the most directly comparable GAAP financial measure to OIBDA. Because not all companies use identical calculations, these non-GAAP presentations may not be comparable to other similarly titled measures of other companies, or calculations in the Company’s debt agreement.

The following table reconciles operating income to OIBDA and Adjusted OIBDA for the periods presented (dollars in millions):

	Three Months Ended		Nine Months Ended	
	September 29, 2016	October 1, 2015	September 29, 2016	October 1, 2015
Operating income	\$48.4	\$47.8	\$100.7	\$86.5
Depreciation and amortization	8.9	8.0	26.5	24.2
OIBDA	\$57.3	\$55.8	\$127.2	\$110.7
Share-based compensation costs (1)	3.4	3.8	13.7	9.7
Merger termination fee and related merger costs (2)	—	—	—	34.3
CEO transition costs (3)	0.2	—	3.4	—
Adjusted OIBDA	\$60.9	\$59.6	\$144.3	\$154.7
Total revenue	\$113.5	\$111.7	\$305.1	\$310.1
Adjusted OIBDA margin	53.7 %	53.4 %	47.3 %	49.9 %



- (1) Share-based compensation costs are included in network operations, selling and marketing and administrative expense in the accompanying unaudited Condensed Consolidated Financial Statements.
- (2) Merger termination fee and related merger costs primarily include the merger termination payment and legal, accounting, advisory and other professional fees associated with the terminated merger with Screenvision.
- (3) Chief Executive Officer transition costs represent severance, consulting and other costs.

The Company has also presented total operating expenses before the merger termination fee and related merger costs within its results of operations section below which is not a financial measure calculated in accordance with GAAP in the United States. Operating expenses before the merger termination fee and related merger costs represent operating costs less costs associated with the terminated Screenvision merger. This non-GAAP financial measure is used to provide readers a comparison of our 2016 results to our 2015 results without including the impact of the nonrecurring merger termination fee and related merger costs. The Company believes this is an important supplemental measure because it eliminates these nonrecurring costs to highlight trends in its ongoing business that may not otherwise be apparent when relying solely on GAAP financial measures. Operating expenses before the merger termination fee and related merger costs should not be regarded as an alternative to operating expenses or as an indicator of operating performance, nor should it be considered in isolation of, or as a substitute for financial measures prepared in accordance with GAAP. The Company believes that total operating expenses is the most directly comparable GAAP financial measure.

#### Basis of Presentation

The results of operations data for the three and nine months ended September 29, 2016 and October 1, 2015 was derived from the unaudited Condensed Consolidated Financial Statements and accounting records of NCM, Inc. and should be read in conjunction with the notes thereto.

#### Results of Operations

##### Three Months Ended September 29, 2016 and October 1, 2015

Revenue. Total revenue increased 1.6%, from \$111.7 million for the three months ended October 1, 2015 to \$113.5 million for the three months ended September 29, 2016. The following is a summary of revenue by category (in millions):

	Three Months Ended		\$ Change Q3 2016 to Q3 2015	% Change Q3 2016 to Q3 2015	
	September 29, 2016	October 1, 2015			
National advertising revenue	\$82.3	\$79.3	\$ 3.0	3.8	%
Local and regional advertising revenue	23.7	26.0	(2.3 )	(8.8	%)
Founding member advertising revenue from					
beverage concessionaire agreements	7.5	6.4	1.1	17.2	%
Total revenue	\$113.5	\$111.7	\$ 1.8	1.6	%

The following table shows data on theatre attendance and revenue per attendee for the three months ended September 29, 2016 and October 1, 2015:

% Change

	Three Months Ended			
	September 29, 2016	October 1, 2015	Q3 2015	
National advertising revenue per attendee	\$0.458	\$0.483	(5.2	%)
Local and regional advertising revenue per attendee	\$0.132	\$0.158	(16.5	%)
Total advertising revenue (excluding founding member beverage revenue) per attendee	\$0.590	\$0.642	(8.1	%)
Total advertising revenue per attendee	\$0.632	\$0.681	(7.2	%)
Total theatre attendance (in millions) (1)	179.6	164.1	9.4	%

(1) Represents the total attendance within NCM LLC's advertising network, excluding screens and attendance associated with certain AMC Rave and Cinemark Rave theatres that are currently part of another cinema advertising network for all periods presented.

National advertising revenue. The \$3.0 million, or 3.8%, increase in national advertising revenue (excluding beverage revenue from NCM LLC's founding members) was due primarily to a 2.1% increase in national advertising CPMs (excluding beverage) in the third quarter of 2016, compared to the third quarter of 2015 and a \$1.5 million increase in online, mobile and other revenue not included in the inventory measured by impressions sold or CPMs. The increase in national advertising CPMs was due primarily to higher CPMs on upfront commitments and the scatter market in the third quarter of 2016, compared to the third quarter of 2015. These increases to revenue were partially offset by a 0.2% decrease in impressions sold, which resulted in a decrease in national inventory utilization, from 145.8% for the third quarter of 2015 to 132.5% for the third quarter of 2016 on a 9.4% increase in network attendance. Inventory utilization is calculated as utilized impressions divided by total advertising impressions, which is based on eleven 30-second salable national advertising units in our pre-show, which can be expanded, should market demand dictate.

Local and regional advertising revenue. The \$2.3 million, or 8.8%, decrease in local and regional advertising revenue was primarily driven by a decrease in revenue from contracts greater than \$100,000, whereby they had a 27.3% decrease in contract volume and an 18.6% decrease in average contract value in the third quarter of 2016, compared to the third quarter of 2015. The decrease in revenue from contracts greater than \$100,000 was driven by the absence of two contracts that were greater than \$1 million in the third quarter of 2015. This was partially offset by revenue from contracts less than \$100,000 which increased 1.9% in average contract value and increased 1.7% in contract volume primarily related to expansion of our salesforce and diversification of our client base.

