

THOMSON REUTERS STREETEVENETS

EDITED TRANSCRIPT

EXPE - Q3 2016 Expedia Inc Earnings Call

EVENT DATE/TIME: OCTOBER 27, 2016 / 8:30PM GMT

OVERVIEW:

Co. reported 3Q16 YoverY revenue growth of 33%.



OCTOBER 27, 2016 / 8:30PM, EXPE - Q3 2016 Expedia Inc Earnings Call

CORPORATE PARTICIPANTS

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

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

Mark Okerstrom *Expedia, Inc. - EVP of Operations & CFO*

CONFERENCE CALL PARTICIPANTS

Justin Post *BofA Merrill Lynch - Analyst*

Tom White *Macquarie Research - Analyst*

Naved Khan *Cantor Fitzgerald - Analyst*

Jed Kelly *Oppenheimer & Co. - Analyst*

Mike Olson *Piper Jaffray & Co. - Analyst*

Brian Fitzgerald *Jefferies LLC - Analyst*

Perry Gold *MOffettNathanson LLC - Analyst*

Michael Millman *Millman Research - Analyst*

Ron Josey *JMP Securities - Analyst*

Lloyd Walmsley *Deutsche Bank - Analyst*

Chris Merwin *Barclays Capital - Analyst*

Justin Patterson *Raymond James - Analyst*

Kevin Kopelman *Cowen and Company - Analyst*

Heath Terry *Goldman Sachs - Analyst*

Dan Wasiolek *Morningstar - Analyst*

Eric Sheridan *UBS - Analyst*

PRESENTATION

Operator

Good day and welcome to Expedia's Q3 2016 earnings conference call. Today's conference is being recorded. At this time I would like to turn the conference over to Alan Pickerill, Vice President of Investor Relations at Expedia. Please go ahead, sir.

Alan Pickerill - Expedia, Inc. - VP of IR

Thanks a lot. Good afternoon, everybody; welcome to Expedia Inc.'s financial results conference call for the third quarter ended September 30, 2016. Pleased to be joined on the call today by Dara Khosrowshahi, Expedia's CEO and President, and Mark Okerstrom, our CFO and EVP of Operations.

The following discussion, including responses to your questions, reflects management's views as of today, October 27, 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.



OCTOBER 27, 2016 / 8:30PM, EXPE - Q3 2016 Expedia Inc Earnings Call

You will find reconciliations of 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.

Finally, unless otherwise stated all references to cost of revenue, selling and marketing expense, general and administrative expense and technology and content expense also exclude stock-based compensation and depreciation expense. And all comparisons on this call will be against our results for the comparable period of 2015. With that let me turn the call over to Dara.

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

Thanks, Alan. Financial results for the third quarter were solid with gross bookings up 21%, revenue up 33% and adjusted EBITDA up 42% year on year. Now that the Orbitz migration is largely complete the focus of our core OTA segment has been squarely back to business as usual.

As we mentioned on our last call, we weren't satisfied with our hotel volumes in Q2 and the teams have now been laser focused on driving core execution, product and conversion improvements, online and off-line marketing and expansion of our supply footprint all to drive stronger transactional growth.

While you don't see the results yet in our Q3 stays, booked room night trends consistently improved throughout the quarter, especially with our global brands, Brand Expedia, Hotels.com and EAN, our private-label business. Our regionally focused brands however are managing marketing spend more with an eye towards near-term profitability versus top-line growth. While it is very early in Q4, October volumes continue to be healthy and it feels good to be back to our operational formula.

Egencia is on track to deliver solid year of growth and profitability as it continues to gain share under the managed corporate travel market, innovate and complete key technology projects to set the stage for its next phase of growth.

Egencia has set an internal target to double its gross bookings by 2020 through organic as well as inorganic growth and is positioning itself as the most business traveler and product centric Company in corporate travel. We remain very optimistic about the prospects for substantial share gains for Egencia for many years to come.

Team trivago continues to gain share, Q3 revenue growth came in at a very strong 57% year-over-year accelerating from an already strong Q2 while year-on-year profitability improved. Trivago is seeing healthy growth in all regions including its core European markets in the US while reinvesting profits to scale up in major travel markets such as South Korea, Japan and others.

Regarding the potential IPO for trivago, we are not going to be commenting on this call beyond our prior public statements, and we do not have any updated information to share on timing.

The HomeAway transition continued to progress nicely with standalone revenue up 61% year on year and the traveler service fee now rolled out globally. A special thanks to cofounder Brian Sharples who recently stepped away from his role as CEO while remaining Chairman of HomeAway to continue to help us navigate through a complex transformation.

Brian and team created a terrific Company that we plan to build on with longtime Expedia executive John Kim who has been at HomeAway since early 2016 now stepping into the role of Company President. We are focused on hitting our long-term growth goals while aggressively ramping up our investment in product, technology, marketing and customer service to build the very best marketplace for our homeowners, property managers and travelers alike.

And though we are pleased with the progress we are still early and HomeAway's transition into scale global leader in the alternative accommodation market.



OCTOBER 27, 2016 / 8:30PM, EXPE - Q3 2016 Expedia Inc Earnings Call

In summary, while we are never quite satisfied, overall results were solid and Q3 was most definitely a step in the right direction for our Company. Now I will turn it over to Mark.

