

# ascend

Taking your airline to new heights

## THE POWER OF PARTNERING

A Conversation with  
Abdul Wahab Teffaha,  
Secretary General  
Arab Air Carriers  
Organization.



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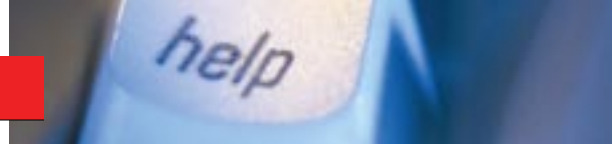
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# Going Private

*After being purchased by two dominant investment firms, Sabre Holdings® can focus more closely on its long-term goals of providing state-of-the-art technology solutions to its customers without the severe pressures of a publicly traded company.*

■ By Phil Johnson | Ascend Staff

**S**abre Holdings, having been purchased and taken private by Silver Lake Partners and TPG Capital, continues to offer the same world-renowned service and innovative ideas to its many global clients — but as a private company, its overriding objective is to offer even more.

And its clients have every reason to expect more from the company that has spawned many of the most popular features in global travel service over the years.

endorsement of our business model, our industry leadership and the hard work and dedication of our talented people around the world.”

Becoming a private company, Sabre Holdings gains a considerable degree of flexibility in developing and offering options to its worldwide array of clients.

“Sabre Holdings has a remarkable track record of pioneering and delivering best-in-class technology solutions for the global travel industry,” said Greg

“Sabre Holdings is well positioned to continue innovating,” said Karl Peterson, a partner at TPG Capital. “And we’re excited by the opportunity to invest in Sabre Holdings given its leadership position in travel technology and distribution, and the strength of Travelocity® and the company’s other leading online brands. We look forward to helping Sabre Holdings management profitably build upon this very strong franchise.”

Its headquarters remains in Southlake, Texas, and although Sabre Holdings is no longer a publicly traded company, it will continue to post periodic financial updates on its Web site.

“The advantage to Sabre Holdings of being private is that it’s no longer under the extreme pressure of being a publicly traded company,” said Stan Block, Ph.D., a finance professor at Texas Christian University’s Neeley School of Business and a keen observer of mergers and acquisitions.

“When you’re a publicly traded company, you’re under tremendous pressure for short-term performance,” Block said. “And by that, I mean the next quarter’s earnings report. As a public company, a large percentage of your attention is focused 30 to 60 to 90 days into the future. And if you don’t make your numbers, if you don’t make your goals for the quarterly report, you tend to be punished in the financial markets.

“And what happens in that case — when you’re a public company — is you lose your vision of where you want to be three to five years from now,” he continued. “You’re too worried about 60 to 90 days. So instead of making the type of plans that would allow you to grow and prosper and meet and adjust to changing

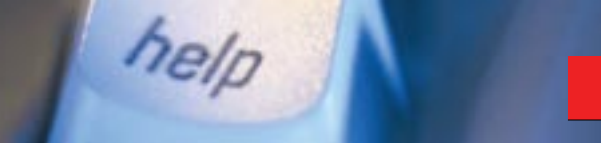
## HIGHLIGHT

*“For Sabre Holdings, being a private company and having private-equity parents such as TPG Capital and Silver Lake Partners may well prove an advantage of immense proportions — particularly to the company’s worldwide multitude of customers and business associates.”*

“After a thorough assessment, we concluded that this transaction represents a compelling outcome for our shareholders, customers and employees,” said Sabre Holdings Chairman and Chief Executive Officer Sam Gilliland. “We look forward to a strong future, partnering with two preeminent investment firms that are closely aligned with our strategy and long-term objectives. This transaction is a clear

Mondre, a managing director of Silver Lake Partners. “We look forward to working with the members of Sabre Holdings’ talented management team as they continue to deploy technology as a source of competitive advantage and value-add for customers.”

No significant changes have occurred in the company’s executive management team, and none are anticipated.



Southlake, Texas-based *Sabre Holdings*, which was recently purchased and taken private by two dominant investment firms — Silver Lake Partners and TPG Capital, will continue to offer its worldwide client base the highest possible levels of service and innovation.

competition, you're worried about whether you're going to hit that US\$1.20 in 60 days, or you're going to unfortunately come in at US\$1.18 and be punished by your stock price going down 10 percent."

