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EXCLUSIVE REPORT

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A Grounded Travel Company Prepares For Takeoff

Bonds Still Trade At A Discount As Smart Refinancing Kicks In

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Bonds Still Trade At A Discount As Smart Refinancing Kicks In

> *Financial markets act as though*
> *This firm's business is unraveling,*
> *But projections say it isn't so:*
> *Businesspeople are once again traveling.*
> – *Martin Fridson*

Sometimes, destiny arrives in twos.

Two pairs of shoes, echoing over a train platform. Two tickets – and two seats, coincidentally side by side.

Two strangers, sharing a chance meeting... and a scandalous proposition.

"It's so simple..." intones the older man, leaning in a little too close to his companion. "A couple of fellows meet accidentally, like you and me. No connection between them at all. Never saw each other before. Each of them has somebody he'd like to get rid of, but he can't murder the person he wants to get rid of. He'll get caught. So they swap murders."

Guy, the younger stranger, is taken aback.... but intrigued. After all, he *does* have a wife he can't stand. "Swap murders?" he stammers.

Bruno, the older man, winks. "You do my murder and I do yours," he says. "Criss-cross."

That's the opening of Alfred Hitchcock's classic 1951 noir, "Strangers on a Train." Film students are still dissecting the flick's interwoven "pairs" motifs: double murderers, double victims, two sets of eyeglasses, a double bass, and endless visual pairings of light and dark, strong and weak, good and evil.

Just two years after the release of "Strangers," a real-life doppelganger of the film – minus the murder angle – played out offscreen.

This time, the main players were "strangers on a plane." And their chance meeting led, not to murder and mayhem, but to a revolutionary partnership that changed travel forever. Light instead of dark.

Criss-cross.

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The younger stranger on this fateful 1953 American Airlines flight was R. Blair Smith, a bushy-tailed IBM salesman-in-training. He was seated next to an older gentleman who – in another odd case of doubling – shared his last name.

"C.R. Smith," the older man said, extending a hand. "I'm the president of American Airlines."

Over the course of the New York-to-L.A. flight, the two Smiths became chummy (likely lubricated by adult beverages and smokes, courtesy of the Golden Age of Air Travel). During their conversation, the airline president confided in the young salesman that American Airlines' booking system was a miserable mess.

Long before online check-ins and paper-free boarding passes, airline agents logged every passenger detail by hand. Customers spoke with an operator, who filled out paper forms and sorted them into boxes. And as the number of people flying kept rising – 19 million air passengers took to the skies in 1950, up from less than 2 million in 1938 – it could take over an hour to process one ticket. American Airlines had a rudimentary computer that kept track of which seats were filled, but not names or destinations. It was an unwieldy, disorganized and unsustainable way of doing business.

Blair Smith listened intently. As an up-and-coming salesman for computing pioneer IBM, he was always on the lookout for prospects for the company's latest models. (By the mid-1950s, IBM's Magnetic Drum Data-Processing Machine – a glorified calculator the size of a refrigerator – was turning a profit as the world's first mass-produced computer.)

As he heard the airline exec's tale of woe, the little punch cards in young Smith's head began to click and whirr…

In another inversion of the Hitchcock classic, this time it was the younger stranger who came up with a daring proposal. Why not have IBM and American Airlines team up to create a streamlined, computerized booking system?

As R. Blair Smith recounted in a 1980 interview at the University of Minnesota:

> *I told [C.R. Smith] I was going back to study a computer that had the possibility of doing more than just keeping availability. It could even keep a record of the passenger's name, the passenger's itinerary, and, if you like, his phone number. Mr. C.R. Smith was intrigued by this. He took out a card and wrote a special phone number on the back. He said, 'Now, Blair, … our reservation center is at LaGuardia Airport. You go out there and look it over. Then you write me a letter and tell me what we ought to do.*

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That chance conversation was the start of a relationship that revolutionized travel booking... and ultimately, much more.

IBM and American Airlines indeed went on to collaborate, and in 1960, they officially launched the "Semi-Automated Business Research Environment" (SABRE) automated booking system. By 1964, SABRE was handling 7,500 airline reservations per hour by 1964, shrinking customers' previously hour-long wait times to mere seconds. By the mid-1960s, SABRE had become the world's largest private data processing system – outstripped in size only by the computer banks of the U.S. government.

Designed from the ground up by IBM, SABRE remained 100% owned by American Airlines for the next 40 years until it went public in 2014 as Sabre Corp. (NASDAQ: SABR). Along the way, its specialized communications systems laid vital groundwork for ARPANET, the 1970s web of connected computers that gave birth to the Internet.

