



 **expedia inc.**

**Investor presentation**

**February 8, 2018**





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Non-GAAP measures. Reconciliations to GAAP measures of non-GAAP measures included in this presentation are included in the Appendix. These measures are intended to supplement, not substitute for, GAAP comparable measures. Investors are urged to consider carefully the comparable GAAP measures and reconciliations.

Industry / market data. Industry and market data used in this presentation have been obtained from industry publications and sources as well as from research reports prepared for other purposes. We have not independently verified the data obtained from these sources and cannot assure you of the data’s accuracy or completeness.

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# Expedia, Inc. at a glance



Largest travel company  
**\$88B**  
gross bookings<sup>1</sup>



**\$10.1B revenue** growing  
**>2X faster** vs. industry



**675M+** monthly site visits<sup>2</sup>



**75+** countries served



Nearly **2.0M**  
lodging options  
for travelers<sup>3</sup>



**22K+** employees globally

Notes: Expedia, Inc. results shown for 2017. <sup>1</sup>Gross bookings is an operating and statistical metric that captures the total dollar value, generally inclusive of taxes and fees, of travel services booked by our customers. <sup>2</sup>Monthly visits based on data for Brand Expedia, Hotels.com, Orbitz, Travelocity, Wotif, HomeAway, trivago and Hotwire combined during 2017. <sup>3</sup>Consists of both Expedia properties and online bookable HomeAway listings.

Sources: Overall travel industry growth rate based on Phocuswright data for 2017 Y/Y.



# Key investment highlights



- 1 Huge addressable market
- 2 Operating the world's largest, diversified travel platform
- 3 Harnessing significant scale and technological advantages
- 4 Leading brands with proprietary channels
- 5 Strong financial performance on solid trajectory
- 6 Track record of successful M&A and smart capital allocation

# Huge opportunity in \$1.6T global market



Global leader with significant headroom for further growth



United States and Canada



EMEA



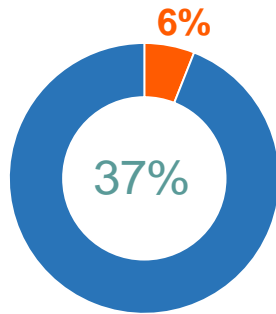
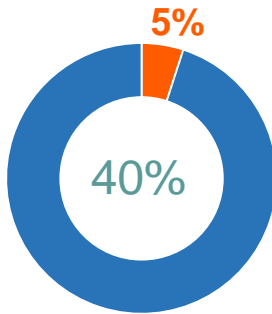
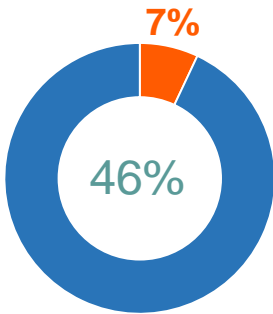
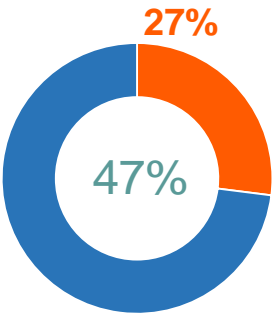
Asia Pacific



Latin America

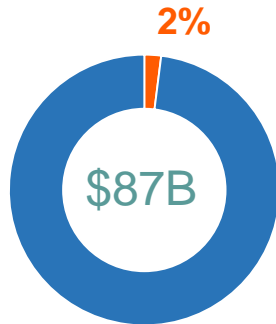
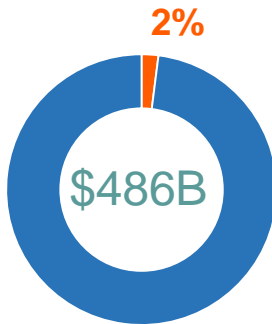
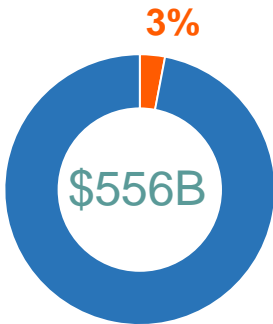
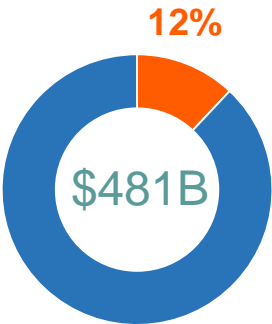
Online travel segment

