

PSS MARKET UPDATE NOVEMBER 2015

First View: Rapid analysis of breaking news, providing perspective

THE FACTS

- On October 17th. 2015, Sabre completed the migration of US Airways from HP Shares.
- T2RL's research team have updated business model scores to reflect demand segments for PSS solutions.
- The Amadeus / Navitaire deal has still not received approval from all relevant competition authorities.

THE ANALYSIS

Airlines migrated as at 25th. Nov 2015 expressed in 2014 passengers boarded in millions by PSS Supplier and Region.

PSS Supplier	Asia Pacific	Europe	North America	Rest of World	Global
Amadeus	198.5	417.0	0.8	171.2	788.3
Navitaire	166.3	189.3	38.5	89.0	483.1
Total	364.8	606.3	39.3	260.2	1271.4
Amadeus / Navitaire					
Sabre	121.7	30.6	422.9	93.8	669.0
In-House Mainframe	61.3	89.0	208.0	49.4	407.7
Travelsky	391.5	0	0	0	391.5
HP (Shares and Atraxis)	0	28.0	147.8	28.2	204.0
SITA	65.7	36.6	1.4	29.7	134.0
Others	135.5	202.0	27.0	53.9	417.6
Total	1,140.5	992.5	846.4	515.2	3,494.6

Source: T2RL Research

Note: T2RL include all of Southwest Airlines domestic business in the Sabre totals. Southwest Airlines do use Sabre's solution but their own solution known as SAAS run by Sabre under contract. Southwest Airlines also currently use a number of system components from Sabre such as electronic ticketing.

The rationale for Amadeus' purchase of Navitaire is evident when considering the position in each of the key market segments.



Airlines migrated as at 25th. Nov 2015 expressed in 2014 passengers boarded in millions by PSS Supplier and Market Segment.

PSS Supplier	Network Carrier	Hybrid Carrier	Low-Cost Carrier	Other	Global
Amadeus	752.8	6.3	1.7	27.5	788.3
Navitaire	56.6	242.0	155.3	29.2	483.1
Sabre	425.9	239.6	2.0	1.5	669.0
In-House Mainframe	407.7	0	0	0	407.7
Travelsky	340.8	27.8	13.0	9.9	391.5
HP (Shares and Atraxis)	201.6	0.3	0.2	1.9	204.0
SITA	59.1	22.6	10.1	41.6	133.4
Others	76.5	89.8	170.1	81.7	417.6
Total	2,321.0	627.9	352.4	193.3	3,494.6
Est. CAGR' 2015 to 2019	5.7%	8.3%	11.9%		6.9%

Source: T2RL Research

THE SPECULATION

The attractive market growth for both LCC and hybrid segments together with the expected dominant position of Amadeus in the event the Navitaire merger obtains approval will make a number of smaller vendors more attractive to the larger providers.

T2RL see Hitit and Radixx as the most attractive options given they both exceed 20 million passengers boarded per annum in these fast growing segments. However, Hitit's share ownership now includes the Turkish carrier Pegasus at 40% presumably a strategic move to secure supply. However, airlines have been willing to sell their shares in suppliers in the past, especially if the new owners can guarantee and warrant supply and necessary service levels. T2RL expect M&A activity in the coming months.



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