That's a hefty legacy for a chance airline meeting. And in this issue, our own encounter with Sabre offers us an enticing bond opportunity.

Bond at a Glance

Sabre today processes a billion transactions a year for all types of travel. It's in the midst of a multi-year recovery from the lockdowns and travel restrictions brought about in response to the pandemic. We're going to tell you about one of its bonds that trades at a significant discount to its $1,000 face value.

Sabre currently has more than enough cash to pay this bond off at maturity – and the business will generate additional cash between now and then.

The bond we are recommending is the 4% Senior Exchangeable Convertible maturing on April 15, 2025. The CUSIP is 78573NAE2. We like it because:

- Sabre was a very profitable company up until the pandemic, and is in the process of becoming profitable again.
- It is one of three companies that almost all travel agencies (including online agencies), corporate travel departments, and travel management companies use to book flights, hotels, cars, cruises and more.
- This $335 million issue matures in less than two years.
- Sabre has no maturities until this bond (along with another small issue of $102 million) matures in April 2025.
- It is trading at a discount to face value of more than 16%.
- It pays a coupon of 4%, which provides a cash return of 4.8% annually on purchase price.

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- The yield to maturity is 15%.
- Although we would like these bonds without it, they are convertible into Sabre stock at $7.88 per share. (The current stock price is $3.80.) This means this bond *might* end up being worth more than its $1,000 face value.

Sabre Rattled

Sabre has two main businesses: its core Global Distribution System (GDS) business, which is an online platform for making travel-related reservations, and its Passenger Services System (PSS) division, which are software systems used by airlines.

The GDS business connects people who want to book travel with airlines, hotels, cruises, car rentals, and other service providers a traveler might use. Sabre receives a fee for each booking, and handles 35% of GDS market share worldwide (the leader, with 40%, is its rival, Amadeus IT Group).

The PSS side of the business harks directly back to C.R. Smith's woes on the plane. It primarily handles process software for airports: reservations, seat organization, and departure control. (It offers similar services for hotels.) Amadeus, which is primarily an IT company, logs three times the amount of PSS sales and from time to time poaches Sabre's clients.

Sabre was an extremely profitable company in 2019, the last year before the pandemic. It had revenues of just under $4 billion and operating profits of close to $1 billion. The company generated $340 million in free cash flow. Total net debt weighed in at roughly three times operating profits.

Then, the pandemic, and the widespread travel restrictions it spurred, turned Sabre's 2019 operating profit of $946 million into operating losses of $448 million in 2020 and $261 million in 2021. Free cash flow went from $340 million in 2019 to a deficit of $870 million in 2020, $515 million in 2021 and $348 million in 2022.

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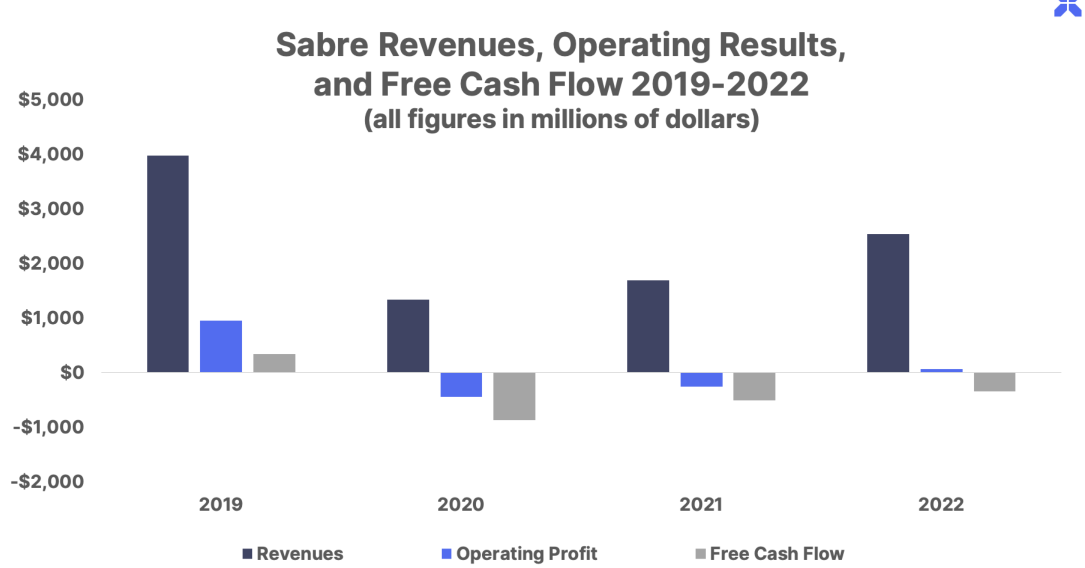

Faced with these large operating losses, management kept the company afloat by borrowing. Total debt increased from $3.4 billion in 2019 to $4.8 billion at the end of the most recent quarter. As a result of a much larger debt load and, later, rising interest rates, Sabre's interest expense rose from $235 million in 2019 to $324 million for the trailing four quarters. After a recent refinancing of a bank loan at a much higher rate, interest expense for 2023 is estimated to be $390 million.