Founding member beverage revenue. The \$1.1 million, or 17.2%, increase in national advertising revenue from NCM LLC's founding members' beverage concessionaire agreements was due to a 9.8% increase in founding member attendance and a 5.7% increase in beverage revenue CPMs in the third quarter of 2016, compared to the third quarter of 2015. The 2016 beverage revenue CPM is based on the change in CPM during segment one of the FirstLook pre-show from 2014 to 2015, which increased 5.7%.

Operating expenses. Total operating expenses increased \$1.2 million, or 1.9%, from \$63.9 million for the three months ended October 1, 2015 to \$65.1 million for the three months ended September 29, 2016. The following table shows the changes in operating expense for the three months ended September 29, 2016 and October 1, 2015 (in millions):

	Three Months		\$ Change	% Change
	Ended September 29, 2016	October 1, 2015		
Advertising operating costs	\$7.5	\$7.8	\$ (0.3)	(3.8)%
Network costs	4.1	4.3	(0.2)	(4.7)%
Theatre access fees—founding members	19.2	17.6	1.6	9.1%
Selling and marketing costs	16.8	16.9	(0.1)	(0.6)%
Administrative and other costs	8.6	9.3	(0.7)	(7.5)%
Depreciation and amortization	8.9	8.0	0.9	11.3%
Total operating expenses	\$65.1	\$63.9	\$ 1.2	1.9%

Advertising operating costs. Advertising operating costs decreased \$0.3 million, or 3.8%, from \$7.8 million for the third quarter of 2015 to \$7.5 million for the third quarter of 2016. The decrease was primarily due to a decrease in

production costs, personnel related expenses and contract labor.

Network costs. Network costs decreased \$0.2 million, or 4.7%, from \$4.3 million for the third quarter of 2015 to \$4.1 million for the third quarter of 2016.

Theatre access fees—founding members. Theatre access fees increased \$1.6 million, or 9.1%, from \$17.6 million for the third quarter of 2015 to \$19.2 million for the third quarter of 2016. The increase was due to a \$1.0 million increase in the fee associated with founding member attendance and a \$0.6 million increase in the fee associated with the number of founding member digital screens that are connected to the DCN, including higher quality digital cinema projectors and related equipment. The theatre access fees, based upon attendance increased \$1.0 million due to a 9.8% increase in founding member attendance during the third quarter of 2016, compared to the third quarter of 2015. The \$0.6 million increase in digital screen fees increased \$0.4 million related to an annual 5% rate increase specified in the ESAs and \$0.2 million from an increase in the number of founding member screens equipped with the higher quality digital cinema equipment.

**Selling and marketing costs.** Selling and marketing costs decreased \$0.1 million, or 0.6%, from \$16.9 million for the third quarter of 2015 to \$16.8 million for the third quarter of 2016. This decrease was primarily due to a decrease of \$0.5 million in personnel related expenses related primarily to lower bonus expense, partially offset by a \$0.2 million increase in online publisher expense related to higher online and mobile revenue during the third quarter of 2016, compared to the third quarter of 2015 and a \$0.2 million increase in marketing research expense.

**Administrative and other costs.** Administrative and other costs decreased \$0.7 million, or 7.5%, from \$9.3 million for the third quarter of 2015 to \$8.6 million for the third quarter of 2016 due primarily to a \$0.9 million decrease in personnel related expenses related primarily to lower bonus expense, partially offset by \$0.2 million of CEO transition costs.

**Depreciation and amortization.** Depreciation and amortization expense increased \$0.9 million, or 11.3%, from \$8.0 million for the third quarter of 2015 to \$8.9 million for the third quarter of 2016. The increase was due to an increase in amortization expense of intangible assets related primarily to NCM LLC founding member common unit adjustments, partially offset by lower depreciation expense as assets became fully depreciated.

**Non-operating expenses.** Total non-operating expenses increased \$11.8 million, or 72.7%, from \$16.1 million for the three months ended October 1, 2015 to \$27.8 million for the three months ended September 29, 2016. The following table shows the changes in non-operating expense for the three months ended September 29, 2016 and October 1, 2015 (in millions):

	Three Months Ended		\$ Change	% Change	
	September 29, 2016	October 1, 2015	Q3 2016 to Q3 2015	Q3 2016 to Q3 2015	
Interest on borrowings	\$14.3	\$13.0	\$1.3	10.0	%
Interest income	(0.3)	(0.5)	0.2	(40.0)	(%)
Accretion of interest on the discounted payable to founding members under tax receivable agreement	3.4	3.5	(0.1)	(2.9)	(%)
Loss on early retirement of debt	10.4	—	10.4	100.0	%
Other non-operating expense	—	0.1	(0.1)	(100.0)	(%)
Total non-operating expenses	\$27.8	\$16.1	\$11.8	72.7	%

The increase in non-operating expense was due primarily to a \$10.4 million loss on early retirement of debt recorded in the third quarter of 2016 as a result of the redemption of our senior unsecured notes due 2021. The loss on early retirement of debt included an approximate \$7.9 million redemption premium and the write-off of approximately \$2.5 million in unamortized debt issuance costs. Interest on borrowings increased approximately \$1.3 million during the third quarter of 2016, compared to the third quarter of 2015 due to the one-month period between the issuance of the Notes due 2026 in August 2016 and the redemption of the Notes due 2021 in September 2016, whereby interest was paid on both notes for one month.

Net Income. Net income increased \$0.5 million from \$7.7 million for the three months ended October 1, 2015 to \$8.2 million for the three months ended September 29, 2016. The increase in net income was due to an increase in operating income of \$0.6 million, as described above, a \$5.7 million decrease in income attributable to noncontrolling interests related to lower pre-tax income and a decrease in income tax expense of \$5.9 million due primarily to a \$2.9 million reversal of a reserve for uncertain tax positions as the statute of limitations expired during the third quarter of 2016, partially offset by an increase of \$11.7 million in non-operating expense, as described further above.