Mark Okerstrom - *Expedia, Inc. - EVP of Operations & CFO*

Thanks, Dara. The adjusted EBITDA of \$667 million that we delivered in Q3 was a good result and broadly in line with our expectations for the quarter. Better than expected results across most of our brands more than offset some bottom-line weakness in Brand Expedia and Hotwire. HomeAway and Orbitz continued to perform well and together delivered a solid \$150 million of adjusted EBITDA in the quarter.

Hotel revenue grew 15% in Q3, slightly faster than in the second quarter on room night growth of 17%. Orbitz contributed approximately 6 percentage points of room night growth for the quarter. We are pleased to exit Q3 with stayed room night growth of 20% in September, 14% excluding Orbitz.

We are also pleased to see consistent acceleration in our booked room night trends each month through the quarter with strength continuing through October to date. Note however that as we improve execution results are first being realized in the form of accelerating growth in the high cost performance marketing channels such as meta-search and search engine marketing.

We expect to invest some additional selling and marketing behind these positive trends which could put incremental pressure on margins in the fourth quarter, a trade up we are happy to make as we continue to rebuild momentum exiting the year.

Average daily rates were up about 1% in Q3 while revenue per room night decreased by less than 2%. The gap between the two continues to narrow down to about 280 basis points compared with 440 basis points in the second quarter. Pressure on room night economics have continued to abate as we lap over previous reductions in our hotel commission rates.

We saw solid unit growth in our other product lines with air tickets up 32% and rental car days up 34%. Note that Orbitz added 22 percentage points of inorganic ticket growth and 19 percentage points to rental car days in Q3.

Revenue per ticket grew 15% in Q3 due in part to a one-time re-class of certain other revenue into air, favorable economics in a number of supply contracts and certain consumer fee tests. We expect revenue or ticket growth to return to a more normalized level in Q4. Our ad and media revenue grew 50% on solid performance for both trivago and our Media Solutions group.

As you look at your top-line growth expectations for Q4 please remember that we comped over the Orbitz acquisition at the end of the third quarter and as such all-in growth rates across our product lines will decelerate significantly beginning in Q4.

Additionally, Orbitz growth bookings and revenue have been meaningfully down year-over-year on a standalone basis due to our discontinuation of certain brands and site functionality, our pulling back spend in certain marketing channels with an eye to profit optimization, and some churn in Orbitz partner network and Orbitz for business customers. This dynamic will put pressure on top-line growth in Q4 with a more limited impact on profitability given deal synergies and Orbitz air heavy product mix.

On a standalone basis, HomeAway revenue grew 61% and adjusted EBITDA grew 85% in Q3. We are quite pleased with these results and as such continue ramping up investments in selling and marketing and in product and technology as we move forward into 2017.

Looking forward these investments, combined with the phasing out of tiered subscription fees and lapping the roll out of the consumer fee next year, will result in slower adjusted EBITDA growth for HomeAway beginning in Q4 compared to what you saw here in Q3. Progress to date combined with the investments we are making give us continued confidence in our ability to deliver our targeted \$350 million of adjusted EBITDA at HomeAway in 2018.



OCTOBER 27, 2016 / 8:30PM, EXPE - Q3 2016 Expedia Inc Earnings Call

From an expense perspective on both an organic and all-in basis we saw nice leverage in cost of revenue, selling and marketing people-related costs and G&A this quarter. Note that across all expense categories year-over-year growth was partially offset by a reduction of our incentive compensation accruals in Q3 given the relative underperformance in our core OTA business year to date.

Technology and content expenses continued to grow faster than revenue due in part to the year-over-year impact of hiring of talented tech teams earlier this year and our continued employment of transitional resources in connection with the Orbitz integration.

Looking forward as we lap these additions and the remaining transitional resources roll off, on an all-in basis we expect to see a further deceleration in the growth of technology and content expense to the high 20% to both 30% range in the fourth quarter and further deceleration as we move into 2017.

I would note, however, that an additional driver to year-on-year growth in technology and content expense in the third quarter was the continuation of our cloud migration efforts. Though we plan to operate our own data center footprint for core functionality for the foreseeable future, we have initiated a companywide effort to migrate significant portions of our products and capabilities to the cloud computing environment over the next few years.

The related expense for full-year 2016 will be over \$30 million of which we have recognized approximately \$20 million year to date. Current estimated expenditures on cloud for 2017 are more than double current year spending.

While this represents an EBITDA headwind in the near-term, we absolutely believe it is the right business decision and we expect it to be nicely free cash flow positive over the medium- to long-term as we significantly reduce capital expenditures and other operating costs related to our own data centers over time.

Turning to our financial expectations for full-year 2016, on a consolidated basis excluding eLong, we are currently forecasting full-year adjusted EBITDA growth approaching the midpoint of our 35% to 45% guidance range with continued risk to the downside.

We are pleased to see the improvement in recent room night growth trends and plan to invest behind it. This increase and marketing spend coupled with the book to stay lag may negatively impact Q4 profitability but should set us up well as we move into 2017.

We expect the relative contributions of Orbitz and HomeAway versus our organic business to be broadly consistent with our guidance last quarter, better bottom-line performance from these acquisitions offsetting relative underperformance in the core business. With that let's open it up for some questions. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Justin Post, Merrill Lynch.

Justin Post - BofA Merrill Lynch - Analyst

Dara, just you have now had a chance to kind of digest the slowdown and the issues at Expedia. Anything new that you would like to add on this quarter? It seems like it was more than just Easter and Orbitz. And maybe you could expand on what is going on and what is kind of bringing you out and was there a competitive shift?

