THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

EXPE - Q4 2015 Expedia Inc Earnings Call

EVENT DATE/TIME: FEBRUARY 10, 2016 / 9:30PM GMT

OVERVIEW:

EXPE reported 2015 total revenues of $6.6b. Co. also reported 4Q15 results.

THOMSON REUTERS

CORPORATE PARTICIPANTS

Alan Pickerill *Expedia, Inc. - VP of IR*

Dara Khosrowshahi *Expedia, Inc. - President and CEO*

Mark Okerstrom *Expedia, Inc. - EVP, Operations and CFO*

CONFERENCE CALL PARTICIPANTS

Dae Lee *JPMorgan - Analyst*

Conor McDade *Evercore ISI - Analyst*

Justin Post *BofA Merrill Lynch - Analyst*

Mark Mahaney *RBC Capital Markets - Analyst*

Naved Khan *Cantor Fitzgerald - Analyst*

Tom White *Macquarie - Analyst*

Brian Fitzgerald *Jefferies - Analyst*

Mike Olsen *Piper Jaffray - Analyst*

Lloyd Walmsley *Deutsche Bank - Analyst*

Eric Sheridan *UBS - Analyst*

Jed Kelly *Oppenheimer - Analyst*

Stephen Ju *Credit Suisse - Analyst*

Ron Josey *JMP Securities - Analyst*

Michael Millman *Millman Research Associates - Analyst*

Peter Stabler *Wells Fargo Securities - Analyst*

Kevin Kopelman *Cowen and Company - Analyst*

Justin Patterson *Raymond James - Analyst*

Dan Wasiolek *Morningstar - Analyst*

PRESENTATION

Operator

Good day and welcome to the Expedia's Q4 2015 earnings call. Today's conference is being recorded. At this time I would like to turn the conference over to Alan Pickerill, Vice President, Investor Relations at Expedia. Please go ahead, sir.

Alan Pickerill - *Expedia, Inc. - VP of IR*

Thank you. Good afternoon, everybody, and welcome to Expedia, Inc.'s financial results conference call for the fourth quarter and the full year ended December 31, 2015. I'm pleased to be joined on the call today by Dara Khosrowshahi, Expedia's CEO and President, and Mark Okerstrom, our CFO and EVP, Operations.

The following discussion, including responses to your questions, reflects management's views as of today February 10, 2016, only. We do not undertake any obligation to update or revise this information.

As always, some of the statements made on today's call are forward-looking, typically preceded by words such as we expect, we believe, we anticipate or similar statements. Please refer to today's press release and the Company's filings with the SEC for information about factors which could cause our actual results to differ materially from these forward-looking statements.

You'll find reconciliations of our non-GAAP measures to the most comparable GAAP measures discussed today in our earnings release, which is posted on the Company's IR website at ir.expediainc.com. I encourage you to periodically visit our Investor Relations site for important content, including today's earnings release and an updated investor deck.

As a reminder, we sold our 62.4% ownership stake in eLong on May 22, 2015, which was previously a consolidated entity of Expedia, Inc. For GAAP accounting purposes, the results of eLong are included in our results through the date of the sale. But in order to allow investors to compare our current results on a like-for-like basis with our historical results, our commentary in the earnings release and on this call is principally focused on our results excluding eLong, which should be considered in addition to the GAAP results on a fully consolidated basis.

Finally, unless otherwise stated, all references to cost of revenues, selling and marketing expense, general and administrative expense, and technology and content expense also excludes stock-based compensation and depreciation expense, and all comparisons on this call will be against our results for the comparable period of 2014.

And with that, let me turn the call over to Dara.

Dara Khosrowshahi - *Expedia, Inc. - President and CEO*

Thanks, Alan. I wanted to start right up front thanking our employees all over the world for another strong year for Expedia, Inc. Mark, Alan and I get to tell you about and take public credit for the success of our Company, but it's an amalgamation of everyone's dedication and good work that adds up to the figures that we will review today. And the figures tell a consistently strong story.

Gross bookings for 2015 up 24% to $59.7 billion and total revenue up 19% to $6.6 billion. Our customers bought 35% more airline tickets, 36% more room nights totaling more than 200 million for the year, and 37% more car days in 2015 versus 2014. We delivered nearly $1.2 billion of adjusted EBITDA for the year, impressive in its own right, but especially so when you consider the huge headwinds from foreign currency, the significant investments we are making in resetting our contracted margin structure with our hotel partners, and the deal-related costs that we incurred in connection with our busy year of M&A activity.

Speaking of M&A, 2015 was an unprecedented year for Expedia as we completed over $6 billion of strategic acquisitions, which included Travelocity, a majority stake in our AirAsia joint venture, a significant minority investment in Decolar, Orbitz Worldwide, and most recently, our largest acquisition ever in HomeAway. These transactions have consolidated and scaled our US operations, extended our international reach, and have opened up a new leg of growth in the alternative accommodations sector.

We also divested our stake in eLong for a nice profit and entered into a long-term alliance with Ctrip.

Briefly on Orbitz, the integration is progressing well with nearly all of the direct type-in traffic of Orbitz.com and CheapTickets already on the Brand Expedia platform. It's early, but results so far look promising. The migration work will continue through the first half of 2016, followed by optimizing the sites and tuning their variable marketing channels post migration.

We are also actively working on other parts of the Orbitz business, including Ebookers, hotelclub, Orbitz Partner Network, and Orbitz for Business. Our goal is to migrate the vast majority of our Orbitz for Business clients onto the Egencia platform before year-end.

We are also in active dialogue with our OPN private-label partners on expanding our relationships with them, and we see these efforts carrying through 2016 and into 2017 for certain partners.

Moving forward, we are planning to invest aggressively in our private-label and partnership capabilities and consider this area highly strategic for our Company.

I will also add that we are very pleased with the talent level and execution capability of our Orbitz teams all over the world. The people and the brands we have added to our family will play an important role in our future success.

It's very early, but we are encouraged with HomeAway's Q4 performance coming in a bit ahead of our expectations and have been consistently impressed with the level of talent there. HomeAway will be operated largely as a standalone business and will serve as the end to end vacation rental and home sharing platform for the Expedia, Inc. family.

That said, we plan to be highly involved with the HomeAway team, helping them expand aggressively and move from their traditional listings model to a fully online transactional model. The team is beginning to introduce a service fee to travelers, and we expect that it will be fully launched on its US vacation rental listings in the coming months, slightly ahead of schedule.

Around the same time we're rolling out lower supplier commissions for paper booking listings, as well as a Book-with-Confidence Guarantee, which is designed to encourage travelers to book on HomeAway and give them increased peace of mind when they do.

We started an integrated marketing campaign in some of our major markets and intend to reinvest incremental upside from traveler fees back into the business, particularly in product technology and marketing. We remain confident in our estimate of $350 million in adjusted EBITDA for HomeAway in 2018.

We continued to see strong growth for trivago in Q4 and, in fact, for all of 2015. We've had some investor questions in regards to trivago's core growth and profitability, and we would like to share some numbers for European markets versus the rest of the world. To take out the noise created by foreign exchange fluctuations, the numbers here are stated in euro.

trivago delivered 2015 standalone revenue of roughly EUR490 million, up nearly 60% year over year with adjusted EBITDA of a few million euro. Now within these numbers, their most mature European markets collectively had revenue of over EUR250 million, up 20% year over year, and with a contribution margin after direct marketing costs of about 25%. trivago's rest of world markets had revenue of EUR235 million, up nearly 130% and a contribution margin just above breakeven.