## Nine Months Ended September 29, 2016 and October 1, 2015

Revenue. Total revenue decreased 1.6%, from \$310.1 million for the nine months ended October 1, 2015 to \$305.1 million for the nine months ended September 29, 2016. The following is a summary of revenue by category (in millions):

	Nine Months Ended		\$	%
	September 29, 2016	October 1, 2015	Change YTD 2016 to 2015	Change YTD 2016 to 2015
National advertising revenue	\$215.5	\$218.2	\$ (2.7 )	(1.2 %)
Local and regional advertising revenue	67.8	68.9	(1.1 )	(1.6 %)
Founding member advertising revenue from beverage concessionaire agreements	21.8	23.0	(1.2 )	(5.2 %)
Total revenue	\$305.1	\$310.1	\$ (5.0 )	(1.6 %)

The following table shows data on theatre attendance and revenue per attendee for the nine months ended September 29, 2016 and October 1, 2015:

	Nine Months Ended		%
	September 29, 2016	October 1, 2015	Change YTD 2016 to 2015
National advertising revenue per attendee	\$0.411	\$0.422	(2.6 %)
Local and regional advertising revenue per attendee	\$0.129	\$0.133	(3.0 %)
Total advertising revenue (excluding founding member beverage revenue) per attendee	\$0.541	\$0.555	(2.5 %)
Total advertising revenue per attendee	\$0.582	\$0.599	(2.8 %)
Total theatre attendance (in millions) (1)	524.1	517.3	1.3 %

(1) Represents the total attendance within NCM LLC's advertising network, excluding screens and attendance associated with certain AMC Rave and Cinemark Rave theatres for all periods presented. National advertising revenue. The \$2.7 million, or 1.2%, decrease in national advertising revenue (excluding beverage revenue from NCM LLC's founding members) was due primarily to a 9.7% decrease in impressions sold in the first



nine months of 2016, compared to the first nine months of 2015, partially offset by a 5.4% increase in national advertising CPMs (excluding beverage) and a \$8.0 million increase in online, mobile and other revenue not included in the inventory measured by impressions sold or CPMs. The decrease in impressions sold was due primarily to lower content partner spending which declined approximately \$5.8 million during the first nine months of 2016, compared to the first nine months of 2015. The decrease in impressions sold resulted in a decrease in national inventory utilization, from 127.0% for the first nine months of 2015 to 112.9% for the first nine months of 2016 on a 1.3% increase in network attendance. Inventory utilization is calculated as utilized impressions divided by total advertising impressions, which is based on eleven 30-second salable national advertising units in our pre-show, which can be expanded, should market demand dictate. The increase in national advertising CPMs was due primarily to higher CPMs on upfront commitments in the first nine months of 2016, compared to the first nine months of 2015.

Local and regional advertising revenue. The \$1.1 million, or 1.6%, decrease in local and regional advertising revenue was primarily driven by a decrease in revenue from contracts greater than \$100,000, whereby they had a 2.4% decrease in contract volume and a 12.4% decrease in average contract value in the first nine months of 2016, compared to the first nine months of 2015. The decrease in revenue from contracts greater than \$100,000 was driven by fewer contracts that were greater than \$1 million. This was partially offset by revenue from contracts less than \$100,000 which increased 6.8% in contract volume primarily related to expansion of our salesforce and diversification of our client base.

Founding member beverage revenue. The \$1.2 million, or 5.2%, decrease in national advertising revenue from NCM LLC's founding members' beverage concessionaire agreements was due to a decrease of \$3.0 million related to one of NCM LLC's founding members reducing the length of its beverage advertising unit by 30 seconds beginning July 1, 2015, partially offset by a 5.7% increase in beverage revenue CPMs and a 2.2% increase in founding member attendance during the first nine months of 2016, compared to the first nine months of 2015. The 2016 beverage revenue CPM is based on the change in CPMs during segment one of the FirstLook pre-show from 2014 to 2015, which increased 5.7%.

Operating expenses. Total operating expenses decreased \$19.2 million, or 8.6%, from \$223.6 million for the nine months ended October 1, 2015 to \$204.4 million for the nine months ended September 29, 2016. The following table shows the changes in operating expense for the nine months ended September 29, 2016 and October 1, 2015 (in millions):

	Nine Months Ended		\$	%
	September 29, 2016	October 1, 2015	Change YTD 2016 to 2015	Change YTD 2016 to 2015
Advertising operating costs	\$20.8	\$21.9	\$ (1.1 )	(5.0 %)
Network costs	12.9	13.0	(0.1 )	(0.8 %)
Theatre access fees—founding members	56.8	54.0	2.8	5.2 %
Selling and marketing costs	54.5	49.9	4.6	9.2 %
Administrative and other costs	32.9	26.3	6.6	25.1 %
Depreciation and amortization	26.5	24.2	2.3	9.5 %
Total operating expenses before the merger termination fee and related merger costs	204.4	189.3	15.1	8.0 %
Merger termination fee and related merger costs	—	34.3	(34.3 )	(100.0 %)
Total operating expenses	\$204.4	\$223.6	\$ (19.2 )	(8.6 %)

Advertising operating costs. Advertising operating costs decreased \$1.1 million, or 5.0%, from \$21.9 million for the first nine months of 2015 to \$20.8 million for the first nine months of 2016. This decrease was primarily the result of a \$0.8 million decrease in affiliate advertising payments due to a 5.8%, or 211 screens, decrease in the number of average affiliate screens during the period primarily related to an acquisition of a network affiliate by a founding member in late 2015, whereby we are now paying theatre access fees.

Network costs. Network costs decreased \$0.1 million, or 0.8%, from \$13.0 million for the first nine months of 2015 to \$12.9 million for the first nine months of 2016.

