

Expedia, Inc. Reports First Quarter 2008 Results

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Merchant Hotel and Advertising Fuel 21% OIBA Growth

Expedia, Inc. (NASDAQ:EXPE) today announced financial results for its first quarter ended March 31, 2008.

"With over \$20 billion in annual gross bookings and excellent first quarter results, Expedia(R) is far and away the leader in online travel services," said Barry Diller, Expedia, Inc.'s Chairman and Senior Executive. "Our unique mix of both transactional and advertising revenues, each operating at meaningful scale, continues to deliver strong profitable growth."

"Expedia employees around the globe continued to execute in the first quarter, delivering record gross bookings and solid OIBA growth," said Dara Khosrowshahi, Expedia, Inc.'s CEO and President. "While 2008 continues to present an uncertain economic backdrop, Expedia remains focused on investing in our leadership position to drive growth in long-term free cash flow and shareholder value."

Financial Summary & Operating Metrics (figures in MM's, except per share amounts)

Metric	3 Months Ended 3.31.08	3 Months Ended 3.31.07	Y / Y Growth
Transactions	12.6	10.9	16%
Gross bookings	\$5,902.5	\$4,924.1	20%
Revenue	\$687.8	\$550.5	25%
Revenue margin	11.65%	11.18%	+47 bps
Gross profit	\$535.9	\$429.2	25%
Operating income before amortization* ("OIBA")	\$125.9	\$104.4	21%
Operating income	\$90.0	\$67.3	34%
Adjusted net income*	\$71.0	\$59.6	19%
Net income	\$51.3	\$34.8	48%
Adjusted EPS*	\$0.24	\$0.18	33%
Diluted EPS	\$0.17	\$0.11	55%
Net cash provided by operating activities	\$563.8	\$538.1	5%
Free cash flow*	\$530.6	\$519.7	2%

* "Operating income before amortization," "Adjusted net income," "Adjusted EPS," and "Free cash flow" are non-GAAP measures as defined by the Securities and Exchange Commission (the "SEC"). Please see "Definitions of Non-GAAP Measures" and "Tabular Reconciliations for Non-GAAP Measures" on pages 15-18 herein for an explanation of non-GAAP measures used throughout this release. Effective Q108 we have amended the definition of Adjusted net income and Adjusted EPS.

Discussion of Results

Gross Bookings & Revenue

Gross bookings increased 20% for the first quarter of 2008 compared with the first quarter of 2007. North America bookings increased 15%, Europe bookings increased 34% (25% excluding the net benefit from foreign exchange) and Other bookings (primarily Expedia(R) Corporate Travel and our Asia Pacific operations) increased 31%.

Revenue increased 25% for the first quarter, primarily driven by increased worldwide merchant hotel revenue and advertising and media revenue. North America revenue increased 22%, Europe revenue increased 33% (23% excluding foreign exchange) and Other revenue increased 38%.

Worldwide merchant hotel revenue increased 22% for the first quarter due to a 23% increase in room nights stayed, including rooms delivered as a component of vacation packages, offset slightly by a 1% decrease in revenue per room night. Revenue per room night decreased due to a 108 basis point decline in hotel margin, partially offset by a 3% increase in worldwide average daily rates.

Worldwide air revenue increased 18% for the first quarter due to an 11% increase in air tickets sold and a 6% increase in revenue per air ticket.

Worldwide revenue from products and services other than merchant hotel and air (including advertising and media, car rentals, destination services, agency hotel and cruises), increased 39% for the first quarter due primarily to increased advertising and media revenues and car rental revenues. Package revenue increased 13% primarily due to higher package gross bookings worldwide.

Revenue as a percentage of gross bookings ("revenue margin") was 11.65% for the first quarter, an increase of 47 basis points. North America revenue margin increased 68 basis points to 12.10%, Europe revenue margin decreased 6 basis points to 11.65%, and Other revenue margin increased 39 basis points to 8.41%. The first quarter increase in North America revenue margin was primarily due to an increased mix of advertising and media revenues as compared to first quarter 2007. Europe revenue margin decreased primarily due to lower revenue from more competitive hotel pricing and lower consumer air fees.

Worldwide and segment revenue margins benefited from higher revenues associated with completed Easter travel, which occurred in the first quarter of 2008 compared to the second quarter of 2007.

Profitability

Gross profit for the first quarter of 2008 was \$536 million, an increase of 25% compared with the first quarter of 2007 due to increased revenue.

OIBA for the first quarter increased 21% to \$126 million, driven primarily by higher revenue. OIBA as a percentage of revenue decreased 66 basis points to 18.30%, primarily reflecting higher growth in sales and marketing expenses excluding stock-based compensation as a percentage of revenue. Operating income increased 34% to \$90 million primarily due to the same factors driving OIBA growth as well as lower amortization and stock based compensation as a percentage of revenue.