And then secondly just on HomeAway, I just would like to know kind of the consumer reaction to the addition of consumer fees. Any new data on that? And how do you think about the consumer fees offsetting some of the subscription revenues as we work into next year? Thank you.



OCTOBER 27, 2016 / 8:30PM, EXPE - Q3 2016 Expedia Inc Earnings Call

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

Sure. As far as the volume trends and the execution of the base business, listen, it is just good to get back to execution on the core. There were a ton of people across the Company focused in on the Orbitz integration; they did a terrific job and note that that acquisition integration came after Travelocity after Wotif.

So I think the teams are -- there is a bit of relief for the teams to kind of get back to basics and get back to the business and I think it is showing up in the numbers. You obviously don't see it in the stays because there is a book to stay lag. But the business has been getting consistently stronger, as we expected it to, as Q3 progressed and early Q4 looks really good.

So I think, listen, we expected it sometimes when you hit a speed bump you wonder whether it is structural or whether it is temporal. I think this one is certainly proving out to be temporal. We don't take anything for granted. We are as usual when we kind of accelerate into certain markets; the variable channels tend to be very fast switch channels for us. So you may see some kind of sales and marketing pressure on that front. And then following the variable channels you get some of the more direct channels.

And so in general I would say the teams are not taking anything for granted. I think that Q2 taught us a little bit of a lesson in humility that I think everyone can use once in a while. But based on what we are seeing, the formula that we have established for the past five years still works and there is no reason why it wouldn't work on a go-forward basis and we are certainly seeing that in the results.

As far as HomeAway goes, the transactional revenue has been very strong in Q3 as we have rolled it out on a global basis and as the teams now are optimizing much more aggressively on the conversion front.

And so while the transactional fee initially caused a dip in conversion the teams there are really building out their e-commerce capabilities and muscles and conversion is a very nice positive factor for us, traffic continues to build, although Google kind of free search continues to be kind of weak. But on balance we like what we are seeing and you see it in the results.

I think that as you move into Q4 and especially next year you are going to see some of the subscription premium revenue that we have stopped selling start coming down. So the transactional revenue essentially has to scale up faster in order to make up for some of the subscription revenue growth coming down. It is something that we expected and then of course some of the investments that we are making in marketing and technology, etc., are also going to show.

So, I think the team on HomeAway likes where we are, but we know that we have got a big lift ahead of us and kind of the slope is going to get a little tougher. But I think the teams are up for it.

Justin Post - *BofA Merrill Lynch - Analyst*

Thanks for taking my question.

Operator

Tom White, Macquarie.

Tom White - *Macquarie Research - Analyst*

Just a clarifier on the room night trends. It sounds like things are accelerating here but mostly in paid channels. I guess I am not sure I totally understand kind of why the direct traffic or the direct channel is sort of lagging kind of the faster twitch paid channels.



OCTOBER 27, 2016 / 8:30PM, EXPE - Q3 2016 Expedia Inc Earnings Call

And then just on the HomeAway performance, strong quarter on EBITDA, it was sort of in-line-ish in terms of revenue for us. So can you just kind of remind us on that subscription revenue piece kind of how the renewals phase sort of through the year or kind of what percentage occur each quarter? Thanks.

Mark Okerstrom - *Expedia, Inc. - EVP of Operations & CFO*

Sure, Tom. So on the room night trends; basically what happens is when you start getting conversion back working, if you could imagine everyone on your website right now has a higher probability of converting. And in the direct channel that actually provides higher conversion rates and you get one benefit of that and you also get it from those visitors that you brought by a Google or meta-search.

But then with that higher conversion rate you actually adjust your bidding algorithms to say I now expect a higher expected value from the traffic I am getting from the variable channels on a go-forward basis. And at that point you are basically in a spot where you can take up your bids and it adds an accelerator, if you will, in growth for those channels. So that is basically the impact.

And then when you look at the impact of profitability, when you have that type of acceleration what happens is in the quarter where you are actually ramping up that spend, you only actually get to recognize a portion of the revenue because not all of the stays happen in that quarter and we recognize revenue for our hotel business generally on the stay.

With respect to HomeAway performance, listen, generally the subscription renewals are spread throughout the year. As a reminder, we basically eliminated the tiers last quarter in the beginning of last quarter, grandfathered in a number of the premium players. And those subscriptions that were at premium will essentially start rolling off here on a go-forward basis. And once they roll off they will either reset at the close to \$500 per year subscription or the lower price we have set for online bookable properties.

And so, you will essentially see the subscription revenue start to become a more negative headwind as we move through Q4 and then Q1 and Q2 and then you will really start to annualize it in Q3 of next year. And then as a reminder, in terms of the traveler fee rollout as you are thinking about next year, we launched the traveler fee just towards the very end of the first quarter last year in the US and then Europe was towards the end of the second quarter.

Tom White - *Macquarie Research - Analyst*

Great, very helpful. Thank you.

Operator

Naved Khan, Cantor Fitzgerald.

Naved Khan - *Cantor Fitzgerald - Analyst*

So just a couple of questions. Around the test and learn velocity your commentary kind of indicates that you continued to make progress throughout last quarter and it seems like the trend continued into October. Are you at a point where you think you are back in the saddle and kind of even with the competition or do you think you are more (inaudible)?