The Road Forward

As we all removed our masks and emerged, blinking, back into the sunlight, the travel industry has been recovering – and so, too, has Sabre. The company showed a small operating profit of $65 million in 2022. But this was at the low end of Sabre's earlier projections, and results were generally viewed as disappointing.

Still, after interest and capital expenditures, Sabre posted negative cash flow of the year of $348 million. Even with over $800 million in cash, this would not be a sustainable course for very long.

The good news is that Sabre's results are likely to improve meaningfully in 2023, 2024, and 2025 – helping to build back the company's cash balance. Management expects profitability to improve for three main reasons, which we'll discuss in more detail in a moment:

1. A rebound in travel – especially business travel and international flights;
2. A reduction in operating costs to make the business run more efficiently;
3. Technology upgrades that cut costs and increase revenue.

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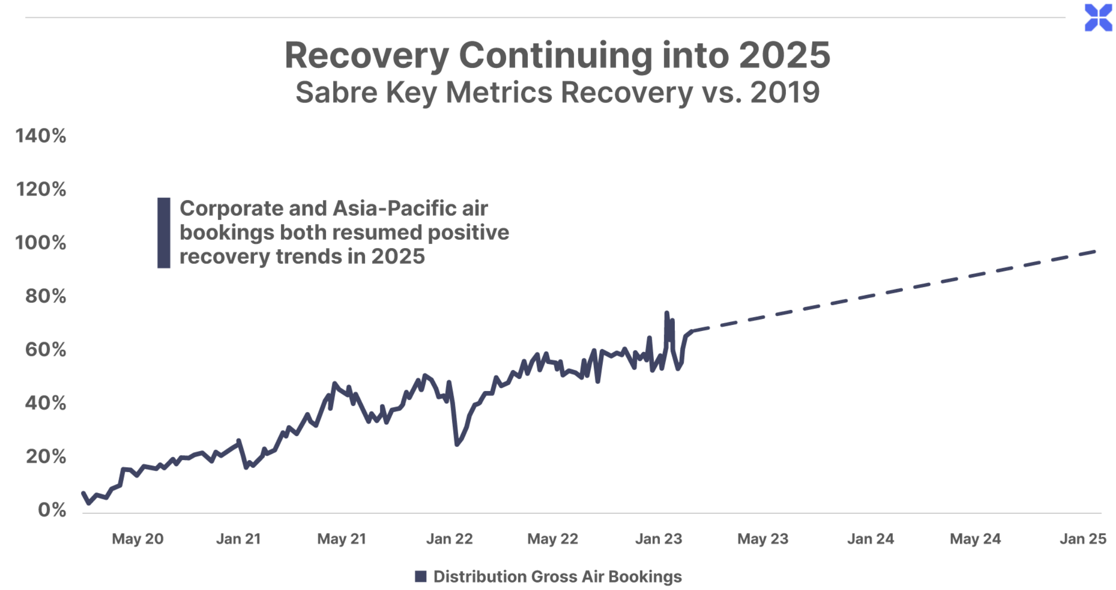
Travel Recovery

Sabre's operating profits vary with the volume of transactions it processes. Its average fee for an airline booking is roughly five times larger than hotel and other fees. Because of this, Sabre's operating results are highly sensitive to the volume of airline bookings. The International Civil Aviation Organization expects that air passenger demand in 2023 to rise to pre-pandemic levels on most routes.

Sabre's bookings dipped sharply during the pandemic, and have recovered to only 62% of 2019 levels. The company projects that bookings on its system will rise steadily to reach 75% of 2019 levels by the end of 2025. This trajectory is in line with analysts' expectations.



Source:7-day moving average; calendar-shifted; CRS transactions are comminity model only; IT Solutions Passengers Boardered includes current and historical Radixx volumes not previously included in prior versions of this chart. Chart includes Data through Feb.9, 2023.

Sabre's results also vary with the mix of its bookings: leisure or business, domestic or international. The fees Sabre receives for booking business and international travel are larger than they are for leisure and domestic travel. So far, leisure travel has recovered at a faster pace than business travel – and domestic travel at a faster pace than international travel.