44% of total travel market



2018 total travel market

Total travel market ~\$1.6T

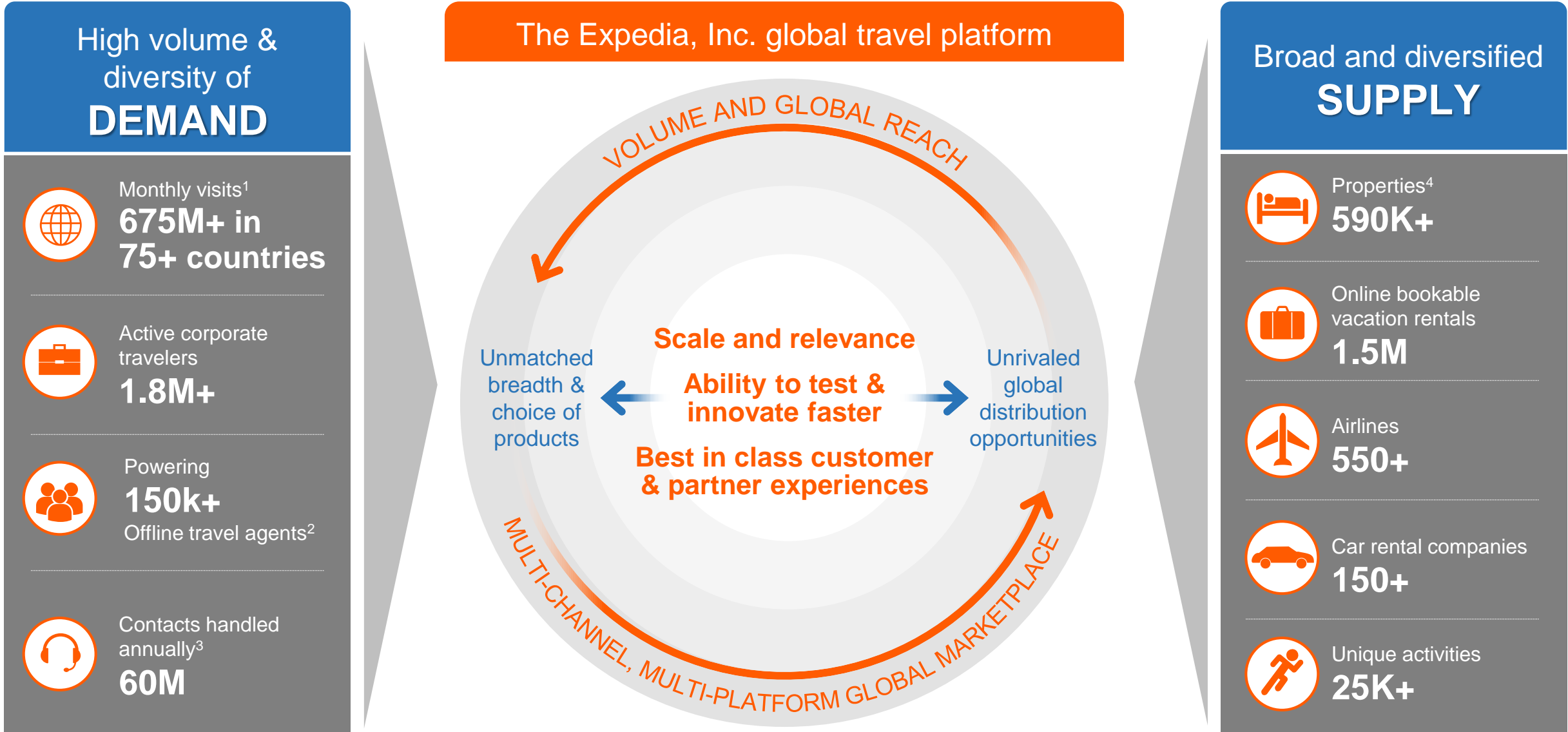


Expedia, Inc. Other

Notes: Expedia's share of travel market defined as gross bookings during 2017. Travel market size estimates based on Phocuswright data for 2018. 2018 data includes addition of alternative accommodations and activities, which was not included in prior years. Sources: Phocuswright estimates and Expedia data.



# World's largest, diversified travel platform



Notes: Expedia, Inc. data shown as of 12/31/17, unless otherwise noted. <sup>1</sup>Monthly visitors based on data for Brand Expedia, Hotels.com, Orbitz, Travelocity, Wotif, HomeAway, trivago and Hotwire combined during 2017. <sup>2</sup>Offline travel agents based on number of sales agents in Global Customer Operations, Expedia Affiliate Network (EAN), HomeAway, Classic Vacations, CruiseShipCenters, Travel Agent Affiliate Program (TAAP) as of 12/31/2016. <sup>3</sup>Contacts handled annually include calls, emails, chats and social media. <sup>4</sup>Includes more than 150,000 HomeAway listings.

# Unmatched portfolio of leading travel brands with global reach



# Core OTA



Only global full-service  
online travel agency,  
in 33 countries

Multi-product  
~\$50B gross bookings



A leading hotel specialist  
globally, in 65+ countries

Lodging  
~\$20B gross bookings<sup>1</sup>

Expedia Partner Solutions, powered by



A leader in global corporate travel, in 65+ countries

Corporate travel  
~\$7B gross bookings



Global vacation rental marketplace,  
in 40+ countries

Vacation rentals  
~\$9B gross bookings



A leading hotel metasearch company, in 55 countries

Metasearch  
~\$1.2B revenue<sup>2</sup>

## Expedia, Inc. supply & ecommerce platform

# Expedia loyalty programs drive repeat & create competitive differentiation



- 35M+ members
- Available in 65+ countries

Hotels.com® Rewards

Collect 10 nights, get 1 free

Collect nights after your stay

1	2	3	4	5
6	7	8	9	10

FREE

**NEW** Unlock Secret Prices

These are even lower rates that aren't available to everyone



- 26M+ members
- Available in 32 countries

Expedia+

Benefits to reward you	+gold	+silver	+blue
Earn 2 points per \$1 spent on hotels, packages with a hotel, cars, activities, and cruises.	✓	✓	✓
Double-up on flights by earning 1 point per \$5 spent and airline frequent flyer miles	✓	✓	✓
Earn 1 point per \$1 spent on flight + car packages	✓	✓	✓
No blackout dates when you redeem for Expedia travel	✓	✓	✓



- 8M+ members
- Members booked 80%+ more hotels than non-members

**ORBITZ REWARDS**

Instant Vacation Gratification®

Join, earn, redeem—it's that easy!