Note also that overhead costs for trivago have been running in the neighborhood of 10% of revenue. While we expect trivago to achieve healthy top and bottom line growth in 2016, we will continue to reinvest profits from core markets to further scale in expansion markets on a worldwide basis. The trivago team is first rate and we believe that the global growth runway for this brand continues to be substantial.

Lastly, underpinning our active M&A strategy and investment in high-growth businesses is a core organic business that has never been stronger. Brand Expedia, Hotels.com, our Expedia Affiliate Network business all had terrific years, delivering healthy room night and adjusted EBITDA growth. Egencia, our corporate travel business, had another excellent year, signing up over $1.1 billion of new client business and delivering 12% adjusted EBITDA growth. Supporting all of our brands, our lodging supply team is also firing on all cylinders, signing up nearly 60,000 new directly contracted hotel properties in 2015, up over 30% year on year.

Since I opened my remarks with our accomplishments as a Company, I will close with some thoughts about key challenges. Competition for consumer attention is as strong as ever as our competitors and in some case our partners invest and innovate aggressively.

We are also jumping into the alternative accommodations space where there's already a sizable competitor and where we have a significant business model transition to undertake at HomeAway. And as I described, we have heavy integration work with Orbitz. These matters, along with a volatile global macroeconomic climate, together create a very dynamic and challenging environment to say the least.

That said, our businesses and our teams are no strangers to these kinds of challenges. We're focused, we are hungry, we have an established execution and capital allocation record, and we take these challenges head on and with confidence.

With that, I'll hand it to Mark.

Mark Okerstrom - *Expedia, Inc. - EVP, Operations and CFO*

Thanks, Dara. One quick reminder before I get started. As was the case last quarter, in order to help with comparability, our comments today are focused on Expedia results excluding eLong since we sold our 62% in eLong last May. Financial results for that business are included in our GAAP results on a consolidated basis through the date of the sale.

We were quite pleased with our financial performance in the fourth quarter and for the full year 2015, excluding an estimated headwind of $10 million to $15 million from the impact of the terrorist attacks in Paris and the negative impact of HomeAway in the quarter not contemplated in our prior guidance. Our full-year 2015 adjusted EBITDA growth exceeded the guidance we gave on our Q3 call.

In the fourth quarter, topline growth was driven by solid unit growth across products, geographies and major brands. Of course, we are getting a boost as we consolidate Orbitz, but despite the law of large numbers, our organic growth rates continue to be very healthy and comparable to the rates of growth we've seen for the last couple of years.

In hotel, revenue grew 24% on room night growth of 39%. The inorganic contributions to hotel revenue and room night growth were 14 and 15 percentage points respectively. We estimate the negative impact from Paris was around 300 basis points for both measures. Revenue per room night was down 11% in Q4 on a 5% decline in average daily rates.

Note that the gap between revenue per room night and ADRs narrowed this quarter compared to Q3, principally on reduced foreign exchange impacts. We do expect to see continued year-over-year pressure on revenue per room night in 2016 as we trade some of our unit economics to drive volume and global scale.

Air revenue was up 61% on ticket growth of 70%, partially offset by a decline in revenue per ticket of 5%.

Brand Expedia continued to grow ticket volume at a healthy organic rate, along with the sizable contributions from recently acquired companies. Excluding acquisitions, air revenue grew 6% on ticket growth of 22%.

Key to our strategy is to grow additional travel products alongside air tickets and room nights. We were pleased to see some good examples of this in Q4, including 66% transaction growth for our local activities business and 43% revenue growth for our insurance product.

We also continue to see solid growth in our advertising and media business with trivago growing standalone revenue 27% or approximately 43% currency neutral, fairly consistent with the year-over-year growth we saw in Q3. Media Solutions also grew revenue nicely with a boost from the addition of Orbitz.

HomeAway finished 2015 strongly and a bit ahead of their plans as measured on a standalone basis. For Expedia, Inc., HomeAway contributed revenue this quarter of approximately $20 million, which has been classified as other revenue in our product classification. We are breaking out HomeAway as a separate segment, so you will be able to see their standalone performance on an ongoing basis. Because HomeAway is in the process of moving to an online booking model and a fair bit of the bookings still occur outside of the platform, we're not planning to report gross bookings or unit growth for that business at this time.

Although the seasonality of our business can cause the shape of our P&L to vary quarter to quarter, we continue to drive to results that use leverage achieved in key expense categories to fund aggressive selling and marketing investments around the world. In Q4, excluding the impacts from Orbitz and HomeAway, the P&L we delivered was largely consistent with this approach. Selling and marketing grew a bit faster than revenue, while cost of revenue and G&A grew slower providing leverage.

Our technology and content expenses did grow faster than revenue and nearly 6 percentage points faster than Q3 on a combination of higher people costs along with lower capitalization rates. We continue to scale up our core infrastructure and Brand Expedia technology teams to support organic growth and to drive the integration of our new OTA brands. And as such, we are expecting elevated technology and content expense growth at least through the first half of 2016.

Importantly, our results for Q4 included the first full quarter of Orbitz and the layering in of the HomeAway standalone financials for the 17 days of the quarter that we owned the business. The operations of Orbitz for a full quarter, along with deal-related and integration costs, resulted in an approximate breakeven adjusted EBITDA contribution for that business in Q4, which included a purchase accounting revenue headwind of approximately $27 million.

Overall, the Orbitz results were a bit better than we had expected on a combination of lower integration costs and better overall performance.

HomeAway had a negative impact on adjusted EBITDA of $14 million in Q4, not contemplated in the guidance we gave on our Q3 call. This included the results of the business, the negative impact of deal-related costs, and a purchase accounting revenue headwind of approximately $6 million.

Briefly, as we enter a new year, I would like to remind folks of a few key aspects of how we manage the business. We are committed to striking a balance between delivering healthy profit growth in the near and midterm while making key investments in our business that will allow us to grow sustainably over many years to come.

From a practical perspective, this means that when we see certain upside and/or outperformance from month to month or quarter to quarter, including from acquisitions, we have a bias to reinvest at least a portion of that upside back into the business. As part of this approach, we do not guide to quarterly results, and investors should not expect to see the full amount of organic over performance or M&A related windfalls drop immediately to the bottom line. This is an important tenet for how we are running our business, and we want investors to fully understand this approach.

Turning to our financial expectations for 2016, on a consolidated basis, including all of the businesses we own today and excluding eLong, we are expecting full-year adjusted EBITDA to grow in the range of 35% to 45% year over year. The contribution to this result from a full year of Orbitz and HomeAway combined is expected to be in the range of $275 million to $325 million.

In terms of the shape of the year, we are expecting particular pressure on Q1 adjusted EBITDA. Due to the seasonal nature of our business, back end loading of adjusted EBITDA dollar growth is not unusual, though we do expect the impact will be especially acute in 2016. This is due primarily to the integration of Orbitz and the timing of synergy realization, which will ramp in the back half of the year, along with the transition at HomeAway.