On average, domestic business travel spend is at 74% of pre-pandemic levels, and international business travel spend has recovered to 66%.

As travel continues to recover to pre-pandemic levels, the mix of bookings will likely include more business and international flights. The impact of remote working on the pace and extent of this rebound remains unknown.

On a positive note, aircraft deliveries are scheduled to increase again – Boeing's by more than 20% over 2022 levels – after a break in production during COVID and the

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supply-chain bottlenecks that followed it. More planes in the air inevitably means more bookings on the network.

Cost Reductions

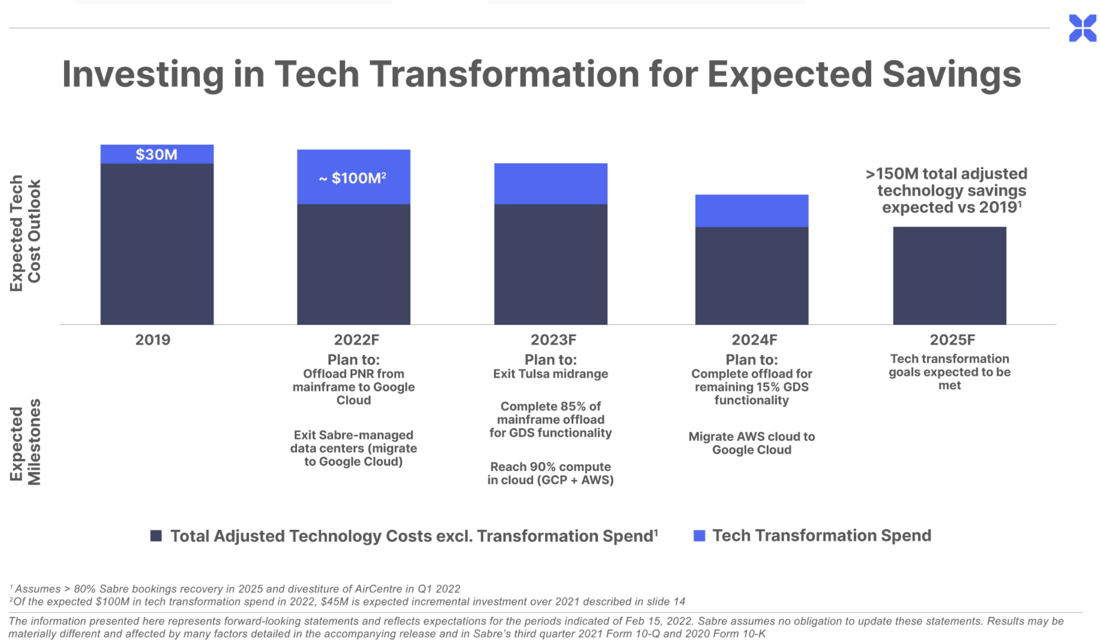
In February, when Sabre management held its year-end conference call with investors and analysts, it projected operating profits of $300-320 million in 2023. In its call with investors three months later, Sabre announced a broad package of cost cuts. The bulk of these relate to staffing and real estate.

These expense reductions will result in annual savings of $100 million in the remainder of this year and $200 million annually going forward. It will cost Sabre a total of only $70 million to make these changes – which will likely make the path to bond maturity even smoother.

Technology

Sabre is in the late innings of a six-year program to close its costly data centers and migrate its computing to Google Cloud. (The company maintained eight mainframes and 35,000 servers worldwide.)

In addition to $150 million projected annual cost savings (starting in 2025), management expects the cloud migration to reduce costs, make installations easier, and improve data security for its airline IT (PSS) business, as shown in this slide from Sabre's 2021 Investor Presentation:



Sabre has implemented a variety of other cost-saving – and revenue-increasing – technologies across its businesses as well. The company projects that it will add

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$150 million in operating profit through a variety of "strategic growth initiatives" (mostly, tech upgrades) by the end of 2025.

In 2019 Sabre acquired a company called Raddix, which enables it to offer a variety of operating systems to low-cost airlines. Then, in 2022, it acquired virtual payments provider Conferma Pay, and in July 2023 announced the purchase of e-commerce provider Techsembly.

Perhaps the most notable of these initiatives is a partnership with Mastercard to offer "virtual credit cards." These are secure payments using a smartphone app and a one-time-only card number – making it simpler for business travelers to have their expenses billed directly to their company. For Sabre's airline, hotel, and other partners, this partnership will enable them to receive payment sooner and maintain better record-keeping.