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

Naved, I guess I'd compare us to where we were. I think that we have certainly improved and I think the teams feel good about their execution. But we believe that we can certainly get better. I can't really comment as to competition and what they are doing. I think that the teams feel better but they think that they can do better.



OCTOBER 27, 2016 / 8:30PM, EXPE - Q3 2016 Expedia Inc Earnings Call

Naved Khan - *Cantor Fitzgerald - Analyst*

Okay. And then just on your plans for integrating HomeAway inventory into the core Expedia. Can you talk a little bit about if you have made any progress on that front?

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

Yes, the engineering teams are hard at work doing it. As a reminder, we have tested with HomeAway previously, there is a vacation rental tab on Expedia, for example, now. But that wasn't a full integration, that was essentially a link off into HomeAway search results.

And what we are talking about is a much more fundamental kind of integrated experience where someone who comes to an Expedia or a Hotels.com and is searching for hotels, depending on length of stay, depending on weekday, weekend, etc., they are going to get a complementary mix of hotel search results and/or vacation rental results based on a number of different presentations and logic.

We expect to be piloting that experience sometime in Q4. And based on the results of those pilots I think we will be kind of making it a bigger part of our experience late this year and certainly going to next year. And I think it is a great benefit both for Expedia and Hotels.com consumers because they are going to get more breadth and depth of inventory in market, especially in some of the markets where HomeAway is very strong.

And then I think for HomeAway our partners there, the homeowners, the property managers, they are going to get a significant boost of demand from these terrific travel brands, especially in urban destinations. So we think it is a win for the consumer and it is a win for our marketplace and we are pretty excited about the potential here.

Naved Khan - *Cantor Fitzgerald - Analyst*

Thank you.

Operator

Jed Kelly, Oppenheimer.

Jed Kelly - *Oppenheimer & Co. - Analyst*

How would you assess your international lodging supply sales force and where would you like it to be over the next 12 to 18 months?

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

Yes, listen, we have been aggressively growing our international hotel supply sales force. We grow that sales force as we build out our hotel inventory and as those hotels start selling into a marketplace. So we are pretty disciplined about the build out of the inventory and then the increase of our sales force. We have been consistently increasing our international sales force and coverage.

There is a significant amount of increased activity now in secondary and tertiary markets that are typically markets where locals travel to, not necessarily international travelers. And our growth rates in those markets are typically in excess of our growth rates in primary markets or international destinations. And I think we are going to continue along those paths. Asia-Pacific markets is where we see the most significant growth, but we continue to make investments all over.

OCTOBER 27, 2016 / 8:30PM, EXPE - Q3 2016 Expedia Inc Earnings Call

Jed Kelly - *Oppenheimer & Co. - Analyst*

Thank you.

Operator

Mike Olson, Piper Jaffray.

Mike Olson - *Piper Jaffray & Co. - Analyst*

Two questions, do you think there could be any competitive dynamics impacting room night growth? I realize you just said it largely had to do with temporary issues so the answer is probably no. But maybe you could just share your latest thoughts then on brand.com, meta-search and other OTA competition. And then the second question is just are there any geographies where you are seeing particular weakness or strength right now? Thanks.

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

Sure. Listen as far as other OTA or meta-search competition, I think every single call probably in the past 10 years we have referred to competition being tough. It is nothing new in this marketplace. And I think it has led to some of the consolidation that you have seen in the market more recently. There have been some players in Europe who are going out of business.

So the competition is there, it is always difficult, the competitors are always getting better. And it is not good enough for a Company to get better, you have to get better faster. And I think we are on a good path now and we expect our competitors to be as tough as they have always been.

We have obviously seen some activity on the supplier kind of brand.com front as far as some of the kind of loyalty fares that have expanded now versus what we have seen in the past. We have measured pretty carefully our performance in call it brand heavy markets versus brand light markets. We continue not to see any measurable difference between the two. So it doesn't seem to be affecting our results.

What it is doing is that it is shifting more share of our supply to the independents who are growing faster than some of these brands and also to -- there are some brands who are giving us kind of the best inventory. So in general the players who are giving us the best inventory are growing faster in our marketplace both in terms of direct bookings and then you would think as far as the traffic that they are acquiring.

So, and that shift actually is giving us some decent margin, call it relief, versus what we have seen in the past. So you will notice that revenue per room night trends are generally improving as the year has gone by and some of it is due to the shift.

So listen, we will be watching it very closely. We obviously want to get the best inventory from all of our partners. The brands are very, very important partners of ours. And our goal is to build our business with them, not shrink our business with them. And we are investing in a number of new interaction methodologies, technologies to hopefully get there.

As far as the markets, the destination markets, I would say in general it was pretty solid across the board and, as we said, getting better. We did see some weakness in some markets in Florida relating to the Zika virus, there could be some offset and Mexico for example is particularly strong as that because Miami is weak. We don't exactly know.

We were pleased to see Paris starting to grow again off of what was a pretty weak base but it is great to see Paris now on the positive. The Spain and Portugal were very strong this summer both in terms of room nights as well as ADRs. And the UK, funny enough now with Brexit and the pound being weaker, London and the UK as a destination has become quite strong. So I would say decent results and the macro environment for us remains pretty good.



OCTOBER 27, 2016 / 8:30PM, EXPE - Q3 2016 Expedia Inc Earnings Call

Mike Olson - Piper Jaffray & Co. - Analyst

Thank you.

Operator

Brian Fitzgerald, Jefferies.