As a further reminder, note that we lapped our acquisition of Wotif in the fourth quarter of 2015 and will lap both the Travelocity acquisition and the consolidation of the AirAsia Expedia joint venture in Q1, which will create tougher comps. Further, the rollout of TripAdvisor's Instant Book product will also likely to continue to be a small headwind on room night growth in 2016 with an insignificant impact on profitability.

From an expense standpoint, including Orbitz and HomeAway, while we will see leverage in cost of revenue and general and administrative expenses in 2016, we expect technology and content expenses to grow faster than revenue, primarily driven by integration efforts and the inorganic impacts of our recent acquisitions. Regarding taxes, as you might imagine, there's lots of moving parts, especially related to newly acquired companies and our international versus domestic mix. However, we currently expect effective tax rates in the mid-20% range.

Finally, some directional color on our CapEx trends. In 2015, we saw significant CapEx growth with about half of the dollar growth attributable to the purchase of our future headquarters. Spending for real estate in general also was elevated as we continued to grow our market management team aggressively and built out new office space around the world.

In addition, we invested heavily in servers and other hardware in anticipation of future organic growth and upcoming integrations. To a lesser extent, an increase in capitalized software development costs also contributed to year-over-year CapEx growth. For 2016, we expect a much more moderate pace of CapEx growth, most of which will be driven by the inorganic impact of recent acquisitions.

With that, let's move to Q&A. Operator, will you please remind participants how to queue up for questions?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Justin Post, Merrill Lynch.

Justin Post - *BofA Merrill Lynch - Analyst*

Maybe two quick ones for Dara and one for Mark. Housekeeping. First, Dara, can you talk about the macro environment? Obviously a lot of fears with some of the revPAR data out there. What you are seeing maybe US and Europe? And then the S-4, a lot of us have read it. Really interesting commentary on the HomeAway acquisition. In there is a 2018 number of $2.34 billion in EBITDA. Can you comment on that number at all. How important that is? Is that something a target -- or how you think about that number?

And then, Mark, just to confirm your guidance, is the number you are suggesting, 35% to 45% growth, is that off the $1.165 billion or the $1.103 billion (sic - see page 18 of press release) in EBITDA this year? Thank you.

Dara Khosrowshahi - *Expedia, Inc. - President and CEO*

Sure. Thanks, Justin. As far as the macro environment goes, we listen to the same news that you do, and certainly the news suggests that the macro environment is pretty uncertain and the stock market now is scary.

That said, when we look at the macro environment and how it affects our business, one important factor in our business is the air business, and air ticket prices are down pretty significantly year on year. It's obviously some of the savings of oil prices that are being passed on by the airlines to consumers, and that's an unambiguous positive for us. The more -- the lower air ticket prices go, the more the leisure traveler tends to fly and the more the leisure traveler tends to fly -- as you know, we have a bit of what we think is the strategic investment -- strategic advantage on the air side, and the more leisure travelers we have flying, the more opportunity we have to sell hotels and insurance and cars and everything else to them.

So to some extent, weakness in oil on the air side is a pretty big positive for us.

On the hotel side, while we have seen ADRs weaken a bit between a call at the beginning of the year in Q4, when we look at Q4 trends into January, we don't see anything of note one way or the other. There are some spot issues obviously. Paris is weak, which is perfectly explainable. New York ADRs continue to be down year on year, although they've improved over Q4, and that's European travelers really traveling into the US and the effect of foreign exchange. And Asia, we see certain markets like Hong Kong and Macau down as far as ADRs go. But again, no significant shifts when we look at Q4 trends into January that are of note.

So it's something that we will watch, and to the extent that we see anything, we will certainly share it with our investors. But we are not seen any material movement one way or the other right now.

Mark Okerstrom - *Expedia, Inc. - EVP, Operations and CFO*

And then, Justin, on your question on 2018 consolidated EBITDA that was contained in the S-4, listen, at the time of the acquisition, we put forward some forecasts for what we believed were a possible outcome for consolidated Expedia, Inc. results over the course of the next three years. It did not account any upsides or any significant investments. It's a possible outcome, so I wouldn't put a lot of weight on that. That was then combined essentially with the HomeAway projections. And we did not at that time contribute to the combination of those results.

So listen, I think you could look at it as a possible outcome, but it's certainly not something that I would use as guidance. And I think, as you know, we make discrete decisions from month to month, quarter to quarter, so there's a lot that can change between now and 2018. And we're just really focused on continuing to have a business where we can deliver consistently strong growth rates over a long period of time.

In terms of the guidance, the 35% to 45% growth is off of the $1.165 billion, which is the Expedia, Inc. full-year 2015 number excluding eLong.

Justin Post - *BofA Merrill Lynch - Analyst*

Thank you.

Operator

Mark Mahaney, RBC Capital Markets.

Mark Mahaney - *RBC Capital Markets - Analyst*

Two questions and one just to follow up on Justin's question. So if you do that 35% to 45%, it kind of implies that the core business is going to grow -- your guidance implies something like 9% to 10% at the low-end to 19% at the high-end. So call it 10% to 20% just to round here. And that's obviously a little bit more aggressive than the kind of guidance for the core business you gave going into 2015. So it does sound like all-in business conditions are getting stronger for Expedia, but I just want to make sure I'm interpreting the numbers and stating that right.

And then secondly, in terms of the -- you've guided for revenue per room night continuing to come down in 2015. And the question I would want to ask is, will it come down at the same pace or accelerated pace or less of a strong pace? In other words, what we saw in the quarter was that 11% year-over-year decline was a little less than we had seen in the last couple of quarters. Are we starting to see a fade down in that pressure you are seeing on revenue per room night? Thank you.

Dara Khosrowshahi - *Expedia, Inc. - President and CEO*

Mark, I will let Mark take most of that question, but one thing I will remind you as far as the core business is that foreign exchange was a really, really significant headwind for our core business this last year. And while it will continue to be a headwind in Q1, Q2, it will ease up in the back half of the year. So all things being the same, that will be a benefit in 2016 versus 2015.

I will let Mark answer the others.

Mark Okerstrom - *Expedia, Inc. - EVP, Operations and CFO*

Yes, I would just say just again to clarify on the guidance, I would take that as Core implied guidance of closer to 8% to 13%. I would take the high on the Orbitz HomeAway impact and subtract it from the high on the total and the low from the low side. I wouldn't take our guidance as being up to 19%.

And then, listen, our revenue per room night, we've been saying for a while that the gap between revenue per room night -- you could think about that as, call it, the 300 to 800 basis point range. And it moves around. I think what you'll see in 2016 is you are going to continue to see that range of movement towards the back half. I think there's a possibility as we start to comp over some of the margin reductions we did this year as that starts to ease. And then I think you'll start to see I would expect some more easing in that as we move through 2017. And, again, this is with regards to the gap between revenue per room night and ADRs, of course, because ADRs are one of the biggest drivers of overall revenue per room night movements.

THOMSON REUTERS

Mark Mahaney - *RBC Capital Markets - Analyst*

Thanks, Mark. Thanks, Dara.

Operator

Naved Khan, Cantor Fitzgerald.

Naved Khan - *Cantor Fitzgerald - Analyst*

Two questions. Just on the HomeAway -- I know it's still early days for the transition but to the transition to online bookings, but can you just talk about what kind of penetration rate you think you can reasonably get to by the end of this year in terms of the percentage of bookings happening online versus the (inaudible) bookings.