By clicking, I agree to the [terms](#)

**Join now**

Notes: All metrics provided are as of 12/31/17.



# Investments in mobile drive growth & engagement



**250M+**  
cumulative app downloads<sup>1</sup>



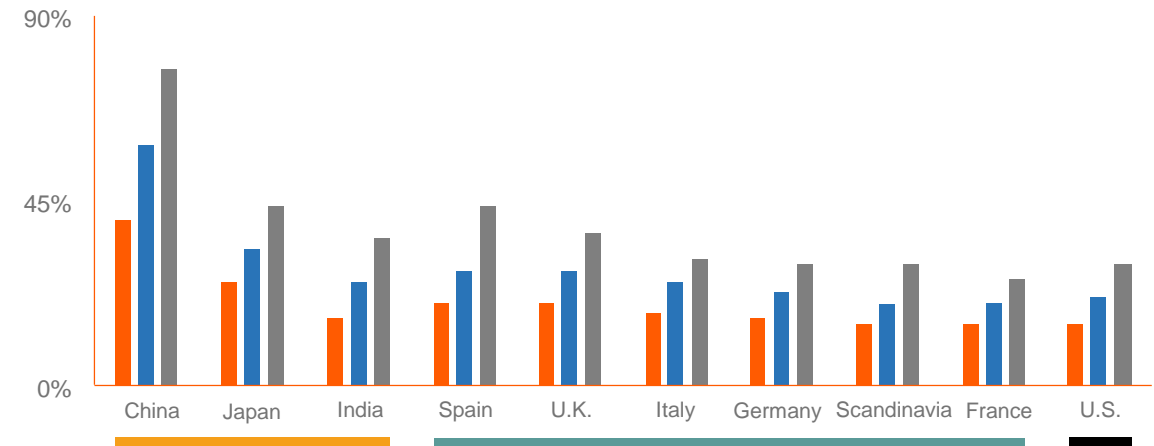
Approximately  
**1 in 3**  
transactions booked via mobile<sup>2</sup>



Over  
**50% of traffic**  
arrives via mobile<sup>3</sup>

## Travel industry

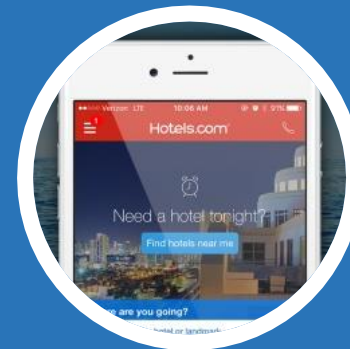
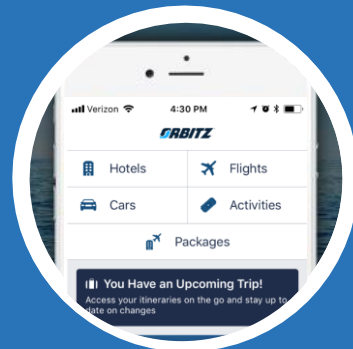
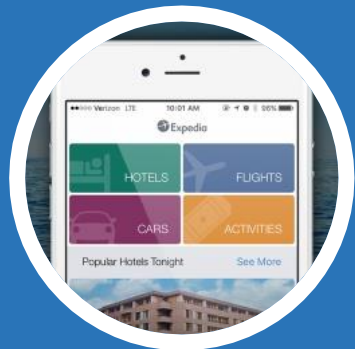
Mobile share of gross online bookings by key countries and regions



Source: Phocuswright

2015 2017 2020

APAC Europe U.S.



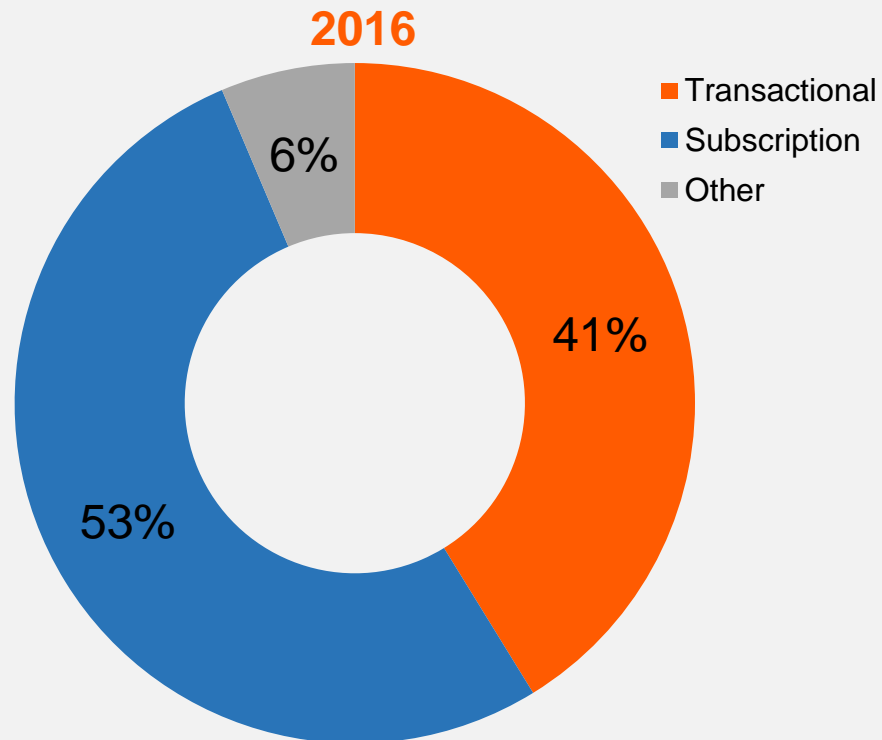
Notes: <sup>1</sup>Cumulative app downloads as of 12/31/17 for all Expedia, Inc. brands. <sup>2</sup>Based on Expedia, Inc. transactions in 2017. <sup>3</sup>Mobile traffic stat based on Brand Expedia, Hotels.com, Orbitz, Wotif, CheapTickets, ebookers and HomeAway mobile traffic in Q4 2017.