Theatre access fees—founding members. Theatre access fees increased \$2.8 million, or 5.2%, from \$54.0 million for the first nine months of 2015 to \$56.8 million for the first nine months of 2016. The increase was due to a \$2.1 million increase in the fee associated with the number of founding member digital screens that are connected to the DCN, including higher quality digital cinema projectors and related equipment and a \$0.7 million increase in the fee associated with founding member attendance. The \$2.1 million increase in digital screen fees increased \$1.1 million related to an annual 5% rate increase specified in the ESAs and \$1.0 million from an increase in the number of founding member screens equipped with the higher quality digital cinema equipment. Theatre access fees based on attendance increased \$0.7 million due to a 2.2% increase in founding member attendance during the first nine months of 2016, compared to the first nine months of 2015.

**Selling and marketing costs.** Selling and marketing costs increased \$4.6 million, or 9.2%, from \$49.9 million for the first nine months of 2015 to \$54.5 million for the first nine months of 2016. This increase was primarily due to an increase of \$1.3 million in personnel related expenses due primarily to higher salaries and non-cash share-based compensation expense. Selling and marketing costs also increased due to a \$0.9 million increase in online publisher expense related to higher online and mobile revenue, a \$0.9 million increase in marketing research and event merchandising expenses and \$0.7 million due to a non-cash impairment charge on an investment obtained in exchange for advertising services.

**Administrative and other costs.** Administrative and other costs increased \$6.6 million, or 25.1%, from \$26.3 million for the first nine months of 2015 to \$32.9 million for the first nine months of 2016 due primarily to a \$3.2 million increase in non-cash share-based compensation expense related primarily to expense associated with modifying equity awards pursuant to agreements with our former CEO and \$3.4 million of CEO transition costs, which consisted primarily of severance and consulting costs to our former CEO.

**Depreciation and amortization.** Depreciation and amortization expense increased \$2.3 million, or 9.5%, from \$24.2 million for the first nine months of 2015 to \$26.5 million for the first nine months of 2016. The increase was due to an increase in amortization expense of intangible assets related primarily to NCM LLC founding member common unit adjustments, partially offset by lower depreciation expense as assets became fully depreciated.

**Merger termination fee and related merger costs.** The merger termination fee and related merger costs were \$34.3 million for the first nine months of 2015 due to the merger termination payment of approximately \$26.8 million and

approximately \$7.5 million in primarily legal, accounting, advisory and other professional fees associated with the terminated Screenvision merger.

Non-operating expenses. Total non-operating expenses increased \$10.5 million, or 20.9%, from \$50.2 million for the nine months ended October 1, 2015 to \$60.7 million for the nine months ended September 29, 2016. The following table shows the changes in non-operating expense for the nine months ended September 29, 2016 and October 1, 2015 (in millions):

	Nine Months Ended		\$	%	
	September 29, 2016	October 1, 2015	Change YTD 2016 to 2015	Change YTD 2016 to 2015	
Interest on borrowings	\$41.2	\$39.2	\$2.0	5.1	%
Interest income	(1.3)	(1.4)	0.1	(7.1)	%
Accretion of interest on the discounted payable to founding members under tax receivable agreement	10.4	10.6	(0.2)	(1.9)	%
Amortization of terminated derivatives	—	1.6	(1.6)	(100.0)	%
Loss on early retirement of debt	10.4	—	10.4	100.0	%
Other non-operating expense	—	0.2	(0.2)	(100.0)	%
Total non-operating expenses	\$60.7	\$50.2	\$10.5	20.9	%

The increase in non-operating expense was due primarily to a \$10.4 million loss on early retirement of debt recorded in the third quarter of 2016 as a result of the redemption of our senior unsecured notes due in 2021. The loss on early retirement of debt included an approximate \$7.9 million redemption premium and the write-off of approximately \$2.5 million in unamortized debt issuance costs. The interest on borrowings increased approximately \$2.0 million during the first nine months of 2016, compared to the first nine months of 2015 due to the one-month period between the issuance of the Notes due 2026 in August 2016 and the redemption of the Notes due 2021 in September 2016, whereby interest was paid on both notes for one month, as well as, a higher LIBOR rate on our term loans during the first nine months of 2016, compared to the first nine months of 2015. These increases in non-operating expenses were partially offset by a \$1.6 million decrease in the amortization of terminated derivatives as the amortization period ended in February 2015.

Net Income. Net income increased \$1.9 million from \$8.8 million for the nine months ended October 1, 2015 to \$10.7 million for the nine months ended September 29, 2016. The increase in net income was due to an increase in operating income of \$14.2 million, as described above, and a decrease of \$5.0 million in income tax expense due primarily to a \$2.9 million reversal of a reserve for uncertain tax positions as the statute of limitations expired in the period, partially offset by an increase of \$10.5 million in non-operating expense, as described above, and a \$6.8 million increase in income attributable to noncontrolling interests.

## Known Trends and Uncertainties

## Trends and Uncertainties Related to our Business, Industry and Corporate Structure

Changes in the current macro-economic environment and changes in the national, regional and local advertising markets present uncertainties that could impact our results of operations, including the timing and amount of spending from our advertising clients. These changes include increased competition related to the expansion of online and mobile advertising platforms. Further, we could be negatively impacted by factors that could reduce the viewership of our FirstLook pre-show, such as the offering of reserve seating, an increase in the number and length of trailers for upcoming films and lower network attendance, which could result from shortening of release windows, more alternative methods of delivering movies to consumers, lower consumer confidence and disposable income and a decline in the motion picture box office. The impact to our business associated with these issues could be mitigated over time due to factors including the increase in salable advertising impressions, better geographic coverage related to the expansion of our network, diversification and growth of our advertising client base, improvements in FirstLook pre-show engagement and upgrades to our inventory management and data management systems. We could also benefit if the effectiveness of cinema advertising improves relative to other advertising mediums. Consumer and media market trends appear to have had a favorable impact on our level of national upfront bookings for 2015 and 2016 when compared to the previous year. We believe that over time, a shift toward more upfront commitments, would allow us to bundle several client flights throughout the year in an effort to stabilize month-to-month and quarter-to-quarter volatility. Consistent with the television industry upfront booking practices, a portion of our upfront commitments have cancellation options or options to reduce the amount that advertisers may purchase and we would need to rely on the scatter market to replace those commitments.

