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Accelya Hires a Big Hitter

November 2022

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THE FACTS

Accelya has announced that Sam Gilliland, the former CEO of Sabre, will be its new CEO. Jim Davidson will take the advisory role of Vice Chairman.

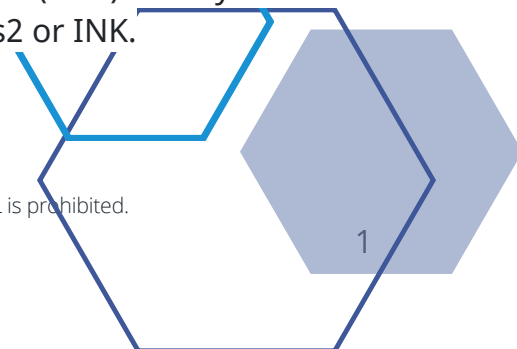
THE ANALYSIS

Accelya is a conglomerate company that has been assembled under the guidance of investors Vista Equity Partners, and previously Warburg Pincus, over the last five years. Its main components were “legacy” Accelya, a software and services company specialised in revenue accounting, Mercator, the former IT arm of Emirates Group (with a PSS and revenue accounting solution), Revenue Management Systems (RMS), an independent revenue management solution company, and of course Farelogix, the pioneering merchandising solution company founded by Rick Gossage in 1998 and led by skilled Amadeus alumni notably Jim Davidson, Tim Reiz, Theo Kruijssen and Edna Lopez. Other smaller acquisitions were also made to augment the portfolio.

Accelya has clear ambitions to be a leading supplier of software to the airline industry, competing with Amadeus and Sabre at the top end of the market rather than scrapping it out with the dozens of companies supplying the smaller airlines in tier 3 and 4. The acquisition of Farelogix by Vista in 2020 was to some extent opportunistic, after Sabre was prevented from buying the company by competition authorities in the United Kingdom. Nevertheless it seemed to set Accelya on the path to being a real challenger in the emerging Offer/Order/Deliver/Settle environment for airline distribution and operation.

So far that promise has not been realised. Farelogix brought with it a customer list of blue chip airlines for its merchandising capabilities. These airlines had decided that they needed to improve upon the functionality of their PSSs and revenue management systems in order to exploit the possibilities of dynamic offers and increased ancillary sales. Combining this with Accelya and Mercator’s capability in revenue accounts and RMS’s revenue management skills should provide the core of an Offer/Order/Settle/Deliver platform. However there are still big pieces to be added including a product catalogue (inventory) and a delivery system (DCS). Accelya could build these, buy them or partner with smaller vendors like Res2 or INK.

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This is the primary challenge that Sam Gilliland faces. He certainly has the background to tackle it, having spent almost thirty years at Sabre, including a decade as Chairman and CEO. When he left Sabre in the summer of 2013 IATA had just announced its new idea for distribution, NDC, but it had yet to do more than generate speculation in the real world. Real momentum towards the new processes didn't start until five years later.

Along with the other GDS companies Sabre tried to head off the threat from NDC before eventually realising that it needed to have an offering in the space and agreeing to buy Farelogix in November 2018. That deal was challenged in the US and eventually approved, but finally stopped by the UK Competition and Markets Authority just before the Covid-19 pandemic struck in February 2020. Sabre was unable to complete the transaction and Accelya moved in around six months later, paying more or less the same price Sabre had offered and generating an exceptional return for the Farelogix investors.

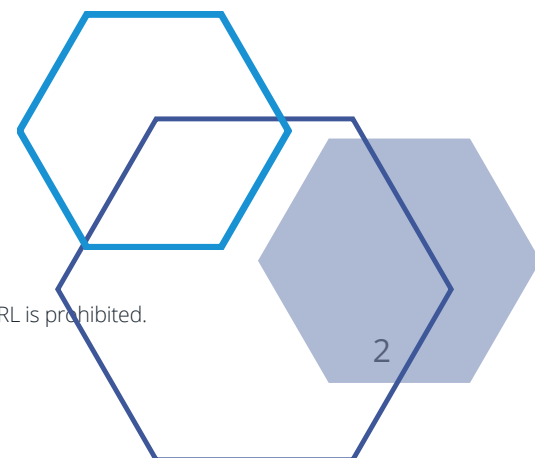
So, Accelya has appointed a CEO with great depth of experience but one who has been out of direct exposure to the industry during the initial phase of the move to Offer/Order/Settle/Deliver. His priorities will be to bring together the disparate elements of the Accelya conglomerate into a unified whole. If Accelya is to become a truly first rank provider it has some gaps to fill and Mr Gilliland will have his own perspective on the build versus buy decisions that need to be taken. His software engineering background, albeit from a different era of technology, will be very useful in the process of analysing those decisions.

THE SPECULATION

This appointment suggests that Accelya's owners remain ambitious for the company. T2RL believes they have probably brought in Sam Gilliland to accelerate its development of a comprehensive airline commercial offering. However the gaps in the portfolio, primarily inventory and delivery systems, will not be filled cheaply.

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Although T2RL believes that Tim Reiz and his team will have made some headway, much more money will be needed. Whether the decision is to build or buy for the balance of capabilities, the necessary investment will certainly be in the tens of millions and quite possibly higher than that. With global interest rates rising, debt finance may not be a good option. Whether Mr Gilliland is able to persuade Vista Partners to increase its investment may turn out to be the key question he needs to answer.

T2RL is an independent research and consulting company that specialises in the market place for airline IT systems. Based on data gathered and analysed since the year 2000 it has defined and tracked classifications of airlines and their IT providers. Its research is used by airlines to enable them to make informed choices of systems and vendors and by the vendors to help them develop products that best meet the current and future needs of the airline industry. For further information, visit our website at www.t2rl.com.

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