Brian Fitzgerald - Jefferies LLC - Analyst

We imagine TV was probably particularly crowded this quarter with Olympics and the presidential races. Wanted to know what the puts and takes were and the efficacy or effectiveness of that marketing channel for you. And then a quick follow on, we wanted to ask about social and dynamic product ads for travel on Facebook. Can you give some color as to the efficacy you are seeing there?

Mark Okerstrom - Expedia, Inc. - EVP of Operations & CFO

So, Brian, just on TV, we didn't see anything particularly remarkable. There is always something going on. I think certainly the Olympics were a factor but not a factor for that long. So I would say nothing particularly we would call out as being particularly impactful for our business. Dara, do you want to take the social one?

Dara Khosrowshahi - Expedia, Inc. - President & CEO

Yes, as far as social on that dynamic travel ads, listen, it is a very, very promising area for us. Our Facebook advertising continues to grow very significantly and they are a terrific partner. So we are quite optimistic there.

Our goal in Facebook is to really get that channel and other social channels to real scale. And what really gets us scale is when you are able to identify intent in a more accurate way. We haven't quite cracked the code there, but we are working very hard with our partners at Facebook and other social networks in order to get there.

Re-targeting is pretty interesting and obviously we are investing there. Some debate as to how incremental that kind of advertising is. But we continue to gather data, we continue to increase spend. And the goal is to really scale it to Google like levels if we can.

Operator

Perry Gold, MoffettNathanson.

Perry Gold - MoffettNathanson LLC - Analyst

Can you give us a little more color on what drove the revenue commission and margin upside at Orbitz? Was this mostly seasonal? And then also can you provide a little bit more color on the revenue acceleration at trivago? Which markets in particular have been the most robust? Thanks so much.



OCTOBER 27, 2016 / 8:30PM, EXPE - Q3 2016 Expedia Inc Earnings Call

Mark Okerstrom - *Expedia, Inc. - EVP of Operations & CFO*

So, just on Orbitz, you're talking specifically about revenue margin improvement overall. I think there, basically air ticket prices are down. And generally, as I mentioned in the prepared remarks, there was some feature and functionality that we did not build onto the Brand Expedia platform that Orbitz had.

And that resulted in us shedding a little bit of the air volume that we would have otherwise had. And that is essentially offset by better than previous Orbitz performance in the hotel business and also the media business.

And then at trivago -- I think, listen, trivago has had very nice results year to date and particularly in the quarter in the US and their core European markets. We'd call out South Korea and Japan as particularly promising markets too. These are big markets where trivago is starting to scale up.

Perry Gold - *MOffettNathanson LLC - Analyst*

Fantastic, thank you.

Operator

Michael Millman, Millman Research Associates.

Michael Millman - *Millman Research - Analyst*

My questions are on the users of your rewards programs and a breakdown between US and particular countries between business and leisure, if you tend to see the users as having been existing customers Expedia or not? Are you getting -- are they bringing new customers or are you seeing more hotels or air or other. Anything of this sort that gives us a good feel for who and why rewards programs are working or not working.

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

Sure. Well we believe they are definitely working for us. We have got over 25 million Hotels.com rewards members and it is a -- the base is growing by over 30% a year. I believe Expedia Plus is now close to 20 million if not over as far as their members go.

And the members, both Hotels.com and Expedia Plus as well as Orbitz Orbucks members tend to come back to us; the repeat rates are significantly higher than nonmembers. And the direct repeat rates or what we call organic repeat rates are significantly higher as well. So you get higher spend and you get higher spend over more profitable channels.

Now those behaviors tend to come over the lifetime of that member. So we pay for the member acquisition and we pay for the points upfront which is a pressure on our P&L. You see some of that pressure in our revenue margins and then we get the goodness as the member and the member base matures.

The majority of our members at this point are in the US but growth is very fast outside the US, especially in the Asia-Pacific regions. We find that our APAC customers love a great deal and the Hotels.com rewards program and Expedia rewards program, those are great deals.

The other factor that is pretty interesting now is that we are getting more and more inventory through our hotel partners that is now available for members only. So these are discounts that are available only if you sign in, so it is not a retail discount, it doesn't hurt ADR at all. But the hotels who are participating in these kinds of programs tend to gain share in our marketplace without giving up retail rate.



OCTOBER 27, 2016 / 8:30PM, EXPE - Q3 2016 Expedia Inc Earnings Call

So we think it is a win for our members and it is certainly a win for our hotel customers as well. We are in the tens of thousands of hotels that are making these rates available. So you can imagine it is a very, very broad program. And it is attractive for our member base and it is attractive for our partners. Hopefully that helps with your questions.

Michael Millman - *Millman Research - Analyst*

Thank you.

Operator

Ron Josey, JMP Securities.

Ron Josey - *JMP Securities - Analyst*

I think you touched on this earlier, Mark or Dara. But given the recent ramp in HomeAway's EBITDA, I think it was around \$77 million this quarter. Can you just remind us how that is going to trend or how you think that is going to trend in the 2018 guidance that you have?

And really how you balance that margin expansion with reinvesting the profits in the marketing and overall share, which I think you are doing now? But I just want to revisit that and try to understand that a little bit better. Thanks.