The change in the number of screens in our network during the nine months ended September 29, 2016 was as follows.

	Number of screens		
	Founding Members	Network Affiliates	Total
Balance as of December 31, 2015	16,981	3,380	20,361
(Lost) new affiliates (1)	—	(41 )	(41 )
Openings, net of closures	56	76	132
Balance as of September 29, 2016	17,037	3,415	20,452

(1) During the first nine months of 2016, the run-out provision in the contract with one of our affiliates that was acquired by a theatre circuit not in our network ended, resulting in 194 screens being removed from our network. These lost screens were partially offset by three new affiliates with 153 screens added during the first nine months of 2016.

We believe that adding screens and attendees to our network will provide our advertising clients with a better marketing product with increased reach and improved geographic coverage. We have begun to offer our advertising clients better audience targeting capabilities and more robust campaign data analytics that we believe will provide a better product offering and should expand our overall national client base. We also believe that the continued growth of our market coverage could strengthen our selling proposition and competitive positioning against other national, regional and local video advertising platforms, including television, online and mobile video platforms and other out of home video advertising platforms.

In 2014, we experienced a decline of 16.4%, in national advertising CPMs (excluding beverage revenue) compared to the prior year due primarily to the increased competition from other national video networks, including online and mobile advertising platforms, television networks and other out-of-home video networks and the implementation of more aggressive seasonal and volume pricing strategies that contributed to the expansion of our inventory utilization related to the addition of new client categories that traditionally buy their television advertising at lower CPMs. After adjusting our pricing through 2014 to be more attractive to a broader number of potential clients, to compete more effectively with various forms of premium video advertising and reflect seasonal marketplace supply and demand characteristics, during 2015 and the first nine months of 2016, we experienced an increase year over year of 6.7% and 5.4%, respectively, in national advertising CPMs (excluding beverage revenue). We have also experienced volatility in our utilization over the years, with annual national inventory utilization ranging from 98.8% to 128.3% over the last four years. We experience even more substantial volatility quarter-to-quarter. This volatility in utilization can be driven by the loss or addition of one or more significant national contracts, whereby the timing and amount of these national contracts can be based upon the advertising budgets of our customers, product launches, the financial performance of our customers or other industry or macro-economic factors. We expect our CPMs and utilization to continue to be impacted period to period based upon the factors described above.

Under the ESAs, up to 90 seconds of the FirstLook program can be sold to NCM LLC's founding members to satisfy their on-screen advertising commitments under their beverage concessionaire agreements. During the first six months of 2015, we sold 60 seconds to NCM LLC's founding members. Beginning July 1, 2015, one of NCM LLC's founding members reduced their beverage advertising from 60 seconds to 30 seconds. We have the right to sell the remaining 30 second unit to other clients. The other founding members' current long-term contracts with their beverage suppliers require 60 seconds of beverage advertising, although such commitments could change in the future. Should the amount of time acquired as part of these beverage concessionaire agreements decline with the other founding members, this premium time will be available for sale to other clients. Per the ESAs, the time sold to the founding member beverage supplier is priced equal to the advertising CPM for the previous year charged by NCM LLC to unaffiliated third parties during segment one (closest to showtime) of the FirstLook pre-show, limited to the highest advertising CPM being then-charged by NCM LLC. Due to a 5.7% increase in segment one CPMs in 2015, the CPM on our beverage concessionaire revenue increased during the first nine months of 2016 by 5.7% and the remainder of 2016 will increase by an equivalent percentage.

In consideration for NCM LLC's access to NCM LLC's founding members' theatre attendees for on-screen advertising and use of lobbies and other space within NCM LLC's founding members' theatres for the LEN and lobby promotions, NCM LLC's founding members receive a monthly theatre access fee under the ESAs. The theatre access fee is composed of a fixed payment per patron and a fixed payment per digital screen (connected to the DCN). The payment per theatre patron increases by 8% every five years, with the next increase taking effect for fiscal year 2017, and the payment per digital screen increases annually by 5%. The theatre access fee paid in the aggregate to all founding members cannot be less than 12% of NCM LLC's aggregate advertising revenue (as defined in the ESA), or it will be adjusted upward to reach this minimum payment. Pursuant to the ESAs, the theatre access fee paid to the members of NCM LLC included an additional fee for access to the higher quality digital cinema systems. This additional fee will continue to increase as additional screens are equipped with the new digital cinema equipment and the fee increases annually by 5%. As of September 29, 2016, 95% of our founding member network screens were showing advertising on digital cinema projectors, and thus the future impact on the theatre access fee related to additional digital cinema installations within existing founding member theatres is expected to be minimal.

During 2015, we reduced the length of our content partner entertainment programming segments from two and one-half minutes to two minutes in content partner agreements representing about 50% of our FirstLook pre-show impressions. During 2016, we are reducing the remaining segments such that all of our content partner agreements will provide for two-minute entertainment content segments. The reduction in the length of our FirstLook content partner entertainment segments from two and one-half minutes to two minutes provided two additional 30-second national units and one additional local or regional advertising unit for us to sell across approximately 50% of our network impressions in 2015 and will provide for these additional segments across 100% of our network impressions in 2016. Because there is no reduction in our revenue from reducing these content segments, this will provide additional salable national, local and regional FirstLook pre-show inventory that could allow us to increase our future advertising revenue provided that there is adequate market demand.

