

T2RL'S First View is our rapid analysis of breaking news. It helps provide perspective, putting the facts in the context of our wider and deeper knowledge of the market.

Sabre Success in Mexico Points to Dominance in the Americas

T2RL Staff

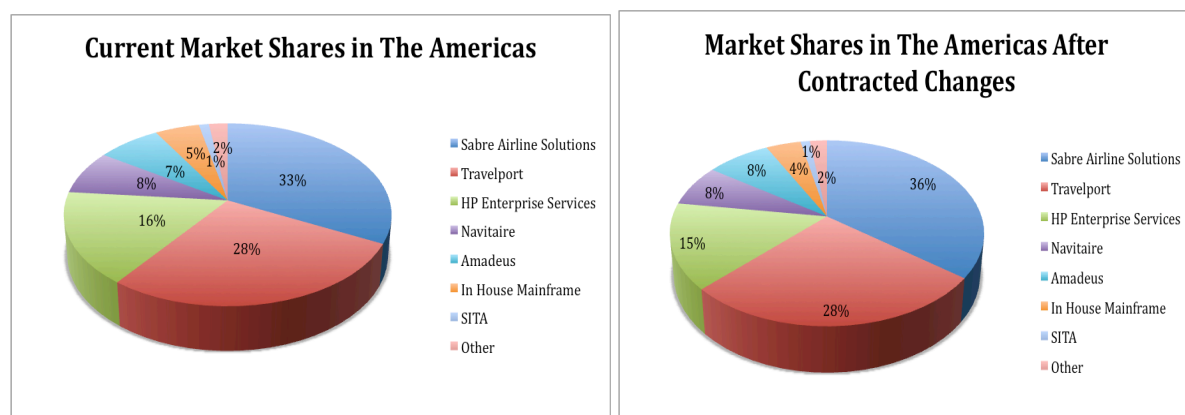
The Facts

Sabre and Aeromexico have announced that the Mexican airline will migrate to Sabre's SabreSonic passenger services system. Aeromexico is already a customer for Sabre's Internet Booking Engine. Aeromexico will be migrating from Hewlett-Packard (EDS).

The Analysis

This is the fifth significant airline PSS win for Sabre since the beginning of last year and all of them have been in the Americas. WestJet, JetBlue, Volaris, LAN and now Aeromexico have committed to a service from Sabre since the company announced a "broad-scale, multi-year" investment in the SabreSonic Customer Sales and Service (CSS) solution in September 2008. These airlines together currently represent around 75 million passengers per year. Despite the prospect of losing from American Airlines looming large on the horizon Sabre's Airline Solutions business is prospering.

Sabre is already the dominant supplier in North America, processing 37% of the total passengers boarded by airlines from the USA and Canada. Until its new customers are implemented it is in fourth place in Latin America behind Amadeus, Navitaire and Hewlett-Packard (EDS). With these new customers however it moves into a strong second place in Latin America and consolidates its overall leading position in the Americas. When all the recent wins are live Sabre will be managing over a third of all passengers in the hemisphere.



The other major change reflected in these graphs is the move of Avianca away from its existing in-house mainframe to Amadeus, which remains the market leader in Latin America despite having no customers at all in the USA or Canada.

Assuming that Travelport will continue to supply only its two former parent airlines, United and Delta, the serious market competition in the Americas is a four horse race. Sabre and Hewlett-Packard compete in the North. Sabre and Amadeus scrap over the Latin regions. Navitaire continues to serve airlines loyal to the low-cost model. Over the next few years the interesting questions are:

- Will Amadeus ever win a customer in North America?
- Will Hewlett-Packard deliver Jetstream to American and then go on to sell it to other major airlines?
- Can Navitaire improve its products sufficiently to hold on to customers that move from Low-Cost to Hybrid business models?
- Will SITA see a return on its \$100 m investment in its Voyager program in the form of new customers in the Americas?

The Speculation

In T2RL's opinion the answers to these questions are as follows:

- Amadeus will not be able to win, contract and migrate a top tier customer in North America in the next five years. US Airways is now the most attractive target. Unless it can persuade US Airways to move it may be forced to look to the smaller airlines. With those carriers Amadeus's deep pockets will allow it to make offers that cannot be refused.
- H-P will need to establish partnerships with experienced airline software developers if it is to deliver Jetstream remotely on schedule.
- Yes it can, provided it retains the support of parent company Accenture.
- Probably, although the first new customers are likely to be relatively small.

Through all of this speculation the one constant will be Sabre. Even if American departs as planned in 2013 the new business won over the last year will ensure that Sabre remains dominant in the western hemisphere for some years to come.