Mark Okerstrom - *Expedia, Inc. - EVP of Operations & CFO*

Sure, happy to give more color on. So I think in terms of growth rates we are looking at Q3 as kind of a high water mark if you will. We are in this period where subscription revenue has not yet become a meaningful drag and you have got very easy comps on the transactional revenue. And so you basically are dropping a lot of profit to the bottom line and we haven't yet completely ramped up to full steam on sales and marketing and particularly in technology and products.

So those are two areas particularly where you will see us start in Q4 and then particularly in through 2017 ramp investments aggressively. 2017 I will just tell you is not a year where we will be as focused on adjusted EBITDA growth as we are in just building the capability and that is for HomeAway specifically.

And we expect that once we build up particularly the product and tech team to where the size we want it to be, we will be able to leverage that nicely as revenue growth and ultimately marketing contribution growth continues into 2018. And again, we feel very comfortable with our \$350 million adjusted EBITDA number for 2018. But the path there will be one of investment in 2017 and realization in 2018 from a bottom-line perspective.

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

And I think I just want to make sure that our investors understand the perspective that there are two big players in the space and arguably a third coming with Booking.com and their activity. But the big player, Airbnb, has a private market cap of over \$30 billion. And so we see this HomeAway opportunity as a very, very large opportunity and we are going to invest behind it as that kind of an opportunity.

This is not kind of an incremental kind of a project for us, this is a big project for us. Hotel inventory is available very, very broadly all over the world. There are hundreds of agencies, travel agencies, distributors who have hotel inventory available including these brands that have real scale.

There are that kind of inventory, the alternative accommodations inventory is just not available as broadly. And for us to be able to build one of the count-them-in-your-hands numbers of scale players that are organizing this kind of inventory, which is very, very attractive to consumers all over the world, it is a very big opportunity so we are investing right behind it as such.



OCTOBER 27, 2016 / 8:30PM, EXPE - Q3 2016 Expedia Inc Earnings Call

Ron Josey - *JMP Securities - Analyst*

Thanks, guys.

Operator

Lloyd Walmsley, Deutsche Bank.

Lloyd Walmsley - *Deutsche Bank - Analyst*

Following up on HomeAway and looking kind of higher up the funnel, is there an update you can give us on that \$15 billion number of annualized bookings that HomeAway drives across kind of online and off-line that they provided at the time of the acquisition and kind of what kind of traveler fee attach rate on that are you guys seeing today?

And the second question if I can, when you look at Orbitz on the hotel side as you get deeper into the integration of the core properties from Orbitz onto the Expedia platform, are you guys seeing that traditional uptick in conversion rates that might allow you to step up spending in variable marketing channels around that brand? Or should we expect most of the synergy to come from the cost side there? Any color you could give would be great.

Mark Okerstrom - *Expedia, Inc. - EVP of Operations & CFO*

Sure, Lloyd. So on HomeAway the \$15 billion number that we quoted, we still feel comfortable with that number. To be honest, we are not too focused on looking at what the total platform derived bookings are at this point. What we are very focused on is taking the booking number that is actually happening on platform and growing it as fast as we possibly can.

To do that of course we are getting properties online and we are now well over 1 million properties that are online bookable. Then we are very much focused next on making sure that the online bookable listings are actually driving transactions on the platform as opposed to off the platform. And so far results have been very good, conversion rates are up ready nicely year-over-year, progress is pretty good.

So again, I think there is a huge opportunity here. I think the total bogie of \$15 billion growing nicely because the overall market is growing nicely is absolutely out there. But the way we are getting there is just really focusing on the online piece and driving that as hard as we can.

With respect to the Orbitz integration, we are definitely seeing nice conversion results on the hotel product. I think converting that into stepping up in marketing is something that we are still playing with at this point. We have got two very strong global brands in Brand Expedia and Hotels.com, these are brands that we are investing in to build really for the long-term.

We think we have got a phenomenal brand also in Orbitz and in CheapTickets and in ebookers and Wotif and Travelocity. But the brands that are more regional in nature -- our approach thus far has been, yes, be players in these variable marketing channels where we can, but let's be a little bit more focused on profit as opposed to top-line trends.

So, I think we are still evaluating our approach here, it is not set in stone. But generally we are just being a little bit more bottom-line focused with the Orbitz' of the world versus top line oriented.

Lloyd Walmsley - *Deutsche Bank - Analyst*

Great, thanks, guys.



OCTOBER 27, 2016 / 8:30PM, EXPE - Q3 2016 Expedia Inc Earnings Call

Operator

Chris Merwin, Barclays.

Chris Merwin - Barclays Capital - Analyst

I just had a couple. So I think last quarter you talked a bit about weakness in meta-search channels. And are you still seeing that or have you really seen improving trends there? And then also any update on partnering with Instant Book or do you feel like you are effectively driving leads through their meta-product currently?

And then just a second question on HomeAway. I know you are working to improve conversion there. And do you feel like you are on track such that you can really ramp up spend and variable marketing there? I imagine the kind of competition with vacation rental keywords is fairly competitive. So just curious how that was trending. Thank you.

Dara Khosrowshahi - Expedia, Inc. - President & CEO

Sure, as far as the meta-channels, we have seen an improvement in the meta-channels definitely. You will see for example in our numbers as far as the intercompany spend with trivago has accelerated on a year-on-year basis, Q3 compared to Q2, so you can see that in our numbers. And in general the meta-channels are improving, we still think we can do better. So we are not satisfied there.