#### Trends and Uncertainties Related to Liquidity and Financial Performance

During the past several years, we amended our senior secured credit facility to extend the maturity, expand the revolver availability and reduce the interest rate spreads. In August 2016, we completed a private placement of \$250.0 million in aggregate principal amount of 5.750% Senior Unsecured Notes due in 2026. A portion of the proceeds were used to redeem our \$200.0 million 7.875% Senior Unsecured Notes due in 2021. The remaining proceeds, after the payment of fees and the redemption premium were used to pay down the balance on our revolving credit facility. As a result of these financing transactions on our revolving credit facility and senior notes, we extended the average maturities of our debt and as of September 29, 2016 the weighted average remaining maturity was 6.0 years. As of September 29, 2016, approximately 70% of our total borrowings bear interest at fixed rates. The

remaining 30% of our borrowings bear interest at variable rates and as such, our net income and earnings per share could fluctuate with market interest rate fluctuations that could increase the interest paid on our borrowings. Refer to Note 5—Borrowings to the unaudited Condensed Consolidated Financial Statements in Item 1 of this Form 10-Q for more information regarding the Company’s borrowings.



At times our cash flow available for the payment of dividends (NCM LLC's Adjusted OIBDA, less capital expenditures, interest expense, distributions to NCM LLC's founding members, income taxes, tax receivable agreement payments to NCM LLC's founding members and plus certain cash items) has been less than our regular dividend payment. Any deficit has been funded by NCM, Inc.'s cash and marketable securities balances. As of September 29, 2016, these cash and marketable securities balances totaled \$52.6 million (excluding NCM LLC). We intend to pay a regular quarterly dividend for the foreseeable future at the discretion of the Board of Directors consistent with our intention to distribute over time a substantial portion of our free cash flow. The declaration, payment, timing and amount of any future dividends payable will be at the sole discretion of the Board of Directors who will take into account general economic and advertising market business conditions, the Company's financial condition, available cash, current and anticipated cash needs, and any other factors that the Board of Directors considers relevant.

### Trends Related to Ownership in NCM LLC

In accordance with NCM LLC's Common Unit Adjustment Agreement with its founding members, on an annual basis NCM LLC determines the amount of common membership units to be issued to or returned by the founding members based on theatre additions or dispositions during the previous year. During the first quarter of 2016 and 2015, NCM LLC issued 1,416,515 and 2,160,915 common membership units to its founding members, respectively, for the rights to exclusive access to the theatre screens and attendees added, net of dispositions by the founding members to NCM LLC's network during the previous year. NCM LLC recorded a net intangible asset of \$21.1 million and \$31.4 million during the first quarter of 2016 and 2015, respectively, as a result of the Common Unit Adjustments.

Overall, NCM, Inc.'s ownership in NCM LLC decreased to 43.6% as of September 29, 2016 compared to 43.8% at December 31, 2015 due primarily to the common unit adjustment described above, which has proportionally increased net income attributable to noncontrolling interests and decreased net income attributable to NCM, Inc.

In July 2016, AMC entered into an amended and restated merger agreement with a large motion picture exhibitor, Carmike Cinemas, Inc. ("Carmike") pursuant to which AMC would acquire all of the outstanding shares of Carmike. The merger is subject to customary closing conditions, including regulatory approval and approval by Carmike's shareholders. As of June 30, 2016, Carmike held membership units representing approximately 18% of the total issued and outstanding membership units of another cinema advertising provider and Carmike has a long-term agreement with the cinema advertising provider for them to be their exclusive provider of on-screen advertising services.

If the merger closes, then the on-screen advertising agreement with the alternative provider may or may not remain in effect with respect to the acquired Carmike theatres. Under either circumstance, AMC may elect to receive NCM LLC common membership units related to the acquisition of those theatres. If AMC makes this election and the on-screen cinema advertising agreement with the alternative provider remains in effect then, AMC will be required to make integration payments, as described in Note 3 – Intangible Assets to the unaudited Condensed Consolidated Financial Statements in Item 1 of this Form 10-Q. If this were to occur, we believe that, the effect on NCM, Inc.'s cash position would be relatively neutral in the near term as the integration payments would increase available cash distributions from NCM, LLC and approximately offset the impact of lower NCM, Inc. ownership in NCM LLC. Further, we believe, it would have the effect of reducing NCM, Inc.'s net income and earnings per share (without consideration of any tax expense implications) due to the higher income attributable to noncontrolling interests.

Further, pursuant to NCM, Inc.'s Amended and Restated Certificate of Incorporation and NCM LLC's Third Amended and Restated Limited Liability Company Operating Agreement, as amended, members of NCM LLC, other than NCM, Inc., may choose to have common membership units redeemed, and NCM, Inc. may elect to redeem through either a cash payment or the issuance of shares of its common stock on a one-for-one basis. If AMC were to redeem

its common membership units for NCM, Inc. common stock, NCM, Inc.'s ownership would increase proportionally and the number of shares outstanding of NCM, Inc. common stock would increase. As this merger is subject to customary closing conditions, including regulatory approval and approval by Carmike's shareholders, there is no certainty that the merger will close or what the ultimate outcome and impact on NCM LLC or NCM, Inc. will be.

## Financial Condition and Liquidity

## Liquidity and Capital Resources

Our cash balances can fluctuate due to the seasonality of our business and related timing of collections of accounts receivable balances and operating expenditure payments, as well as available cash payments (as defined in the NCM LLC Operating Agreement) to NCM LLC's founding members, interest or principal payments on our term loan and the Senior Secured Notes and Senior Unsecured Notes, income tax payments, tax receivable agreement payments to NCM LLC's founding members and amount of quarterly dividends to NCM, Inc.'s common stockholders (including special dividends).