# HomeAway is a world leader in vacation rentals

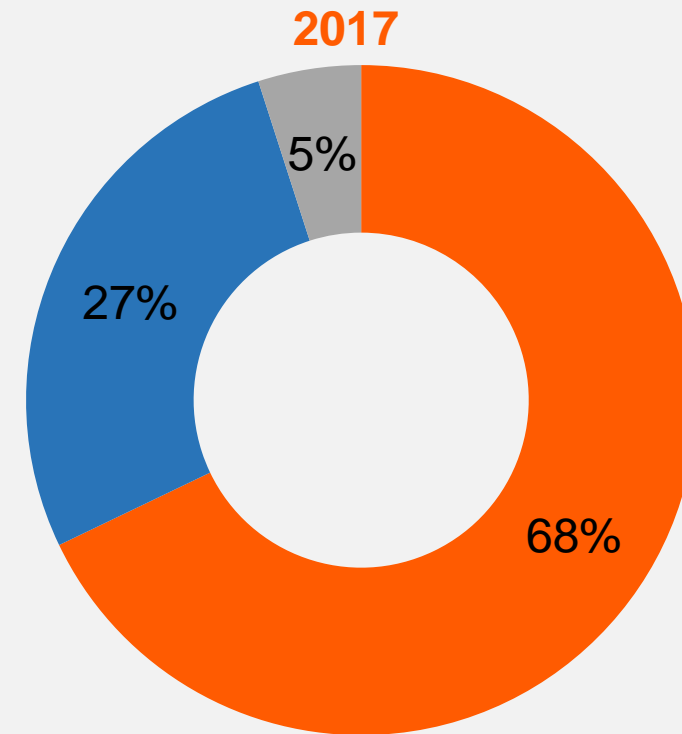
\$120B market opportunity<sup>1</sup>



## Transitioning the business model from subscription-based to transactional



Revenue growth of 38%<sup>2</sup>



Revenue growth of 32%

Notes: <sup>1</sup>Source: Phocuswright. <sup>2</sup>Calculated using HomeAway data for periods prior to Expedia, Inc.'s acquisition in December 2015.



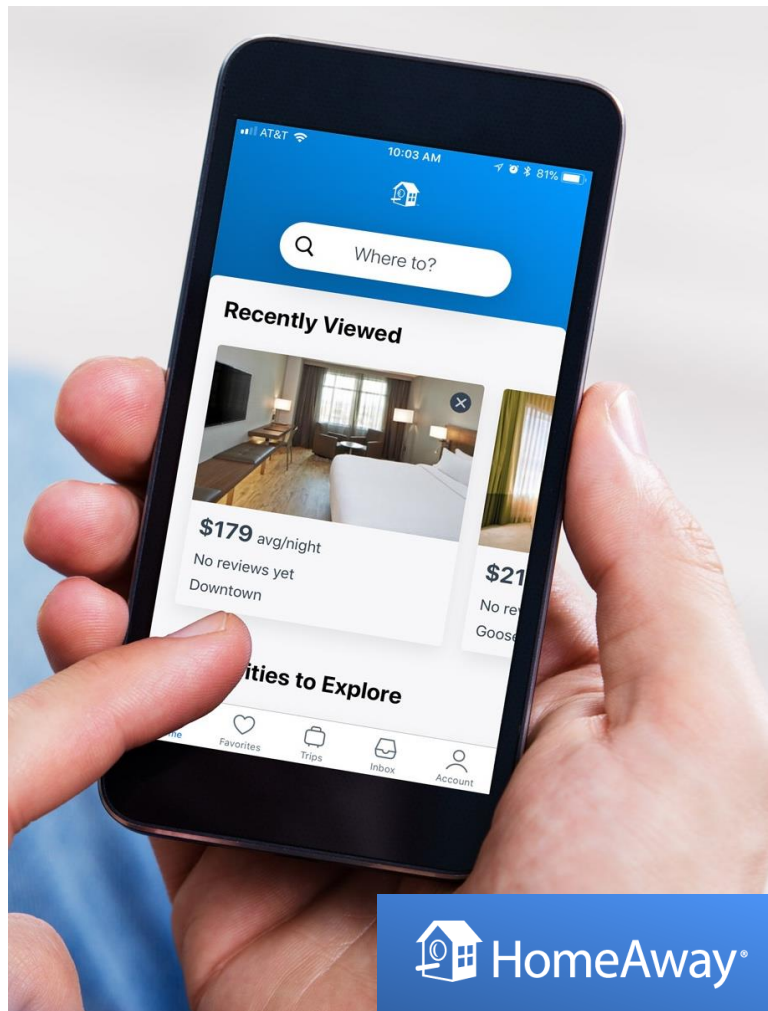
# HomeAway transition progressing well

## Benefits to homeowners:

Marketplace tools allow owners and property managers to drive more demand

\$1M liability protection and Premier Partner program to reward top owners and property managers