And then I had a follow-up on the guidance. So I think, Mark, you had called out the contribution from the two acquisitions, Orbitz and HomeAway, to the EBITDA number. But I think previously you talked about Orbitz seeing synergies of up to or in excess of $75 million. Is there any update to that number?

Mark Okerstrom - *Expedia, Inc. - EVP, Operations and CFO*

Sure. Why don't I take the last question first and then Dara can chime in on HomeAway.

So just, again, on the $275 million to $325 million of adjusted EBITDA contribution for the two acquisitions combined, first of all, I would just remind people that on a standalone basis we had said Orbitz was on track to do around $135 million of adjusted EBITDA in 2015. I think they came in a little bit ahead of that. But I think that as a decent base in HomeAway, a little bit better than $120 million in adjusted EBITDA from 2015. They will both have purchase accounting headwinds on them in 2016, both around $10 million each, so think about that as about a $20 million combined. So take that as your base.

And then the way that we get to obviously the higher number is synergies. And a lot of that is going to come from Orbitz, and it's going to come in the back half of the year. In fact, in the first part of the year, we're going to be in a position not unlike where we were with Wotif where we were essentially carrying almost double costs. We've built up teams to support the integration of the Orbitz businesses onto the Brand Expedia platforms, for example, at the same time as maintaining the Orbitz existing platforms. And then it's really once we get the platform transitions done, which is really happening in the first half of the year for the big consumer businesses, that's when you start to see synergy realization come in, and that's really starting again in the back half of the year. And we're hopeful that by the end of the year, we should be pretty close to a run rate number, but we're not going to be even close to that in the middle of the year and we will probably be sub that. There will be a detriment in the first part of the year.

Dara Khosrowshahi - *Expedia, Inc. - President and CEO*

And then as far as HomeAway goes, as of the end of the year, we had about 60% of our total listings online bookable. We don't disclose the actual percentage of bookings that run through our listings, and we're going to be working on increasing the percentage of online bookable listings in 2016 and get it much closer to 100%, as much as we can. Really, we're going to be pushing online booking, offering it to our partners, and that, along with a Book-with-Confidence Guarantee for travelers, we think is going to be win for our travelers, and it's also going to be a win for our supplier base as well.

And that's really the focus of the business. We will try to obviously drive the online booking volume. But that is really much more of a long-term goal for us as a company, and I think 2016 is going to be about setting the base, making sure the technology infrastructure is right, and making sure that we're taking any and all kinks out of the online booking process to make it incredibly easy for travelers and incredibly easy for subscribers as well. We don't have a specific target for percentage of bookings going over the transom, so to speak, for 2016.

Naved Khan - *Cantor Fitzgerald - Analyst*

Thank you.

Operator

Tom White, Macquarie.

Tom White - *Macquarie - Analyst*

Great. Thanks for taking my question. Just first on room night growth, you talked a little bit about headwinds from the Booking.com Instant Booking implementation. Could you maybe comment on what sort of headwind that was to room night growth in the quarter?

And then just a follow-up on HomeAway and moving ahead with instituting this consumer booking fee. I guess when HomeAway is independent, we can see how that extra margin would really help them -- from the fee would really help them in terms of competing and investing against Airbnb. But now that it's part of a bigger Expedia, how do you guys weigh the benefit of that booking fee in terms of increased monetization versus the possibility that it negatively impacts the consumer experience? Thanks.

Mark Okerstrom - *Expedia, Inc. - EVP, Operations and CFO*

Thanks, Tom. So I'll start with the room night growth and then turn over to Dara and HomeAway.

So there were a few headwinds for us on room night growth in the quarter. We had about a 400 basis point harder comp partially on the back of lapping over some pretty strong growth in Travelocity with the commercial agreement implementation and then also Wotif which we were lapping over in the quarter. We also had about 300 basis points of room night growth impact from the Paris attacks we estimate, so both of those were pretty significant headwinds for us.

In terms of the Instant Book impact, I think if you thought about that in the 100 to 200 basis point range, that would be a good barometer.

And then just in terms of expectations for 2016, we are expecting to see some deceleration in room night growth as we move through the year. We are also comping over acquisitions and consolidations again in 2016. Travelocity, for example, ramping up Wotif on variable marketing channels, the integration of Brand Expedia Asia. So I would just keep those in mind. And then to the extent that TripAdvisor rolls out Instant Booking more broadly, which we currently do expect them to do and we continue to not participate in that, that can be an incremental headwind and think about that as larger than the 100 to 200 basis points. It could be 200 to 300 basis points. But again, insignificant from the perspective of profitability.

Dara Khosrowshahi - *Expedia, Inc. - President and CEO*

And as far as HomeAway and the booking fee goes, listen, we're going to be watching it very closely. We obviously want the consumer experience to be great, and we are obviously going to be watching the percentage of bookings running over the system. We think with the Book-with-Confidence Guarantee, we are going to give our consumers -- our travelers a lot of confidence as far as booking with HomeAway and making sure that they get what they expect, making sure that they -- if they have any issues regarding quality or their deposits, etc., they are taken care of. And then we will be launching other metrics such as the traffic to the site, the conversion rates of consumers coming in who look at listings, the renewal rate of our subscribers.

So there are a host of other metrics that we're going to watch and meter in order to measure what is a balanced approach, which is we do think that we are under monetizing relative to our volume and making sure that as we move to call it market monetization rates, we are providing a great experience for travelers who are coming and looking for a great place to stay on HomeAway, and we are bringing great value to our supply as well.

I will also remind you that the booking fee is something that has been widely accepted as far as Airbnb and TripAdvisor go. Airbnb has always had a booking fee. TripAdvisor introduced booking fees last year. Those transitions have gone very very smoothly. Our pricing is going to be quite competitive. So this is something that has already been market tested, and we feel pretty good moving into this model based on the competition already being there.

Tom White - *Macquarie - Analyst*

Great. Thank you.

Operator

Brian Fitzgerald, Jefferies.

Brian Fitzgerald - *Jefferies - Analyst*

Wanted to ask a little bit about the second derivative effects you have you talked about on integration. So, first, you connect the infrastructure and the plumbing and then the machines and the algos glean that and learn and then you apply those learnings and optimize. Specifically with maybe Orbitz or maybe even Away if that process is going on there, too, is the process lengthening at all just on the sheer scale or size of those integrations, or maybe how is this process playing out currently?

Dara Khosrowshahi - *Expedia, Inc. - President and CEO*

I would say, Brian, on the Orbitz side actually, while we haven't gone through the full process, I would anticipate that Orbitz would actually be a bit quicker than Travelocity and Wotif because the Orbitz team that was already in place, they had an online marketing team that was very sophisticated, they have an analytics team that is just excellent.

So a number of the folks have been there with Orbitz. They understand these optimizations. This is something that they've done before. We're just hoping that as we move them over to our supply base and as we move them over to our tech stack, they are just going to have a machine that is much smoother and better than the machine that they had to work with in the past.

So we don't anticipate any hiccups as it relates to Orbitz. You never know. And at least the trends that we are seeing early on are encouraging, and things look to be on track.