A summary of our financial liquidity is as follows (in millions):

	As of		\$	\$
	September	December	Change	Change
	29,	31,	Q3	Q3
	2016	2015	2016 to	2016 to
			YE	Q3 2015
			2015	Q3 2015
Cash, cash equivalents and marketable securities (1)	\$54.0	\$ 85.4	\$ (31.4 )	\$ (26.5 )
NCM LLC revolver availability (2)	172.0	69.0	103.0	103.0
<b>Total liquidity</b>	<b>\$226.0</b>	<b>\$ 154.4</b>	<b>\$ 71.6</b>	<b>\$ 76.5</b>

- (1) Included in cash and cash equivalents as of September 29, 2016, December 31, 2015 and October 1, 2015, was \$1.4 million, \$3.0 million and \$6.7 million, respectively, of cash held by NCM LLC that is not available to satisfy NCM, Inc.'s dividend, income tax, tax receivable payments to NCM LLC's founding members and other obligations.
- (2) The revolving credit facility portion of NCM LLC's total borrowings is available, subject to certain conditions, for general corporate purposes of NCM LLC in the ordinary course of business and for other transactions permitted under the senior secured credit facility, and a portion is available for letters of credit. NCM LLC's total capacity under the revolving credit facility was \$175.0 million as of September 29, 2016 and \$135.0 million as of December 31, 2015 and October 1, 2015.

We have generated and used cash as follows (in millions):

	Nine Months	
	Ended	
	September	October
	29,	1,
	2016	2015
Operating cash flow	\$90.9	\$ 61.9
Investing cash flow	\$ (5.1 )	\$ (1.1 )
Financing cash flow	\$ (111.9)	\$ (51.5 )

Operating Activities. The \$29.0 million increase in cash provided by operating activities for the nine months ended September 29, 2016, compared to the nine months ended October 1, 2015 was due primarily to an increase in the change in accounts receivable of \$25.2 million during the nine months ended September 29, 2016 compared to the nine months ended October 1, 2015 related to higher collections and an \$8.7 million increase in consolidated net income, as described further above, partially offset by a \$6.3 million higher payment to NCM LLC's founding members under the tax receivable agreement.

Investing Activities. The \$4.0 million increase in cash used in investing activities for the nine months ended September 29, 2016, compared to the nine months ended October 1, 2015 was due primarily to lower proceeds of marketable securities, net of purchases, of approximately \$3.4 million.

Financing Activities. The \$60.4 million increase in cash used in financing activities for the nine months ended September 29, 2016, compared to the nine months ended October 1, 2015 was due primarily to higher repayments, net of proceeds, under our revolving credit facility of \$107.0 million, partially offset by \$42.1 million of proceeds from the issuance of the Notes due 2026, net of the redemption of the Notes due 2021.

#### Sources of Capital and Capital Requirements.

NCM, Inc.'s primary source of liquidity and capital resources is the quarterly available cash distributions from NCM LLC as well as its existing cash balances and marketable securities, which as of September 29, 2016 were \$52.6 million (excluding NCM LLC). NCM LLC's primary sources of liquidity and capital resources are its cash provided by operating activities, availability under its revolving credit facility and cash on hand.

Management believes that future funds generated from NCM LLC's operations and cash on hand should be sufficient to fund working capital requirements, NCM LLC's debt service requirements, and capital expenditure and other investing requirements, through the next twelve months. Cash flows generated by NCM LLC's distributions to NCM, Inc. and the founding members can be impacted by the seasonality of advertising sales, stock option exercises, interest on borrowings under our revolving credit agreement and to a lesser extent theatre attendance. NCM LLC is required pursuant to the terms of the NCM LLC Operating Agreement to distribute its available cash, as defined in the operating agreement, quarterly to its members (NCM LLC's founding members and NCM, Inc.). The available cash distribution to the members of NCM LLC for the nine months ended September 29, 2016, net of the negative available cash generated in the first quarter of 2015 and netted against the second quarter of 2016 distribution, was approximately \$61.8 million, of which approximately \$26.6 million was distributed to NCM, Inc. NCM, Inc. expects to use cash received from future available cash distributions and its cash balances to fund income taxes, payments associated with the tax receivable agreement with NCM LLC's founding members and current and future dividends as declared by the Board of Directors, including a dividend declared on November 3, 2016 of \$0.22 per share (approximately \$13.2 million) on each share of the Company's common stock (not including outstanding restricted stock) to stockholders of record on November 18, 2016 to be paid on December 2, 2016. Distributions from NCM LLC and NCM, Inc. cash balances should be sufficient to fund payments associated with the tax receivable agreement with NCM LLC's founding members, income taxes and its regular dividend for the foreseeable future at the discretion of the Board of Directors dependent on anticipated cash needs, overall financial condition, future prospects for earnings, available cash and cash flows, as well as other relevant factors.

#### Critical Accounting Policies

For a discussion of accounting policies that we consider critical to our business operations and understanding of our results of operations, and that affect the more significant judgments and estimates used in the preparation of our unaudited Condensed Consolidated Financial Statements, see Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies" contained in our annual report on Form 10-K filed for the fiscal year ended December 31, 2015 and incorporated by reference herein. As of September 29, 2016, there were no significant changes in those critical accounting policies.

#### Recent Accounting Pronouncements

For a discussion of recent accounting pronouncements, see the information provided under Note 1—The Company to the unaudited Condensed Consolidated Financial Statements in Item 1 of this Form 10-Q.

The Company has considered all other recently issued accounting pronouncements and does not believe the adoption of such pronouncements will have a material impact on its unaudited Condensed Consolidated Financial Statements.

#### Related Party Transactions

For a discussion of related party transactions, see the information provided under Note 4—Related Party Transactions to the unaudited Condensed Consolidated Financial Statements in Item 1 of this Form 10-Q.

#### Off-Balance Sheet Arrangements

Our operating lease obligations, which primarily include office leases, are not reflected on our balance sheet. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations – Contractual and Other Obligations" contained in our annual report on Form 10-K for the fiscal year ended December 31, 2015 and incorporated by reference herein. We do not believe these arrangements are material to our current or future financial condition, results of operations, liquidity, capital resources or capital expenditures.

Contractual and Other Obligations

There were no material changes to our contractual obligations during the nine months ended September 29, 2016.