Significant marketing investments to bolster traveler demand



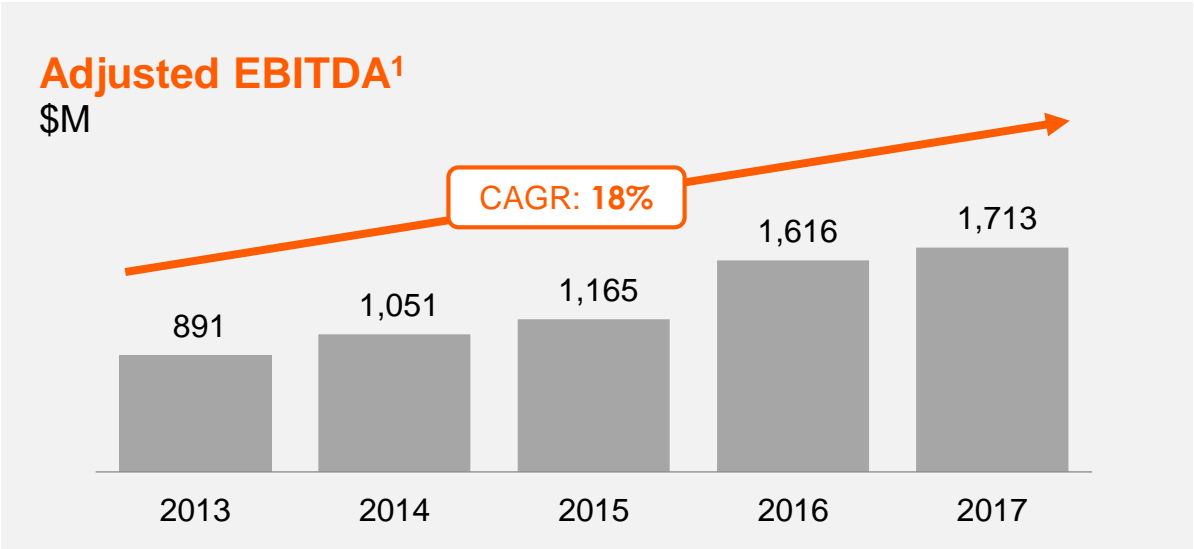
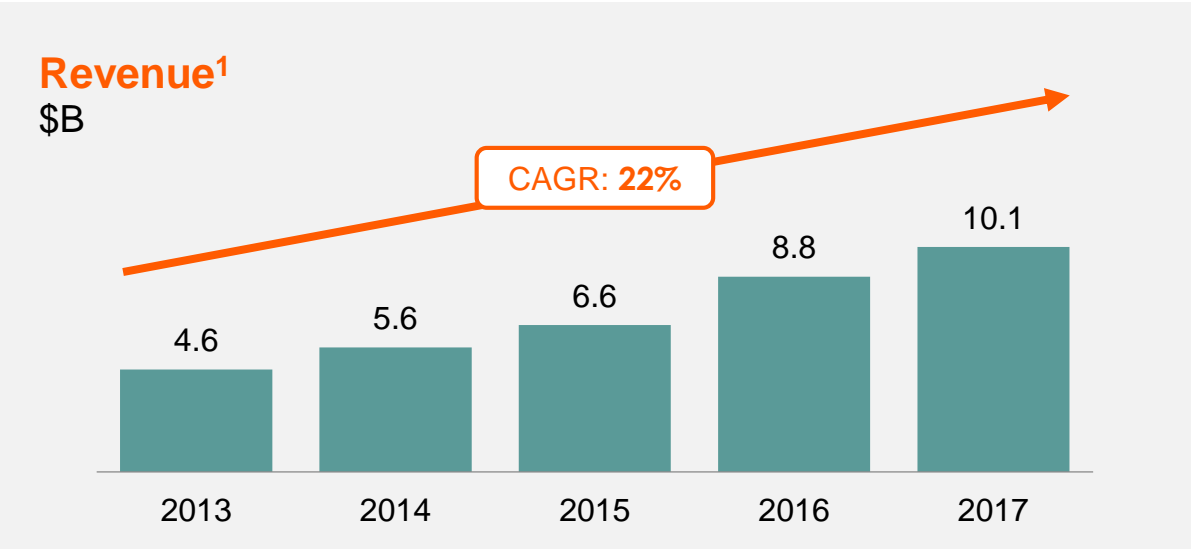
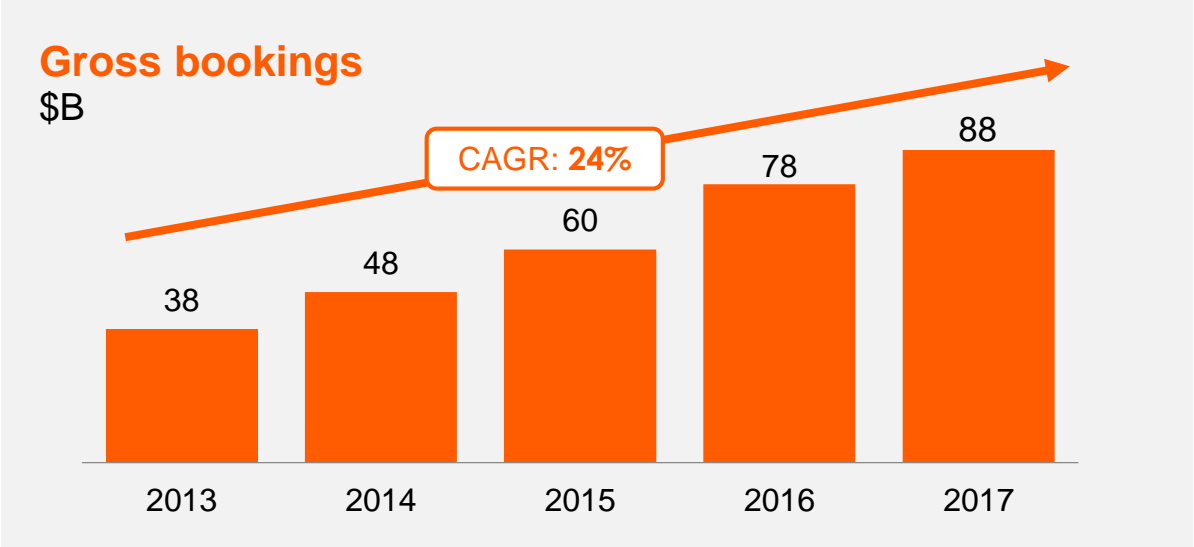
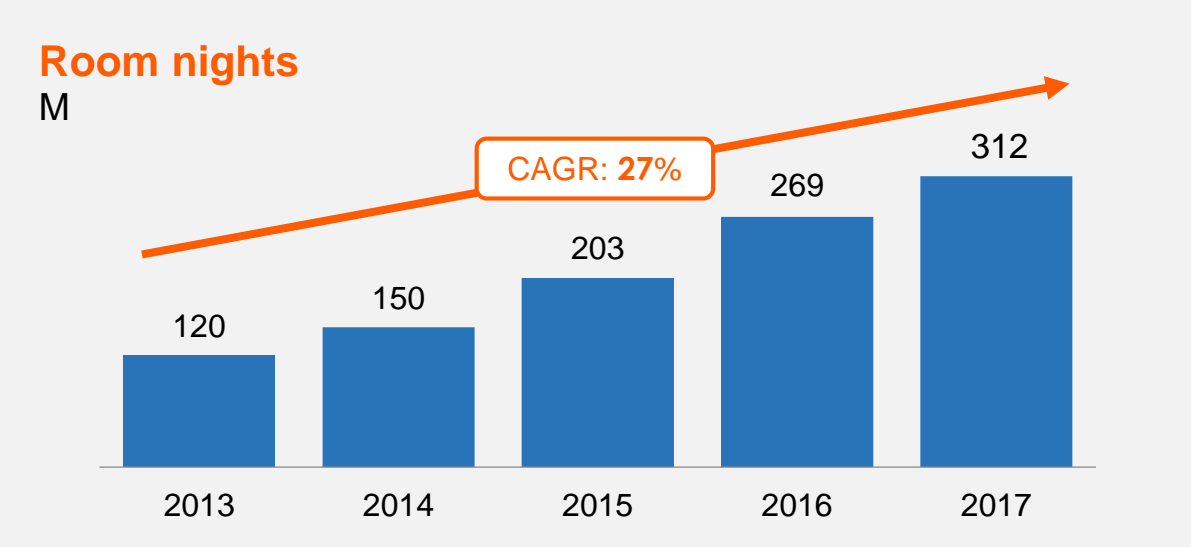
## Benefits to travelers:

Easier to search, book and pay online

Great selection with 1.5 million online bookable listings worldwide

Peace of mind through Book with Confidence Guarantee

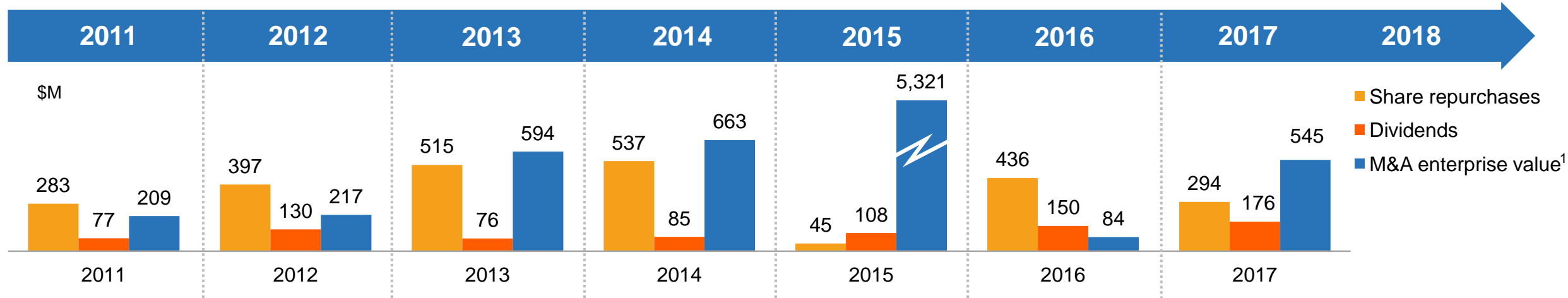
# Strong financial execution



Notes: All figures shown excluding eLong. <sup>1</sup>Non-GAAP measure. See Appendix for non-GAAP to GAAP reconciliation.