HomeAway is a very different animal. HomeAway is not an integration. That team is going to be largely independent, and the activity with HomeAway has been to make sure, frankly, that that team is not distracted as being part of -- part of being Expedia. I think we're freeing up a bunch of their time to focus from, call it, public company activity to value-added activity. Building a great consumer experience, building a great subscriber experience. And because we are very, very familiar with this transactional model, our product and technology teams are already working with them to make sure that the roadmaps are what they should be. And I think the second area where we can add value is making sure that as this volume comes online or as these listings come online, we're not only pushing HomeAway traffic to them, but also Expedia and Hotels.com traffic to them, which I think is of significant value both for the HomeAway subscriber base but also for the Expedia and Hotels.com consumer bases well.

Mark Okerstrom - *Expedia, Inc. - EVP, Operations and CFO*

Brian, I'll just add one thing on Orbitz is that we do have, in addition to the Orbitz CheapTickets business, which is the big consumer business, we also have a number of other businesses that are going to take a little bit longer to integrate, Orbitz Partner Network, for example. We're super excited about that business, and we are taking the steps necessary to do that right. Making sure we work with partners and come to the right outcome, for example. Orbitz for Business is another one. We're pretty excited about the speed at which we're going to be able to move that -- those clients over to the Egencia platform. But again, it is going to take a little bit longer, and both of these transitions are new in that we haven't done a lot of these before unlike the core consumer business.

So in terms of synergy realization, I would just keep in mind that until those businesses are migrated off, you don't get to see the full platform or retirement benefits that you would if it was only Orbitz, CheapTickets and Ebookers that we were transitioning over.

Brian Fitzgerald - *Jefferies - Analyst*

Great. Thanks, Dara. Thanks, Mark.

Operator

Mike Olsen, Piper Jaffray.

Mike Olsen - *Piper Jaffray - Analyst*

Just two questions here. You mentioned TripAdvisor Instant Booking impacting room nights in 2016 to the extent that you don't participate. So could you talk about how you are thinking about the model or other similar models and why Expedia may or may not be interested in participating?

And then secondly, do you expect the impact of the Paris attacks will continue beyond a one or two quarter time period, or is that a relatively short-term issue that you wouldn't expect to impact the business beyond Q1?

Dara Khosrowshahi - *Expedia, Inc. - President and CEO*

Hi, Mike. I will answer the second one first, which is you never know. Historically, these kinds of attacks have resolved fairly quickly. I would say Paris in general, we saw immediately kind of an effect on broader European destinations, and that effect looks like it's disappeared. But there certainly is -- continues to be an effect in Paris. It's getting better. But the trends in Paris are certainly poor compared to the trends that we had seen before Q4 of last year.

So I think Paris is going to continue through the year. It was a horrific event, and I think it was the kind of event that stays in people's memories. So I think that there will be some effect going into the balance of the year, and we're going to do our best to make up for that. We're going to do our best to work with our partners over there and really continue to promote Paris as the wonderful destination that it is. So hopefully it won't last long. But my personal feeling is that there will be some effect going into the balance of the year.

As far as the Trip and Instant Book and how we view that channel, we've been very consistent about how we view any variable channel, including Instant Book, in that we look at the economics of a channel based on, call it, an immediate transaction. And then we look at the economics of the transaction based on the lifetime value of the customer, both in terms of the customer repeat rate and the percentage of the time in which those customers repeat directly with us a second and third time around. Obviously the latter is much, much more valuable.

The initial version of Instant Book was I think quite unsatisfactory as far as the branding, etc., and representation of where the customer was really transacting with. And the latest iterations that we've seen with Booking.com and with some of the supplier direct partners, for example Marriott, look a lot better. They look much more clear.

So I would say at this point, Instant Book looks better to us than it did when Instant Book was initially launched, but we don't have any comments as to what the ultimate decision is going to be down the road.

Mike Olsen - *Piper Jaffray - Analyst*

Thank you.

Operator

Douglas Anmuth, JPMorgan.

Dae Lee - *JPMorgan - Analyst*

This is Dae Lee in for Doug. Thank you for taking our question. I have just a follow-up on the HomeAway. So on HomeAway, you guys mentioned that traveler fee will roll out in the next coming months, but could you clarify a little bit more on the timing of the rollout plans a little more? And then could you comment on your marketing approach for HomeAway in 2016 and what drives the confidence on your $350 million EBITDA number in 2018? Thank you.

Mark Okerstrom - *Expedia, Inc. - EVP, Operations and CFO*

Yes, I think as far as HomeAway goes, we are rolling out now in the US, and the speed of the rollout is going to depend on the reaction of customers, conversion rate, how it's working out with subscribers, etc.

So the rollout will move quickly to the extent that we see things working out, and we will be debugging actively. We will then -- once we are done with the US or once we are well underway with the US, we will look at the rest of the world.

But, listen, these rollouts are live rollouts, and we don't want to hard code a specific rollout cadence. Obviously we want to roll it out as quickly as possible, making sure that our customer experience and our subscriber experience is terrific.

As far as a marketing approach for HomeAway, we do plan a significant year-on-year increase in brand marketing in HomeAway for 2016. That's included in the numbers that Mark related to you. It's -- the marketing campaign is already started. And the early signs -- and we are about five markets on the early signs as far as visits to the HomeAway sites look really good, and we are encouraged by the trends that we see.

Once online booking really starts to expand, we will be able to throttle up variable marketing channels as we get variable economics on the revenue side. One of the issues with the subscription listing product is that you don't earn money on every single transaction. You are earning money on an annual subscription, so you can't necessarily bid for the incremental transaction.

Once we have online booking expanded, along with the traveler fee, and volumes roll out there, we do think that we will be able to increase variable marketing channels, but we think that's something that's going to happen in the back half of the year as opposed to the front half of the year.

And then listen, on the question of the confidence in the $350 million EBITDA in 2018, we made those estimates based on a set of assumptions -- early set of assumptions. And so far, in the couple of weeks that HomeAway has been a part of the family, we are more impressed than we were when we made those assumptions. It's 2018. That's a long time from now, but I think what we wanted to communicate is that you kind of go into a company, you meet the people, you take a look at the technology stack and the product roadmaps, and either it's good news or bad news. And at this point with HomeAway, it's good news for us.

Dae Lee - *JPMorgan - Analyst*

Thank you.

Operator

Lloyd Walmsley, Deutsche Bank.

Lloyd Walmsley - *Deutsche Bank - Analyst*

A couple if I can. First forgive me if I missed this, but when you talk about the 2016 contribution from Orbitz in a way of $275 million to $325 million, what is embedded in that in terms of the deferred revenue that you won't recognize? I know in the S-4, you said HomeAway alone could be as high as $107, but is there an assumption that you can share with us around how much is excluded from that?

And then second if I can, just curious if you can give us a sense for what you're seeing from early beta hotels on the Accelerator bidded take rate product and when do you think that might roll out more broadly and what kind of impact it might have on revenue per room night headwinds you've been seeing? Thanks.

Mark Okerstrom - *Expedia, Inc. - EVP, Operations and CFO*

Sure, Lloyd. So I'll take the first one and then turn it over to Dara. On the $275 million to $325 million, there is about $20 million of purchase accounting impact embedded in that. About half of it is Orbitz, half of it is HomeAway. The bulk of it will unfold in the first quarter with some of the HomeAway stuff taking a little bit longer to bleed off. It is -- the HomeAway impact is a fair bit lower than we had anticipated/feared at the time of acquisition. We dug in very deep with our auditors and advisors and came to the conclusion that there was a significantly larger portion of it that we could recognize than we had anticipated. So good news on that front.