Starting 2023 Well: Q1 Results

Operating results for the first quarter of 2023 (ending March 31, 2023) showed a modest but promising trend. Revenues came in a little better than the market expected ($743 million compared with $725 million). GDS bookings rose 49% over the first quarter of 2022 – reflecting ongoing improvement in travel. This improvement occurred despite a decline in the airline IT (PSS) business as a result of selling the crew management business in 2022, the loss of GDS and PSS business from Russian airlines, and the competitive losses discussed earlier and below.

Operating profit of $58 million came in above the expectation of $50 million. Cash flow of negative $91 million was essentially in line with the company's projections.

Putting It Together

Putting all of these factors together, the company is projecting operating profit of $300-320 million for 2023. While Sabre's management has not released any projections for 2024, it expects operating profit will rise to more than $900 million in 2025.

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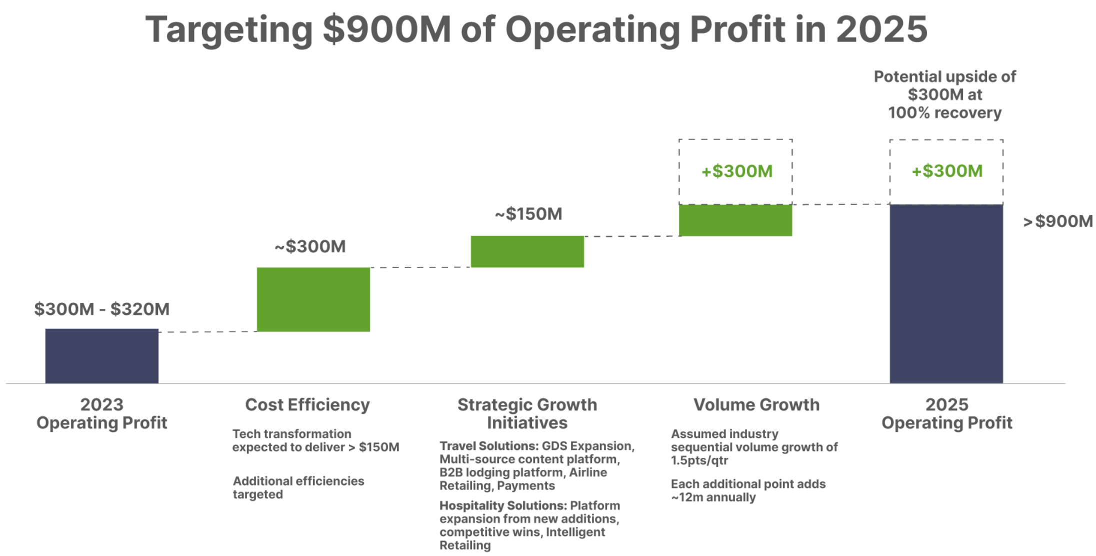

This information presented here represents forward-looking statements and reflects expectations as of May,2023. Sabre assumes no obligation to update these statements. Refer to "Forward-looking" on Slide 2. Results may be materially different and are affected by many factors including those detailed in the accompanying release and in Sabre's Form 10-Q filled with the SEC on May 4, 2023.

In the following chart, we project operating profit and cash flow. We are using Sabre's estimate for 2023 and 2025 and the consensus of analysts' expectations for 2024, as reported on Bloomberg.

Sabre's cash balance will likely bottom out at the end of the seasonally weak second quarter. The company – and analyst consensus – expects cash will increase over the second half of 2023 and the next few years.

Projected Operating Results and Free Cash Flow
(all figures in millions of dollars)

	Operating Profit	Working Capital	Interest Expense	CAPEX	Free Cash Flow
2019	$946	-$335	$156	$115	$340
2020	-$448	-$132	$225	$65	-$870
2021	-$261	$58	$258	$54	-$515
2022	$65	-$49	$295	$69	-$348
2023	$300-320	$150*	$390	$50	$10-30
2024	$611	-	$390	$50-60	$161-171**
2025	Over $900	-	$350	$50-60	Over $490-500

**Combination of new accounts receivable borrowing and reductions in working capital usage.*
***Source: Bloomberg*

Data for 2023-2025 are projections

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How Does This Opportunity Exist?

We consider it highly probable that Sabre's 4% convertible bonds will be paid off on schedule – in less than two years – given its cash position now, which will be supplemented by positive cash flow from operations. We believe that these bonds trade at a meaningful discount to their face value more as a matter of history than of the future.