# Solid track record of capital allocation



Total free cash flow generated: \$5.6B<sup>2</sup>

## 2011

TripAdvisor spin  
(~\$500M invested,  
\$5.7B value today<sup>3</sup>)



## 2011 – 2013

- Improving financial performance fueled by organic investment in tech
- Working capital for agency hotel build out
- \$1.2B share repurchases
- trivago majority investment of ~\$632M (Expedia's ownership interest ~\$1.7B value today)<sup>4</sup>
- Opportunistic M&A

## 2014 – 2017

- Solid financial performance
- Strategic investments in hotel margins & supply footprint
- Orbitz synergies realization
- \$1.3B share repurchases
- HomeAway ~\$3.6B acquisition; shift from subscription to eCommerce model

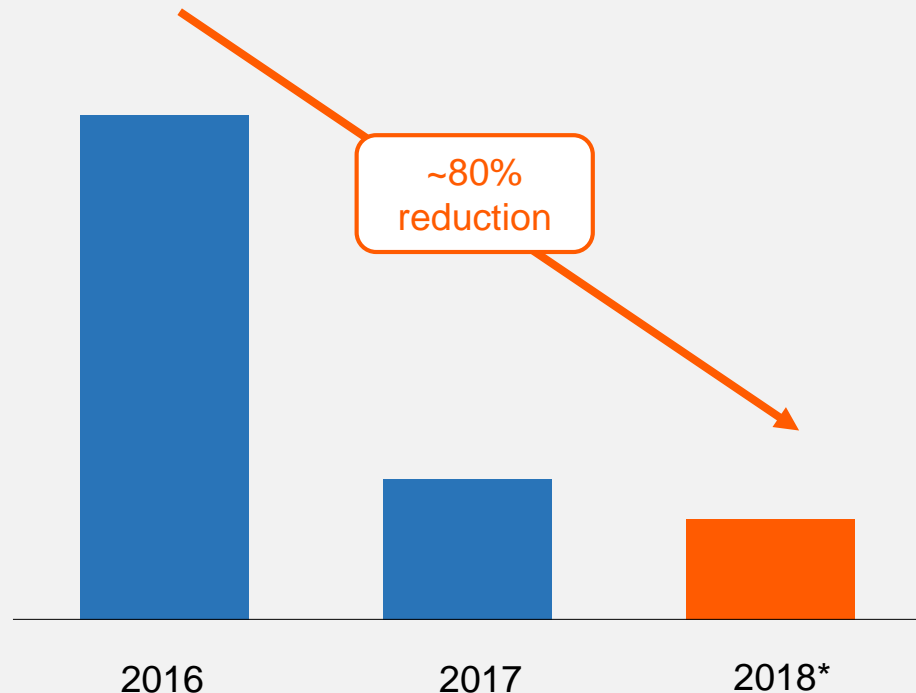
## 2018+

- Strategic investments in hotel supply and cloud computing transition
- HomeAway transition complete and growth story continues
- Opportunistic M&A, share repurchases and dividends
- Begin moving into new Seattle HQ campus in late 2019

Notes: <sup>1</sup>Does not include \$671M divestiture of eLong. <sup>2</sup>Free cash flow is a non-GAAP measure and includes eLong. See Appendix for non-GAAP to GAAP reconciliation. <sup>3</sup>Value as of 2/6/18. <sup>4</sup>Value of majority investment based on exchange rates as of transaction announcement date 12/21/12. Includes approximately \$57M in stock-based compensation related to the issuance of common stock. Value today as of 2/6/18 based on 59.6% ownership interest at 12/31/17.

# Data center investments shrink as cloud migration builds momentum

## Reducing data center capital spend



\*Expected cloud spend to total about \$170 million in 2018

## Expected cloud benefits on operations

- Scalability and speed
  - Cost effectively improves site performance during peak traffic periods
  - Accelerates growth into new countries or markets
  - Provides flexibility for possible future acquisitions
- Resiliency gains simplify and speed recovery from a business disruption
- Enhanced data analytics capabilities
- ~6K of best and brightest technology minds can focus more on innovation<sup>1</sup>
- Reduction in existing data center maintenance (~40% of the data center, cloud and other expenses line item)



# New Seattle headquarters of Expedia, Inc.:

## Building for the future



### Key facts

- 40 acres on Seattle waterfront
- Initial build out of ~1.2M sq. ft.
- Secured approvals to build up to 1.9M total sq. ft. over 15 years
- New construction began in late 2017
- Expect to begin moving at the end of 2019

### Benefits

- Brings all Seattle area employees onto a single, unified campus
- Helps attract and retain key talent
- Ample room to accommodate long-term growth

### Financial considerations

- Comparable technology building cost
- Planned spending of \$230M in 2018 followed by \$450M in 2019
- Valuable asset in attractive location



# Appendix

# Non-GAAP definitions



Expedia, Inc. (excluding eLong). Expedia sold its ownership interest in eLong, Inc. on May 22, 2015. In order to allow comparison with prior periods for the ongoing Expedia businesses, Expedia, Inc. (excluding eLong) gross bookings, revenue, Adjusted EBITDA, operating income (loss), adjusted net income (loss), and net income (loss) attributable to the Company, each exclude the impact of eLong. Other figures in the deck exclude eLong, other than where noted.