Dara Khosrowshahi - *Expedia, Inc. - President and CEO*

And as far as Accelerator goes, listen, it's very, very early. We are training our market managers who are now going out there and explaining Accelerator in market. We are -- and we are seeing in certain markets -- we are seeing engagements with our hotel partners. The partners who have engaged with Accelerator product are pretty darn happy, which is great. You want clients who like the product, and so we see Accelerator starting to contribute to our overall numbers.

In general, Accelerator is a move in the direction of having much more of a marketplace model for our margins so that hoteliers can bid up when they need volume, they can go to base bid when they don't need volume, and also along with bidding, you get the quality of content to the hotel, how these hotels treat our customers, quality of service, etc., and user reviews all mixing into a combination of the best hotel for the best customer and also economics that hoteliers want to bid at and obviously hopefully economics that work out for us.

So we are very early on this journey. The signs that we are seeing with Accelerator so far are encouraging. We're not making aggressive assumptions in our 2016 plans for Accelerator, but if any of our market manager teams are listening, we expect you to do better than the conservative plans that we have.

So we're hoping for the best. We're not counting the best.

Lloyd Walmsley - *Deutsche Bank - Analyst*

Thanks, guys.

Operator

Eric Sheridan, UBS.

Eric Sheridan - *UBS - Analyst*

I noticed Barry Diller recently gave an interview saying that Expedia was far from done on M&A. So, Dara, one for you would be capital allocation, how you think about the mix of assets you have now, geographic, as well as capabilities under the broader Expedia, Inc. umbrella, and so how you think about allocating capital going forward towards M&A and continuing the strategic vision.

And then number two would be, there's been a lot of comments of late from some of the inventory side like Hilton and Marriott with respect to lower commission rates and last room availability. Wanted to get your take on how the industry dynamic is playing out around lower commission rates, or stable commission rates versus last room availabilities at theme. Thanks.

Dara Khosrowshahi - *Expedia, Inc. - President and CEO*

Sure. As far as the M&A front, listen, we will be opportunistic as far as our capital allocation goes. I think that the team is more inwardly focused right now than looking to go out and aggressively acquire. Although we have a terrific corporate development and strategy team who are constantly talking to anyone and everyone.

When we look at the portfolio of assets that we have, especially with HomeAway as part of our family, we feel like we have a full portfolio. We feel like we don't have any competitive holes, and if we don't engage in any M&A for the next two, three years, we would be perfectly happy.

That said, we do want to extend our international coverage. I think we are in general too US dependent. At this point it's a really good thing because the US economy is the strongest economy in the world. So it's positive now, but five, 10 years from now, it's shame on us if we haven't grown significantly more outside of the US in all the markets, Asia-Pacific, Latin America, Europe, etc.

The second area where we absolutely want to grow and scale is in the corporate travel market. Obviously we're very strong on leisure travel. Corporate travel we think is an enormous opportunity. It's a higher yield customer set that our suppliers favor. The demand patterns are quite complementary of leisure demand patterns, and we want to get bigger, we want to scale, and we see growth ahead for Egencia that is a combination of organic as well as inorganic growth, and we think that's going to continue for some time going forward.

And then we will also look for innovative new companies out there. trivago obviously was a terrific one, and it's a very, very valuable part of the family. We made some investments in ALICE, for example, on the supply technology front. So we will be opportunistic (Wingz) as far as transport goes. We will continue to be opportunistic. We will continue to shoot bullets, so to speak, and see what opportunity is out there in the world.

That said, the business throws off a lot of cash flow, and historically I would say before this year, there was a fair amount of capital allocation going to buybacks. And to the extent that we don't see anything external and to the extent that we like our own stock and typically we have liked our own stock, we will look to allocate some capital internally as well. So it's kind of -- the world is our oyster, and we're throwing off a lot of cash. And we will try our best not to waste it.

As far as the noise and the chatter with the chains, etc., listen, we continue to be strong partners with the hotels in general. Our volumes with independents and chains have grown significantly, and our strategy with our chain partners is no different than our overall strategy, which is to lower our base commissions so that there is very little friction in working with us. And then really, any hotel, whether they are a chain or an independent, can compete in our marketplace for share. And this is a -- it's a big marketplace. The marketplace is only growing, and if you've got competitive pricing and you've got great content and you treat our customers really well and you provide excellent availability along with margins, you'll do well in the marketplace.

So I think that the ultimate, call it, performance of the chains and the relationship with the chains and the volume that we do with chains is really going to be based on chain bidding in our marketplace against independents, and in general, we see our chain volumes, they have been healthy for a number of years, and we expect to see them healthy on a go forward basis.

Eric Sheridan - *UBS - Analyst*

Great. Thank you, Dara.

Operator

Jed Kelly, Oppenheimer.

Jed Kelly - *Oppenheimer - Analyst*

Can you touch on what HomeAway subscriber churn has been since the acquisition, and what is your current plan around subscription pricing?

And then a follow-up. Have you seen an increase with vacation rental CPCs, particularly in regards to home -- to Airbnb closing its recent funding route?

Dara Khosrowshahi - *Expedia, Inc. - President and CEO*

As far as -- the one that I can make a comment on is that renewal rates in Q4 actually improved and were the highest renewal rates for the year. So we are very happy about that.

As far as an increase in vacation rental CPCs, we haven't seen any one way or the other, so I can't really comment on that.

Jed Kelly - *Oppenheimer - Analyst*

Thank you.

Operator

Stephen Ju, Credit Suisse.

Stephen Ju - *Credit Suisse - Analyst*

Dara, you continue to very quickly add supply to your property portfolio as you adjust your fee structures. So setting aside the removal of about 20,000 indirect relationships for the fourth quarter, I think you added about 73,000 in 2015. So just wondering if there's a way for you to accelerate the pace there.

Additionally, I was wondering if you could give us some color on the type of incremental properties you are adding. Are these larger properties, smaller properties, and is the room count per property similar to what's already on the platform?

And secondarily, I almost hate asking this question, but directionally, are you seeing any impact from steps on countries maybe taking Europe to tighten their borders due to the refugee crisis? Thanks.

Dara Khosrowshahi - *Expedia, Inc. - President and CEO*

As far as the supply question and the pacing of our supply adds, we are pretty happy with the pacing. So we tend to accelerate the pacing of adds to the extent that we see higher penetration in certain markets. Higher penetration means that we are sending plenty of demand into a specific market, which means that we can acquire more hotels. And at this point, we are seeing the growth of demand into the marketplace and the growth of supply be about right. So I would expect the same in 2016, and as we are adding more supply and as the new inventory contributes revenue into our marketplace, we then go on to hire more market managers. It's a formula that we've had in place for about 18 months, and I see no reason to change it. It certainly looks like it's working.

As far as the kind of supply that we are adding, as we are adding more supply, we're tending to add supply in secondary and tertiary markets. And the average number of rooms per hotel is going down.

So when we look at contribution from new hotel adds, it's not something we disclosed, but it's something that we certainly look at internally. The contribution per hotel add is going down, and it's going down because of the kind of supply that we are adding, and it's working exactly to formula. So it's exactly what we would expect to see.