In part, the 15% yield on these bonds may reflect that management has failed on numerous occasions to meet the profitability targets that it had set. Under prior CEOs, the company failed to meet its longer-term (2-3-year) targets three times since 2015 – and has missed its quarterly targets on a number of occasions (most recently for the last quarter of 2022).

On top of this, we don't know exactly how much airline booking will increase over the next couple of years, and some investors may prefer to wait and see.

There are various longer-term threats, as well, including the competitive threat of Amadeus IT. Sabre has recently lost three airline software customers to Amadeus, which is larger than Sabre – its revenues are three times Sabre's – and has very little debt on its balance sheet.

In addition, the percentage of airline tickets booked directly with airlines – as opposed to indirectly, through a GDS – has been increasing slowly over time. New Distribution Capability (NDC) software, which makes it faster and easier for airlines to use direct booking, could eventually edge out GDS systems. But that will not happen until long after these bonds have matured. (Almost 10 years since the first standards were introduced, NDC is still being adopted very slowly.)

The last reason the bonds may trade at these discounted levels is that there aren't enough of them available to interest large bond investors.

The issue size, $332 million, is considered small – and the top five bondholders own 80 percent of them. In total, large bond investors hold 95% of the issue (the biggest holder, Oak Hill Advisors, has a long and successful track record as a distressed debt investor).

That means there aren't enough bonds available for most funds to make a new investment. Because so much of the bond issue is tied up by the big players, it's not feasible for institutions to take new positions. But individual investors can.

Valuing a Work in Progress

Management is projecting $300-320 million in operating profits for 2023 – including the $100 million savings from cost cuts. In 2024, the full-year effect of these cuts is expected to add another $100 million. This would mean operating profits for 2024 would be roughly $400 million – before we add any benefit for a travel rebound or for any new business.

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Now, let's add the $100 million of incremental savings expected from the tech transformation for 2025 and after. This would bring operating profits for 2025 to $500 million *plus* any benefit from increasing corporate and international travel.

Given these factors, we believe a conservative assumption would be operating profits of $500-550 million in 2024 and $650-700 million in 2025.

Amadeus is the only publicly traded company that is comparable to Sabre – but it is much larger than Sabre, and its market capitalization is much higher. (Stock and debt worth $33.1 billion as compared with $5.5 billion for Sabre.)

In addition, IT solutions – principally software for airlines – is Amadeus' main business. Its GDS is its smaller business. In short, it is almost a mirror image of Sabre. In normal times information technology/software businesses are likely to grow faster and merit a higher valuation multiple than GDS businesses would. So Amadeus is likely to trade at a higher valuation than Sabre.

Here we compare the market value of both companies' stock (plus debt) with their projected operating profit (based on Bloomberg consensus estimates). We do this for this year, 2024 and 2025 – the period when Sabre's operating profits are projected to rise significantly. For Sabre, we also run an additional calculation to show the multiple needed to cover only its debt.

Market Valuation Compared with Current and Projected Operating Profits

	Amadeus Enterprise Value: $33.1 billion		Sabre Enterprise Value: $5.5 billion		Sabre Net Debt: $4.1 billion
	Operating Profit	EV / Operating Profit	Operating Profit	EV / Operating Profit	Net Debt / Operating Profit
2023	$2.12 billion	15.6x	$306 million	18.0x	13.4x
2024	$2.47 billion	13.4x	$609 million	9.0x	6.7x
2025	$2.71 billion	12.2x	$860 million	6.4x	4.8x

The key point is that Sabre's debt load is in the process of becoming more manageable. We think that as investors begin to look forward toward 2024, they will see that Sabre's debt load will normalize at 6.7x. This is still a high level of debt – but probably less than the value of the business.

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Sabre's total debt should continue to fall to 4.8x operating profits in 2025. (Even using our conservative assumptions, the ratio will fall to roughly 5.5x.) Management has indicated that using cash flow to reduce debt is its highest priority. It is aiming to reduce total debt to 2.5-3.5x operating profit coming out of 2025.

The reality is that for the holders of Sabre's 4% convertible bonds, we only care until April 15, 2025. It really doesn't matter to bondholders what happens afterward. For this reason, whether the company meets its $900 million target for operating profits in 2025 or falls somewhat short...we've been to the bank and the check has cleared.

Smart Financing Moves

Since the pandemic began, Sabre's management has handled the company's balance sheet masterfully. It had the foresight to borrow enough money to see the company through the early stage of the pandemic – when the duration of the shutdowns and travel bans were unknown. Recently, management has refinanced a significant amount of near-term debt. These moves directly benefit the 4% convertible bonds maturing in April 2025.