Interestingly, one of the best-known private-equity firms in the world, Blackstone Group LP, recently put itself at least partially on the public market with an enormously successful initial public offering.

"There's an old saying that every private company wants to be public, and every public company wants to be private," said Block. "And there's some truth to that.

"But what it boils down to is that only about 10 percent to 20 percent of companies that do go public are really successful and happy that they went public. Those are the ones that make Bill Gates and others multi-billionaires," he said. "On the other hand, the great majority that find themselves public — the 80 percent to 90 percent — they find themselves under tremendous pressure. Often, they find themselves at a stock value less than what they initially went public for, and they're disappointed they ever made that move. So being public is an opportunity to hit a home run — but it's also an oppor-

tunity to come out way behind in the late innings.

"Being private now, *Sabre Holdings* has the opportunity to concentrate more on the future. Now, the people running the company are not looking just 60 to 90 days

private market — Burger King, MGM, Neiman Marcus," said Block. "So TPG is what I would call a 'generalist,' not necessarily specializing in a given industry. For example, TPG right now — along with Goldman Sachs — is looking at taking TXU

**HIGHLIGHT**

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— Karl Peterson, TPG Capital, partner

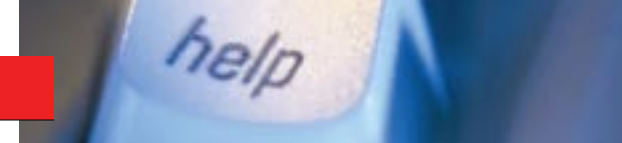
down the road, they're looking one year, three years, five years down the road with a plan to enhance their operation."

Then there's a whole other area of discussion related to the companies that bought and took *Sabre Holdings* private: TPG Capital and Silver Lake Partners.

"TPG has tremendous experience taking companies from the public to the

Energy Corp. private. And TPG has the expertise among its management people. When they take a company private, quite often it's with the intention of the company being private for, perhaps, three years — and then maybe bringing the company back to the public market.

"But the only way they can do that successfully is by making it a much better



Sabre Airline Solutions Archives

— Sam Gilliland, *Sabre Holdings*, chairman and chief executive officer

never been happier just to get around Sarbanes-Oxley. So definitely, the additional capital that can be invested by private-equity firms is important to the future of the private company, but also the capability to not have the extreme supervision of the U.S. Securities and

“This transaction is a clear endorsement of our business model, our industry leadership, and hard work and dedication of our talented people around the world.”

— Sam Gilliland, *Sabre Holdings*, chairman and chief executive officer

Exchange Commission with Sarbanes-Oxley, which a lot of people now feel is counterproductive.”

For *Sabre Holdings*, being a private company and having private-equity parents such as TPG Capital and Silver Lake Partners may well prove an advantage of immense proportions — particularly to the company’s worldwide multitude of customers and business associates. **F**

company than it was before — and this means taking a hard look at all of the operations and improving them,” he said. “They know they can go in and improve costs and make *Sabre Holdings* a more efficient operation in providing solutions for its customers. And they’re able to do this without the severe pressure of being public: They’re not worried about next quarter — they’re worried about taking steps that are going to make the company much better in the longer term.”

Silver Lake Partners has accumulated a history somewhat different from TPG — but also quite favorable to future prospects of *Sabre Holdings*.

“Unlike TPG, Silver Lake’s people specialize in information technology,” Block said. “Their expertise is very specifically in information technology and the area *Sabre Holdings* is in. So the two companies taking *Sabre Holdings* from public to private have the right combination — a good combination for *Sabre Holdings*.”

Another obvious advantage of having savvy private-equity ownership is the ability of that ownership to invest substantially in business growth and improvements.

“The ability to invest considerable amounts of capital is certainly a significant factor,” Block said. “But I would also add that being a private company affords *Sabre Holdings* another advantage in terms of freedom from Sarbanes-Oxley, which is a very tough law that was passed in the early part of the decade. While the intentions behind Sarbanes-Oxley may have been good and pure and forthright, this law — when you’re a public company — makes it much more difficult to present your financial situation without potential liability to stockholders.

“And it’s certainly something public companies fear and private companies can basically ignore,” he said. “I happen to be on the board of a public company that has gone private, and we’ve

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