Adjusted EBITDA is defined as net income (loss) attributable to Expedia, Inc. adjusted for: (1) net income (loss) attributable to non-controlling interests; (2) provision for income taxes; (3) total other expenses, net; (4) stock-based compensation expense, including compensation expense related to certain subsidiary equity plans; (5) acquisition-related impacts, including (i) amortization of intangible assets and goodwill and intangible asset impairment, (ii) gains (losses) recognized on changes in the value of contingent consideration arrangements; and (iii) upfront consideration paid to settle employee compensation plans of the acquiree; (6) certain other items, including restructuring; (7) items included in legal reserves, occupancy tax and other, which includes reserves for potential settlement of issues related to transactional taxes (e.g. hotel and excise taxes), related to court decisions and final settlements, and charges incurred, if any, for monies that may be required to be paid in advance of litigation in certain transactional tax proceedings; (8) that portion of gains (losses) on revenue hedging activities that are included in other, net that relate to revenue recognized in the period; and (9) depreciation.

The above items are excluded from our Adjusted EBITDA measure because these items are non-cash in nature, or because the amount and timing of these items is unpredictable, not driven by core operating results and renders comparisons with prior periods and competitors less meaningful. We believe Adjusted EBITDA is a useful measure for analysts and investors to evaluate our future on-going performance as this measure allows a more meaningful comparison of our performance and projected cash earnings with our historical results from prior periods and to the results of our competitors. Moreover, our management uses this measure internally to evaluate the performance of our business as a whole and our individual business segments. In addition, we believe that by excluding certain items, such as stock-based compensation and acquisition-related impacts, Adjusted EBITDA corresponds more closely to the cash operating income generated from our business and allows investors to gain an understanding of the factors and trends affecting the ongoing cash earnings capabilities of our business, from which capital investments are made and debt is serviced. The definition for Adjusted EBITDA was revised in the fourth quarter of 2012.

Free cash flow is defined as net cash flow provided by operating activities less capital expenditures. Management believes Free Cash Flow is useful to investors because it represents the operating cash flow that our operating businesses generate, less capital expenditures but before taking into account other cash movements that are not directly tied to the core operations of our businesses, such as financing activities, foreign exchange or certain investing activities. We added additional detail for the capital expenditures associated with building our new headquarters facility in Seattle, Washington. We believe separating out capital expenditures for this discrete project is important to provide additional transparency to investors related to operating versus project-related capital expenditures. Free Cash Flow has certain limitations in that it does not represent the total increase or decrease in the cash balance for the period, nor does it represent the residual cash flow for discretionary expenditures. Therefore, it is important to evaluate Free Cash Flow along with the consolidated statements of cash flows.



# Non-GAAP / GAAP reconciliation:

## Revenue



\$ Millions	2013	2014	2015	2016	2017
Core OTA revenue	\$4,069	\$4,905	\$5,877	\$7,084	\$7,881
trivago revenue	216	414	548	836	1,166
Egencia revenue	365	400	400	462	521
HomeAway revenue	-	-	20	689	906
eLong revenue	164	178	42	-	-
Intercompany eliminations	(43)	(133)	(215)	(297)	(414)
<b>Revenue attributable to Expedia, Inc.</b>	<b>\$4,771</b>	<b>\$5,763</b>	<b>\$6,672</b>	<b>\$8,774</b>	<b>\$10,060</b>
eLong revenue	(164)	(178)	(42)	-	-
<b>Revenue excluding eLong</b>	<b>\$4,607</b>	<b>\$5,585</b>	<b>\$6,631</b>	<b>\$8,774</b>	<b>\$10,060</b>

Notes: Numbers may not sum due to rounding.

# Non-GAAP / GAAP reconciliation:

## Adjusted EBITDA



\$ Millions	2013	2014	2015	2016	2017
Net income attributable to Expedia, Inc.	\$233	\$398	\$764	\$282	\$378
Net income (loss) attributable to noncontrolling interests	(16)	(25)	(42)	(21)	(7)
Net income	216	373	723	261	371
Provision for income taxes	84	92	203	15	45
Income before income taxes	301	465	926	277	417
Total other expense, net	65	53	(4)	185	208
Gain on sale of business	-	-	(509)	-	-
Operating income	\$366	\$518	\$414	\$462	\$625
Gain (loss) on revenue hedges related to revenue recognized	11	9	44	13	6
Restructuring charges	-	26	72	43	17
Legal reserves, occupancy tax and other	78	42	(105)	26	25
Stock-based compensation	130	85	178	242	149
Amortization of intangible assets	72	80	164	352	275
Depreciation	212	266	337	477	614
Acquisition-related and other	10	-	-	-	-
Adjusted EBITDA	\$879	\$1,025	\$1,103	\$1,616	\$1,713
eLong adjusted EBITDA	12	27	62	-	-
Adjusted EBITDA excluding eLong	\$891	\$1,051	\$1,165	\$1,616	\$1,713

Notes: Numbers may not sum due to rounding.

# Non-GAAP / GAAP reconciliation:

## Free cash flow



\$ Millions	2011	2012	2013	2014	2015	2016	2017	TOTAL
Cash provided by operations	\$826	\$1,237	\$763	\$1,367	\$1,368	\$1,564	\$1,799	\$8,924
Headquarters capital expenditures	-	-	-	-	(233)	(26)	(68)	(327)
Non-headquarters capital expenditures	(208)	(236)	(309)	(328)	(554)	(723)	(642)	(3,000)
Total capital expenditures	(208)	(236)	(309)	(328)	(787)	(749)	(710)	(3,327)
Free cash flow	\$618	\$1,001	\$455	\$1,039	\$581	\$815	\$1,089	\$5,598

Notes: Numbers may not sum due to rounding and include eLong.