As far as Instant Book goes, we continue to have a constructive dialogue with TripAdvisor. No news to share at this point. I think the Instant Book marketplace in general is more mature now, kind of the brand representation is better than it was when that product was initially introduced. So in general we are more favorably inclined to that product now than where we were before. But we haven't crossed the finish line at this point. We will see where we wind up in the next couple quarters.

As far as the HomeAway goes, on the conversion front you are right, we are improving it and we are on track. The marketing -- the variable marketing channels are going to be an increasing factor, but I wouldn't call them a substantial factor at this point for HomeAway.

The teams -- we actually brought a very, very talented executive from Hotels.com onto the HomeAway team. He had been running Hotels.com kind of online marketing for a while and did very, very well. And so he has now joined the HomeAway team. So I think the HomeAway team is now building the muscle; conversion is going in the right direction, but really has to build the muscle to build a very, very strong variable marketing channel and I think it is pretty early there.

Also note that as we integrate the HomeAway inventory into Expedia and Hotels.com -- Expedia and Hotels.com and Orbitz and Travelocity will also be able to bid more effectively for the vacation rental keywords as well.

Who will be kind of the winner? Will it be more efficient for HomeAway to bid on those keywords or Hotels.com? That remains to be seen and we will be kind of testing and learning our way there. But I think it will be a bigger factor next year versus any time in the next couple quarters.

Chris Merwin - Barclays Capital - Analyst

Okay, thank you.

Operator

Justin Patterson, Raymond James.



OCTOBER 27, 2016 / 8:30PM, EXPE - Q3 2016 Expedia Inc Earnings Call

Justin Patterson - *Raymond James - Analyst*

Dara, you sound pretty confident on the re-acceleration for the fourth quarter. We have seen some of the hoteliers themselves just lower RevPAR forecasts for the fourth quarter as well as issue pretty cautious guidance for 2017. So just trying to understand how you are thinking through the macro environment at this point in time and investing in the core brand assets.

And then just as a second question, mobile -- earlier in the year at your Analyst Day you gave 40% of traffic as coming to you through mobile assets. One of your peers is actually approaching close to 50% of bookings through mobile. So just trying to understand what type of trends you are seeing through mobile today. Thanks.

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

Sure. As far as the re-acceleration in Q4, listen, it is early, but we like the trends that we are seeing. There is no guarantee that those trends will continue, so I don't want you to take too much confidence as far as how we are doing. We are just kind of reporting based on how we have done and what we are seeing so far.

In general as we look at the macro environment, I do think that some of the weakness that we saw as it related to our results in Q2 was self-inflicted. We were very open about that. The sites weren't as stable as they needed to be, some of the experimentation wasn't as strong as it needed to be. So we had to kind of get our own house in order.

So I think it is difficult to compare our results and trends to macro trends because we went through a lot of change this year. We are seeing while domestic ADRs have been positive, when I look at kind of daily/weekly ADRs they are weakening a little bit versus where they were in Q2. So that kind of agrees with some of the trends that we are seeing.

Our package inventory is in good shape and, again, hoteliers kind of load in inventory into opaque channels such as packages and Hotwire and these member only deals when they need a little more help and it feels like some of the hoteliers need a little more help. On the Egencia side especially domestically we are seeing a bit of caution as far as corporate travel spend goes.

We don't see it in Europe but we see it more domestically. So I would say that on a macro basis we are seeing some similar signs which is a hint of weakness. We probably don't feel it is my just some of the other folks just because this online channel is a big growing channel and we are riding that wave. And hopefully the hotel partners who engaged with us on the inventory front aggressively are going to ride that wave with us and hopefully gain some share as we gain share. Mark, do you want to talk mobile?

Mark Okerstrom - *Expedia, Inc. - EVP of Operations & CFO*

Sure. So we feel pretty good about the mobile situation. 40% to 60% of traffic on our big leisure brands generally is coming from mobile. So if you were shooting for 50% we are probably right in that zone.

And then in terms of actual bookings that are happening on mobile devices, we have got certain brands, Wotif, Hotwire at times, that are bumping up against mid-40% to 50% range, Hotels.com is just behind them. And I think just the trend here is that we continue to see much faster growth in mobile than we do in desktop.

Not surprisingly we are seeing an increased shift of transactions and traffic to smart phone, tablet is petering out, mobile Web is becoming more significant for us as we get much better at bidding for mobile Web traffic in variable channels. So hopefully that will help you with a few of the trends that we are seeing.



OCTOBER 27, 2016 / 8:30PM, EXPE - Q3 2016 Expedia Inc Earnings Call

Justin Patterson - *Raymond James - Analyst*

Great. Thank you, Dara. Thank you, Mark.

Operator

Kevin Kopelman, Cowen and Company.

Kevin Kopelman - *Cowen and Company - Analyst*

I just had a couple of follow-ups on HomeAway to help us with the top-line modeling. I think last quarter you gave us a number of transactional booked revenue growth year over year. Could you share that with us again? And then with an increasing portion of the business being driven by transactional revenue, can you give us a sense of the run rate of online bookings that you are generating at HomeAway? Thanks.

Mark Okerstrom - *Expedia, Inc. - EVP of Operations & CFO*

Great modeling questions. So I will help you with a little bit of it; we are not going to disclose the gross -- online gross bookings number at this point. It is something we were thinking about disclosing in the future, we are not going to disclose it at this point.

I will tell you that booked transactional revenue for the quarter was up north of 250% year over year. Again, it is pretty easy comps, so that is the number. And on a sales basis as opposed to recognized revenue, subscription revenue started to decline double digit. So I would expect that to continue and accelerate a bit as we move here into 2017.