Last November, Sabre completed an offering of secured bonds. It used the proceeds from this sale to repay a $536 million bank loan coming due in 2024. We like that management was forward thinking and extended its financial runway by addressing this upcoming maturity well in advance.

On June 13, Sabre closed on a new $700 million secured term loan maturing in December 2028 from Centerbridge Partners, a large private investment firm. It used $640 million of the proceeds to repurchase $670 million face amount of Sabre's 9.25% Secured Notes maturing April 15, 2025 at 97 percent of face value. This refinancing reduced Sabre's total repayment obligation in April 2025, which had been roughly $1.1 billion.

Now, the company has a much easier hurdle of $438 million to repay when our bonds and another very small issue mature in April 2025. (As a reminder, cash at March 31 was $817 million.)

Discussion of Bond Terms

Sometimes, when you peel back all the layers, there's a positive surprise.

This bond is "senior unsecured." This means that in the event of bankruptcy – which we certainly do *not* foresee – holders of these bonds would get paid along with all other unsecured debt. (That is, they would get paid *before* stockholders would receive anything.) But the bond would get paid *after* secured bonds and loans to the extent of the value of the collateral. The secured creditors could end up with the lion's share of the company's value.

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Here's the twist. It's true that the 4% convertibles would be the *last* bonds to get paid in bankruptcy but… without a bankruptcy, these bonds get paid *first*. As long as Sabre stays afloat until April 15, 2025, these unsecured bonds will get paid off *before* the secured debt that is scheduled to mature at a later date.

Schedule of Sabre's Debt Maturities

Year	Amount of Debt Maturing
2025	$438 million (April 15) $850 million (September 1)
2026	$0
2027	$1.582 billion
2028	$1.287 billion

We're confident that Sabre will have enough cash to stay afloat until (and beyond) April 15, 2025, when the $332 million of 4% convertible bonds mature.

This cash flow analysis uses Sabre's projection for 2023, and the consensus of analysts' opinions on Bloomberg for 2024 and 2025. It demonstrates why we're confident the company should make the payments in April 2025 even if it falls somewhat short of its operating targets.

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Cash Balance	
Cash at Mar. 31, 2023	$817 million
Projected FCF for rest of year	101-121 million
Projected Cash at Dec. 31, 2023	$918-938 million
Free Cash Flow in 2024	$161-171 million*
Cash at Dec. 31, 2024	$1.078 billion - $1.109 billion
Bond Maturing on Apr. 15, 2024	$438 million
Cash After Bond Redemption	$640-671 million (plus whatever cash is generated in Q1-25)

Source: Bloomberg

But Wait… There's More

We're recommending these bonds because of their 15% yield to maturity – and our expectation that they will be paid off when they mature in 21 months.

We consider any additional value above the $1,000 face value of Sabre's 4% convertible bond as gravy. We would like these bonds even without a conversion feature. But lo and behold, they come with gravy!

Specifically, in April 2025, your bonds will receive the *higher* of their $1,000 face value, or the value of 127 shares of Sabre's stock. Let's look at the SABR stock price chart over the last five years and assess the upside *potential*.

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Sabre Stock Price

*Source: Bloomberg

If the stock price goes above $7.88 on or before the bonds mature in April 2025, you can convert them into stock that will be worth more than the $1,000 face value. Your broker will know how to do this. (Before maturity, the market price of your bond is likely to reflect that value – so you can sell it to someone else.)

Value of Bonds Converted into 127 Shares

Stock Price	Value of Bond
Under $7.88/share	$1,000 face amount
$8	$1,015
$9	$1,142
$10	$1,269
$15	$1,904

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That $3.80-to-$7.88 price jump will depend on whether Sabre can improve cash flow from operations, and on how much the travel market will recover between now and April 2025. Many outcomes are possible.

The company's projections are based on a reasonable and conservative 75% recovery to pre-pandemic levels (2019) by the end of 2025. Remember that if the stock never reaches that level – let's say there's a significant selloff in the equity market, or Sabre doesn't hit its projections – you *come before* shareholders. You're a creditor. You get paid regardless of what happens to the share price.

Recommendation

We recommend these convertible bonds at or below $860 plus accrued interest. Taxation of deep discount bonds like this one can be complicated. It's best to put them in an IRA or other tax-deferred account. We have added a short guide to the unholy combination of bonds and taxes on our portfolio page **here**.