Adjusted net income for the first quarter increased \$11 million compared to the prior year period driven by higher OIBA, partially offset by a higher net interest expense. Net income increased \$17 million due to the same factors impacting adjusted net income as well as an unrealized gain on the Ask convertible notes ("Ask Notes"), compared to an unrealized loss in the prior year period, partially offset by an increase in net foreign exchange losses. First quarter adjusted EPS and diluted EPS were \$0.24 and \$0.17, respectively. These measures increased 33% and 55% due to higher net income and lower weighted average share counts primarily resulting from shares repurchased in August 2007.

Cash Flows & Working Capital

For the three months ended March 31, 2008, net cash provided by operating activities was \$564 million and free cash flow was \$531 million. Both measures include \$457 million from net changes in operating assets and liabilities, primarily driven by our merchant hotel business. Free cash flow for the first quarter increased \$11 million due primarily to increased net changes in operating assets and liabilities and higher OIBA, partially offset by increased capital expenditures and an increase in cash paid for interest and taxes as compared with the prior year period.

Recent Highlights

Global Presence

Gross bookings from Expedia, Inc.'s international points of sale were \$1.90 billion in the first quarter, accounting for 32% of worldwide bookings, up from 28% in the prior year period. International revenue was \$221 million in the first quarter, or 32% of worldwide revenue, up from 29% in the prior year period.

Expedia, Inc. launched its 17th and 18th Expedia-branded points of sale -- www.expedia.co.in(TM) in India and www.expedia.be(TM) in Belgium.

The TripAdvisor(R) Media Network continued to expand its global presence, entering the Asia Pacific market with the launch of www.bookingbuddy.in(TM) in India.

Brand Portfolio

Expedia's private label group, Expedia(R) Distribution, entered new partnerships with ExpressJet, Frontier Airlines, BMI and British Columbia Automobile Association Travel Agency, as well as Sky Travel, the first partner to integrate both TripAdvisor traveler reviews and Expedia Distribution's white label booking engine.

Expedia, Inc. expanded its brand portfolio with three acquisitions including CarRentals.com(TM), the premier online car rental firm offering a diverse selection of car rentals directly to travelers, HolidayWatchdog.com(TM), a UK-based user-generated travel content site, and airfarewatchdog.com(TM), an online source of airfare deals.

hotels.com(R) signed a new multi-year strategic partnership with Air Canada, enabling aircanada.com visitors to access the full range of hotels.com's inventory of nearly 80,000 properties worldwide.

TripAdvisor entered its first content distribution partnership with a tourist board, Visit London, whose home page displays TripAdvisor reviews for London attractions and hotels along with its "Trip's Top 10" lists. Total reviews and opinions on TripAdvisor sites reached the 15 million milestone in less than a year since hitting 10 million in June 2007.

hotels.com was named the "Best Site for Booking Hotels in the United States" and the "Best Site for Booking Hotels in Europe" by Conde Nast Traveler magazine, which recommended its 800,000 monthly readers use the site "anytime you're shopping online for a hotel stay."

Expedia Corporate Travel ("ECT") emphasized its commitment to offering the best value with the U.S. launch of the Expedia Corporate Travel Promise, which includes a flight price guarantee. Customers who find a lower fare after booking a trip can receive a refund of the difference or be rebooked at no additional charge.

In a recent roundup titled "Hot Links: 10 Sites You Need to Bookmark Now," the New York Post named TripAdvisor as the "Best Hotel Portal" and referred to it as "our favorite source for candid hotel info" while airfarewatchdog.com was named "Top Fare Finder."

Content & Innovation

Hotwire(R) launched its "Hotel Deal Engine" feature, allowing visitors to the "Hotels" area of the site to see a current list of Hotwire's very best deals, tailored to desired locations and refreshed hourly.

Expedia.co.jp(TM) introduced a lowest price guarantee and eliminated its cancellation fee, assuring its customers of the most competitive prices and flexibility while offering the broadest selection of hotels of any travel site in Japan, with more than 40,000 properties currently available on its site. Also, Japanese travelers are now able to purchase air tickets on Expedia.co.jp as a result of its recent affiliation with World Travel System.

ECT introduced new services geared toward the corporate travel manager, including DataMinder(TM), which sends real-time email notifications to travel managers such as total air spend, market share by city pair and carrier and average nightly room rate by city. ECT also launched enhanced security services which facilitate travel monitoring and use daily global intelligence data to help companies enhance travel security.

Partner Services Group ("PSG")

Expedia signed a strategic agreement with Air Berlin Group, making all fares, schedules and inventory available on Expedia and hotels.com branded points of sale.

ECT expanded its offerings with key inventory expansion. The Expedia Corporate Rate hotel program in the U.S. now includes 2,200 hotels offering additional amenities and savings of up to 25% off standard rates and customers can now book flights on 14 European low cost carriers and ExpressJet in the U.S.

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