As far as impacts from countries at the refugee crisis, etc., we haven't seen significant impact other than travel to I would say broad areas that are affected by the refugee crisis or directly affected. It is obviously down. But we haven't seen kind of second-order stuff. So travel into Europe in general was -- continues to be pretty healthy, and we're not seeing any significant step changes in demand patterns there.

Stephen Ju - *Credit Suisse - Analyst*

Thank you.

Operator

Ron Josey, JMP Securities.

Ron Josey - *JMP Securities - Analyst*

Just wanted to follow up on two, please. Dara, you may have mentioned I think on Eric's question around hotel commissions and really the readiness of the marketplace. I wanted to understand a little bit more as commissions come down, as the marketplace model takes into account how that relates relative to your comment on the Accelerator program being very, very early.

And also, just another follow-up on Orbitz and the contribution to EBITDA, could you quantify maybe, Mark, or help us understand the cost savings related to the charges you took around $130 million, $150 million related to employee severance and comp benefits that were announced in November on Orbitz? Thank you.

Dara Khosrowshahi - *Expedia, Inc. - President and CEO*

As far as the comments on the Accelerator program being early, it's literally because we just launched the program. So this is a product that we are co-complete on in Q4, and we've been working with our market managers and hotel partners on launching it officially. And that's something that will continue as we move through the year.

It is a bidding type of product. So as you can imagine, these marketplace type products tend to grow over a period of time as you get more players engaging in them.

So it's early. We like what we see, but again, we're not making any heroic assumptions financially as it relates to our Accelerator program. But it is certainly a good start, and we think it's a terrific product that is going to be a real win for our hotel partners.

Mark Okerstrom - *Expedia, Inc. - EVP, Operations and CFO*

And then, Ron, just on the restructuring charges and how that flows through to EBITDA contribution, I would just you say that in the $75 million run rate synergy estimate that we initially put out, a big chunk of that was headcount-related cost reductions essentially. There's a bit of revenue in there as well, but predominantly headcount related. So I would look at the severance charges as being related very closely to that number.

I would also say that in the overall big number is a fair bit of equity-related compensation which does not show up in adjusted EBITDA obviously. So it's harder to translate that into an adjusted EBITDA impact, and a lot of that related to senior team that's not there. So hopefully they gives you a little bit more color.

Ron Josey - *JMP Securities - Analyst*

It does. Thank you.

Operator

Ken Sena, Evercore ISI.

Conor McDade - *Evercore ISI - Analyst*

Hi. Thank you. This is Conor on for Ken. Just to clarify, was there an FX impact disclosed for the adjusted EBITDA guidance? Thank you.

Mark Okerstrom - *Expedia, Inc. - EVP, Operations and CFO*

Yes, Conor, there wasn't. But directionally I could say that it is a bit more than the impact to revenue. So I would think about it in the 600 to 700 basis point range, maybe a little bit higher.

Conor McDade - *Evercore ISI - Analyst*

Thanks.

Operator

Michael Millman, Millman Research Associates.

Michael Millman - *Millman Research Associates - Analyst*

Following up, I guess, on an earlier question you discussed the outlook for travel and for leisure travel, what's the outlook for business travel in the US, particularly thinking in the oil country ought and outside the US.

Also, one thing that hasn't been discussed is car rental. What do you see is the impact of Uber on the car rental business in the US and Europe?

And finally, just I kind of missed the 35%, 45% EBITDA guidance is compared with what particular number for 2015? Thank you.

Dara Khosrowshahi - *Expedia, Inc. - President and CEO*

Sure. As far as the corporate travel and the trends that we are seeing, listen, we have got some caution. I would say the teams are cautious about client sales in general because of the macroeconomic environment. The most clear trend that we can point to relating to oil prices is in terms of our business in the Nordics. As you know, we acquired VIA and integrated into Egencia, and we do see volumes in the Nordic regions in general weak, and that is very much related to oil prices being down significantly on a year-over-year basis.

In general, transactions -- corporate transactions look good. We're not seeing, call it, very significant spend cuts one way or the other like we saw a couple years back. We are seeing some trading down. So the revenue per transactions or gross booking per corporate transaction is down a bit, and we think that's just cautious practice from some corporations out there trading down, call it, from premium class to economy class or taking a train instead of taking a plane. But those are, I would say, on the edges. We're not seeing some big theme one way or the other as far as corporate travel changing significantly one way or the other.

As far as the car rental and the impact of Uber, our car rental business is we think very early in its development. The volume in car days is up very significantly on a year over year basis, over 30% on a year-over-year basis, and most of that business is in the US. And we think we have a ton of potential as far as our car rental business in Europe goes.

So I just think that we are on a growth path at this point that is not going to be affected by Uber. We're not going to field market numbers one way or the other just because the growth rates that we have are so high.

If I were to generalize it in Q4, other trends that we saw in the car business, on Hotwire side, we saw a higher concentration of, call it, agency bookings versus opaque bookings. We tend to make more money on opaque bookings. So that was one trend that we saw, but otherwise nothing to say, hey, this is Uber who is having a material effect on the business to speak of.

Mark, do you want to talk to the other question?

Mark Okerstrom - *Expedia, Inc. - EVP, Operations and CFO*

Yes, Michael, on the guidance, the 35% to 45% full year year-on-year growth, including HomeAway and Orbitz, is in relation to the $1.165 billion in adjusted EBITDA for 2015, which is Expedia, Inc. excluding eLong.

Michael Millman - *Millman Research Associates - Analyst*

Right. Thank you.

Operator

(Operator Instructions) Peter Stabler, Wells Fargo Securities.

Peter Stabler - *Wells Fargo Securities - Analyst*

Dara, a high-level one. On loyalty programs, obviously Hotels.com and Orbitz have pretty high profile offerings. What kind of appetite do you have for further investment behind those programs, and should these programs be expanded, or are there other platforms in the Expedia family where you should roll further ones out?

Dara Khosrowshahi - *Expedia, Inc. - President and CEO*

Absolutely. I would also add that Expedia has a pretty significant loyalty program, and I think between Hotels.com, Expedia and Orbitz, we are running pretty close to 40 million loyalty members on a global basis. And I would say our appetite here is unlimited, and the way to explain that is that the variable economics behind these loyalty programs are all working. In other words, we look at the points costs, we look at the ultimate redemption value of those points, the percentage of people who are using points -- customers who are using the points, and when they use them, and then we look at the behavior of the consumers and like-for-like consumers who are in the program versus the behavior of consumers who are not in the program and how that behavior changes in terms of repeat characteristics and in terms of channel mix.

When we look at those factors and compare it to the point costs, these loyalty programs work.

So as long as the factors are not changing, as long as these repeat characteristics aren't changing, as long as the channel mix isn't changing, and as long as the ultimate redemption value isn't changing, then we will look to expand these loyalty programs as aggressively as we can on a global basis.

There are some countries where the programs work really, really well. For example, we've been pleasantly surprised in the Asia-Pacific regions where loyalty has really taken off and -- for example, on a Welcome Rewards basis, it's got the highest penetration of, call it, Welcome Rewards or hotel rewards -- excuse me. It's got the highest penetration of hotel rewards, bookings as a percentage of the overall customer base. So we see some customer bases who love these programs in Asia-Pacific regions, but in general, the variable economics look good, and we will continue to invest aggressively in these loyalty programs on a go forward basis.