Action to Take: Buy Sabre GLBL Inc. 4% convertible bonds due 4/15/25
CUSIP: 78573NAE2

Sabre GLBL Inc. 4% Convertible Bond Maturing 04/15/2025		
Summary		
September 12, 2023	Amount Invested	$844.88
	Total Interest and Principal	$80.00
	Current Yield	4.8%
	Total Return	27.8%
	Term	Under 2 years
	Issue Size	$332 million
	Credit Rating	NR
	Callable	No
Details		
July 12, 2023: Purchase the bond $835	Accrued interest*	$9.88 per bond
	Total Cost	$844.88 per bond
October 15, 2023	Receive interest payment	$20 per bond
April 15, 2024	Receive interest payment	$20 per bond
October 15, 2024	Receive interest payment	$20 per bond
April 15, 2025	Receive interest payment	$1,020 per bond

** The accrued interest from July 14 until October 15, 2023. This amount is received by the seller on the settlement date and is added to the price of the bond. The first interest payment you receive on October 15, 2023 is $20*

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Martin Fridson

Porter & Co.

Stevenson, MD

P.S. If you'd like to learn more about the Porter & Co. team – all of whom are real humans, and many of whom have Twitter accounts – you can get acquainted with us **here**.

mailbag@porterandcompanyresearch.com

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How to Buy This Bond with a Live Broker

If you are putting in a phone call to your broker, here's a quick breakdown of the steps you'll go through.

1. **Tell your broker the number of bonds you'd like to acquire.**

2. **Provide the name of the borrower, the coupon, and date of maturity.**

3. **Provide the CUSIP number.**

- CUSIP stands for "Committee on Uniform Securities Identification Procedures" and is a unique series of numbers and letters assigned to every traded security. Providing the CUSIP will ensure that you're buying the right security.

Specific Instructions for Buying Sabre GLBL 4% 04/15/2025 Convertible Bond

Now, the convertible bond we are recommending today is not always tradeable online, so instead you will need to place your trade by phone. We've confirmed that the Sabre GLBL 4% 04/15/2025 Convertible Bond is available through Schwab, Interactive Brokers, T.D. Ameritrade, and at full-service brokerage firms.

> Recall that the bond market is much less popular (and there's much less trading volume) compared to the stock market, so don't be surprised if you are dealing with a broker who knows little about the bond market.
>
> This is part of the reason why, in the bond market, there are fewer market participants and less overall interest, so it's easier to scoop up bargains when opportunities arise.

The instructions for placing an order are usually standard across the brokerage platforms mentioned above.

Here's an example of how the conversation with your broker might go:

***Investor**: "Hello. I am interested in buying the Sabre GLBL 4% 04/15/2025 Convertible Bond. Can you get me the bond quote so I can decide whether or not I want to buy?"*

***Broker**: "Yes, can you confirm with me the CUSIP?"*

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***Investor**: "The CUSIP is 78573NAE2."*

***Broker**: "We don't have these bonds in our inventory. However, we can place open market orders which allows for this bond to be traded and sold through an alternative trading system (ATS). We can get you a quote. How many of these Sabre GLBL convertible bonds are you looking to purchase?"*

***Investor**: "I'd like to purchase 25 of the Sabre GLBL 4% 04/15/2025 Convertibles."*

***Broker**: "Okay, I will get you a quote and call you back. Bye."*

This is where the first conversation with the broker will come to an end... but within the next 24 to 48 hours of the next trading day, the broker should return your call and will give you the quote (the price) of the bond. This call is when you will place and confirm your order.

After your initial call to receive the quote, the broker will call you back in most cases and after he confirms he's speaking to the correct person, he can go ahead and place your order.

Here's how the second call might go:

***Broker**: "Hello, this is John Doe, the Fixed Income specialist you spoke to earlier. I am calling to give you a quote for the 25 Sabre GLBL 4% 04/15/2025 Convertible Bonds you inquired about earlier today. The price for the size of your request to buy 25 bonds is $83.50. Would you like to go ahead and place the trade?"*

Note: The $83.50 price he quoted is really $835.00 for the cost of each bond. When quoting bonds, brokers will most likely drop the last zero, so $83.50 becomes $835.00. Now, if the investor decides to purchase 10 bonds, his total will be $20,875 ($835.00 × 25 = $20,875) in addition to the commission or service fee.

***Investor**: "Yes. The total comes out to $20,875 plus the service fee. Is that correct?"*

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> ***Broker**: "Yes, it is correct. I will go ahead and make the transaction. You will get an email confirmation over the next 24 hours. Have a great day!"*

As always, if you have questions, please call Lance, your personal Porter & Co. Concierge, toll-free at (888) 610-8895, or locally at (443) 815-4447. We do not endorse any specific brokerage and are offering this guide for informational purposes only.

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