### Seasonality

Our revenue and operating results are seasonal in nature, coinciding with the timing of marketing expenditures by our advertising clients and to a lesser extent the attendance patterns within the film exhibition industry. Both advertising expenditures and theatre attendance tend to be higher during the second, third, and fourth fiscal quarters. Advertising revenue is primarily correlated with new product releases, advertising client marketing priorities and economic cycles and to a lesser extent theatre attendance levels. The actual quarterly results for each quarter could differ materially depending on these factors or other risks and uncertainties. Based on our historical experience, our first quarter typically has less revenue than the other quarters of a given year due primarily to lower advertising client demand and lower theatre industry attendance levels. Accordingly, there can be no assurances that seasonal variations will not materially affect our results of operations in the future.

The following table reflects the quarterly percentage of total revenue for the fiscal years ended 2012, 2013, 2014 and 2015.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
FY 2012	17.6%	24.5%	32.1%	25.8%
FY 2013	17.8%	26.5%	29.2%	26.5%
FY 2014	17.8%	25.4%	25.6%	31.2%
FY 2015	17.2%	27.2%	25.0%	30.6%

The following table reflects the quarterly percentage of total advertising revenue for the fiscal years ended 2012, 2013, 2014 and 2015.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
FY 2012	16.2%	24.7%	33.7%	25.4%
FY 2013	17.3%	27.4%	29.9%	25.4%
FY 2014	17.8%	25.4%	25.6%	31.2%
FY 2015	17.2%	27.2%	25.0%	30.6%

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

The primary market risk to which we are exposed is interest rate risk. The Notes due 2022 and the Notes due 2026 are at fixed rates, and therefore are not subject to market risk. As of September 29, 2016, the only interest rate risk that we are exposed to is related to our \$175.0 million revolving credit facility and our \$270.0 million term loan. A 100 basis point fluctuation in market interest rates underlying our term loan and revolving credit facility would have the effect of increasing or decreasing our cash interest expense by approximately \$2.7 million for an annual period on the \$3.0 million revolving credit balance and \$270.0 million term loan outstanding as of September 29, 2016. For a discussion of market risks, see Item 7A. “Quantitative and Qualitative Disclosures About Market Risk” contained in our annual report on Form 10-K for the fiscal year ended December 31, 2015 and incorporated by reference herein.

### Item 4. Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit to the SEC under the Exchange Act, as amended, is recorded, processed, summarized and reported within the time periods specified by the Commission’s rules and forms, and that information is accumulated and communicated to our management, including the Chief Executive Officer (principal executive

officer) and Chief Financial Officer (principal financial and accounting officer) as appropriate to allow timely decisions regarding required disclosure. As of September 29, 2016, our management evaluated, with the participation of the Chief Executive Officer and Chief Financial Officer, the effectiveness of the Company's disclosure controls and procedures pursuant to Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based on that evaluation, the Company's management concluded that the Company's disclosure controls and procedures as of September 29, 2016 were effective.

There have been no changes in the Company's internal controls over financial reporting that occurred during the quarter ended September 29, 2016 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.



## PART II—OTHER INFORMATION

## Item 1. Legal Proceedings

We are sometimes involved in legal proceedings arising in the ordinary course of business. We are not aware of any other litigation currently pending that would have a material adverse effect on our operating results or financial condition.

## Item 1A. Risk Factors

There have been no material changes from risk factors as previously disclosed in our annual report on Form 10-K filed with the SEC on February 26, 2016 for the fiscal year ended December 31, 2015.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The table below provides information about shares delivered to the Company from restricted stock held by Company employees upon vesting for purpose of funding the recipient's tax withholding obligations.

Period	(c)			
	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares that may yet be Purchased under the Plans or Programs
July 1, 2016 through July 28, 2016	—	\$ —	—	N/A
July 29, 2016 through September 1, 2016	5,679	\$ 15.82	—	N/A
September 2, 2016 through September 29, 2016	—	\$ —	—	N/A

## Item 3. Defaults Upon Senior Securities

None

## Item 4. Mine Safety Disclosures

Not Applicable

## Item 5. Other Information

None

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Item 6. Exhibits

Exhibit	Reference	Description
4.1	(1)	Indenture, dated as of August 19, 2016, by and between National CineMedia, LLC and Wells Fargo Bank, National Association, as trustee.
4.2	(2)	Form of 5.750% Senior Secured Notes due 2026 (included in Exhibit 4.1).
4.3	(3)	Registration Rights Agreement, dated as of August 19, 2016, by and between National CineMedia, LLC and J.P. Morgan Securities LLC, as representative of the Initial Purchasers named therein.
10.1	(4)	Employment Agreement dated August 11, 2016, between the Company and Katherine L. Scherping.
31.1	*	Rule 13a-14(a) Certification of Chief Executive Officer.
31.2	*	Rule 13a-14(a) Certification of Chief Financial Officer.
32.1	**	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350.
32.2	**	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350.
101.INS	*	XBRL Instance Document
101.SCH	*	XBRL Taxonomy Extension Schema Document
101.CAL	*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	*	XBRL Taxonomy Extension Presentation Linkbase Document

\* Filed herewith.

\*\* Furnished herewith.

- (1) Incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File No. 001-33296) filed on August 19, 2016.
- (2) Incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K (File No. 001-33296) filed on August 19, 2016.
- (3) Incorporated by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K (File No. 001-33296) filed on August 19, 2016.
- (4) Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-33296) filed on August 11, 2016.

SIGNATURES

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

NATIONAL CINEMEDIA, INC.  
(Registrant)

Date: November 8, 2016 /s/ Andrew J. England  
Andrew J. England  
Chief Executive Officer and Director  
(Principal Executive Officer)

Date: November 8, 2016 /s/ Katherine L. Scherping  
Katherine L. Scherping  
Chief Financial Officer (Principal Financial and Accounting Officer)