The other reminder that I would put forth is that the points costs that we take are upfront. The benefits from these loyalty programs are trailing benefits, so to speak. Because you get the lower -- the repeat benefits, you get the channel benefits down the line. So, as we are growing these member bases, typically we are paying an upfront cost, and we are building up a pretty substantial asset. We think this is a great competitive moat that we are building around our brands, and we intend to keep investing behind that moat.

Peter Stabler - *Wells Fargo Securities - Analyst*

Thank you.

Operator

Kevin Kopelman, Cowen and Company.

Kevin Kopelman - *Cowen and Company - Analyst*

I wanted to ask about Airbnb. There's been a lot of discussion about how Airbnb is impacting the hotel industry. Can you give us some color on what you are seeing in your hotel business from Airbnb and how you are thinking about that as the year goes on? Thanks.

Dara Khosrowshahi - *Expedia, Inc. - President and CEO*

We were debating, Kevin, when we would get the Airbnb question, so thank you very much for that.

Listen, we're not seeing -- we don't see significant effect of Airbnb on our business. I would relate it to the answer I gave with car. Our growth rates are substantially different from industry growth rates. So just because we don't see it, it doesn't mean that that is not happening.

We have said that Airbnb in general and HomeAway are adding inventory in the marketplace, lodging inventory in the marketplace, and it's becoming more and more clear that there is a certain set of customers who sometimes will stay at a hotel, sometimes will stay in an Airbnb or a HomeAway home. So anytime you increase supply, you will put pressure on pricing. So we will -- we anticipate pressure on pricing. We do see it sometimes during periods in which there is Super Bowl, let's say, or events happening in cities that used to sell out. We have observed that it sometimes gets harder for hotels to yield up during those events. And sometimes, whereas in the past we would not have inventory for those events, we tend to have inventory for those events. So in some way, you could consider a positive as it relates to our marketplace.

And then finally, anytime you have more supply, you put pressure on pricing, you as an intermediary -- meaning us -- want to have access to that supply. And whereas before HomeAway was part of the family, we didn't have significant access to that supply, and our goal was to build out that access to supply on an organic basis. Now that HomeAway is part of the family, we have access to that supply, and we will continue to build access to that supply on an organic basis.

So we think now that HomeAway is part of the family, the Airbnb effect is going to be a positive factor for us. But it's very early in this evolution, and at this point, other than those spot circumstances when markets are kind of sold out because of big events, we're not seeing it affect our specific trends.

Kevin Kopelman - *Cowen and Company - Analyst*

Thanks, Dara.

Operator

Justin Patterson, Raymond James.

Justin Patterson - *Raymond James - Analyst*

Just wanted to touch on trivago. Appreciate the disclosures you gave earlier on the call on the mature markets versus the rest of the world. Could you talk about how you are thinking of reinvesting in the rest of the world and when we should see that growth rate start creeping up to the contribution margin of the mature markets? Thanks.

Mark Okerstrom - *Expedia, Inc. - EVP, Operations and CFO*

Sure, Justin. Listen, it's hard to give you precise numbers around timing of when we might expect to see better contribution in the rest of the world. This is a business that operates on a very quick cycle time. We invest, we see returns. When we see returns we like, we continue to invest.

I think the big change that will ultimately drive better rest of world contribution is the ultimate penetration or maturity of the US business. That's an absolutely huge business now for trivago that is still growing very strongly, and they continue to see pockets of availability to invest into the US.

At some point, over the course of the next three years -- maybe it's this year, maybe it's two years from now, maybe it's three years from now, that market will get so big that they are fully penetrated and it does start to look, from a profitability perspective anyways, like their more mature markets. But at this point, it's really too difficult for us to give the color on when that is going to happen.

Dara Khosrowshahi - *Expedia, Inc. - President and CEO*

And I just want to underline what Mark was saying as far as the decision-making for the Company. If you look at our technology infrastructure and our upgrader tech infrastructure, from a design element, we were going from much more of a, call it, batch data design to real-time design. Batch data comes in, goes into some data warehouse, analysts come in and analyze it, a decision is made, and based on the decision, you take actions. Real-time is there is a total flow of data coming in. You are analyzing the data on a real-time basis, and you make decisions real-time.

And that same idea -- that tech design idea is something that we are taking to our business. And we are making -- we don't want to be making a decision on trivago marketing investment based on something that someone put on a piece of paper as part of an annual plan. Because then the paper is kind of running your business. We are instrumenting our businesses so that we are making the right decision tomorrow and the day after and the day after and the day after. And whatever the result is then, that's an optimized result for real business purposes and for the purposes of our investors than an optimized result to hit a number on a piece of paper.

We take our guidance -- annual guidance with you seriously, but there are a lot of different adjustments that we are making with our businesses, and we make those adjustments real-time. We don't make it because someone put a target on a piece of paper.

Justin Patterson - *Raymond James - Analyst*

Got it. Thank you, Mark. Thank you, Dara.

Operator

Dan Wasiolek, Morningstar.

Dan Wasiolek - *Morningstar - Analyst*

Just wondering what percent of your total bookings are coming via direct and maybe how that's trended over the last year and any commentary on how you might view that trending over the next few years? Thank you.

Mark Okerstrom - *Expedia, Inc. - EVP, Operations and CFO*

Yes, thanks for the question, Dan. Carefully guarded information, but I'll give you some directional color on it. One is that -- obviously as we have built these big loyalty programs, both at Hotels.com and at Brand Expedia and certainly Orbitz has had this benefit as well with their Orbucks program, you do build on your direct business. That's one of the core strategies of having those loyalty programs.

So as those programs mature and they are getting big, we do see an increasing amount of our bookings coming direct. So that's the first point I'd make.

Secondly, is in our mature markets like the US, we do see a significant amount of our business coming to us - direct, direct type in, responding to email, using the app for example. And in less mature markets where we don't have establishment, the vast majority of traffic actually comes to us from variable channels, and the goal is over time -- and we do this as we enter new markets and as they mature over time -- is to acquire these new customers and have them turn into repeat customers and build the business in places like Vietnam and Korea, for example, to look a lot like the US.

I think Dara had made some comments over the course of the last couple of quarter calls that one of the trends that we had seen is that the growth rates of our direct channels and the growth rates of bookings from our indirect or variable marketing channels were starting to get closer together, and I think that's a trend that we had continued to see, and we are hopeful that is something to continue over a long period of time as we build these loyalty programs and as our international markets mature.

Dan Wasiolek - *Morningstar - Analyst*

Okay. Thanks for the color.

Operator

At this time, I turn the call back over to our speakers for any additional or closing remarks.

Alan Pickerill - *Expedia, Inc. - VP of IR*

Thanks, everybody, for joining us today. Dara, do you have any closing comments?

Dara Khosrowshahi - *Expedia, Inc. - President and CEO*

Yes, just a great job to the Expedia team on a worldwide basis and, in particular, the teams that are working on the Orbitz migration. It's a lot of work, we appreciate it, and a big welcome to the HomeAway team.

So thank you very much. Look forward to an exciting 2016. Thank you.

Operator

That does conclude today's conference. We thank you for your participation.