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

And then overall our listing count continues to increase at close to 20%. So the engagement of the supplier communities so to speak within the HomeAway marketplace continues to be very healthy. So we are pretty happy to see that.

Mark Okerstrom - *Expedia, Inc. - EVP of Operations & CFO*

Yes.

Kevin Kopelman - *Cowen and Company - Analyst*

Great, thanks a lot.

Operator

Ken Sena, Evercore ISI.

Unidentified Participant

Thanks for taking the question, this is Connor on for Ken. Could you just speak a little bit about the take rate stabilization that we are starting to see in the last couple quarters. I think initially you had stated that heading into 2017 we might continue to see that, but it looks like maybe a little bit ahead of schedule there.



OCTOBER 27, 2016 / 8:30PM, EXPE - Q3 2016 Expedia Inc Earnings Call

Are you at a point where you feel you are kind of at parity with the market rates on these things now or should we expect that to maybe pick up again at some point in the future? Thanks.

Mark Okerstrom - *Expedia, Inc. - EVP of Operations & CFO*

Yes, so I mean generally we feel like we are at parity with the competition in most every market in which we operate. We are in all markets offering a low-cost agency hotel offering which is really at parity. And the differences I think at this point largely relate to upsell opportunities and our Expedia Traveler Preference program which allows consumers to choose between merchant and agency and some other upsell value added products that we are offering to our hotels.

I think generally the margin story and in terms of its impact on our revenue per room night is largely on track with the expectations we have set, which is that we really expect to be largely done with the big project, if you will, of rebasing margins by the end of this year.

There are always tactical ups and downs that are going to happen as we move forward. So we may never be the end -- we may never have complete stabilization, but we are really done with the big project by the end of this year. And then you are annualizing what we have done through the end of 2017.

Unidentified Participant

Great, thanks.

Operator

Heath Terry, Goldman Sachs.

Heath Terry - *Goldman Sachs - Analyst*

Back on the topic of HomeAway. I just -- Mark, the reference that you made towards -- I think the term that you used was sort of -- you were referring to sort of the high point of growth that we are seeing here because of the confluence of subscription and transactional revenues.

I guess, one, I want to make sure that we are thinking about that the right way suggesting that the incredible 60% growth that we saw with HomeAway is -- we should think of that decelerating from here as those comps get more difficult.

But then also to the extent you could give us a sense of what is driving that between subscription growth versus transaction growth. And then just finally what kind of adoption you are seeing from subscribers or property owners in adopting online booking and online billing as well.

Mark Okerstrom - *Expedia, Inc. - EVP of Operations & CFO*

Sure. So I absolutely meant to say that top-line growth rates will slow down from this point forward. And really the driver here, particularly in Q4 is that the subscription revenue will start to be a drag as essentially the monetization model shifts over to either pay per booking or online booking fees. And also as we start to roll off some of the premium tiered subscription revenue.

And then there will be additional factors that will kick in towards the end of Q1. And then again at the end of Q2 as we lap over the -- of next year, as we lap over the booking fee implementation that we had this year.



OCTOBER 27, 2016 / 8:30PM, EXPE - Q3 2016 Expedia Inc Earnings Call

In terms of owners and managers adopting online bookings and online payments, listen, we are really happy with what we are seeing so far. We have got now nicely north of 1 million properties who are signed up and online bookable, a lot of them are taking advantage of the online payments platform that we have got.

We're actually looking at ways that we can possibly leverage some of the payments capabilities that we have here at the mothership of Expedia, Inc., which could potentially add some more different payment options than they are offering right now. So, so far we are happy with the traction. Again it is still early and there is lots of work to do. But so far so good.

Heath Terry - *Goldman Sachs - Analyst*

Great, thanks, Mark.

Operator

Dan Wasiolek, Morningstar.

Dan Wasiolek - *Morningstar - Analyst*

Kind of an intermediate term question I guess perhaps, but just wondering if you could talk a little bit about the opportunity and challenges for Expedia around artificial intelligence and virtual reality? And then if I could ask one other question. Wondering -- you gave the month of September room nights growth rate with and without Orbitz. Was wondering if you might be able to give that September number for the previous year. Thank you.

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

Sure, as far as the opportunity and challenges around AI and VR, I think on the AI side we are testing with some interesting technology such as on the Facebook messenger side, you are being able to go back and forth with an AI agent so to speak to book a hotel on Expedia. It is pretty cool, you should try it out. And I think it is very, very -- it is a very, very early iteration of what kind of a consumer experience might look like.

I personally think that the bigger kind of -- the more significant opportunity in AI near- to mid-term is with highly repeatable call it simple tasks that consumers engage in. And if you combine kind of machine learning there with identity, so for example on Facebook messenger we have identity established. I think on the customer service side you can have some pretty clean great experiences.

Your being able to messenger Expedia to change my Thursday night hotel booking to Friday or cancel my San Francisco hotel booking, etc., without having to call someone, without having a given itinerary number, without having to really speak to anyone, just be able to message back and forth with essentially a bot to get your customer service requests done.

Or for example we are very, very -- we would love to work with our hotel partners. Right now you can message our hotels through some of our systems to be able message a hotel and ask for late check out or early check in, etc. Those I think are experiences where AI can service you because you got high volumes, you got repeatable tasks that a computer can kind of iterate against and learn from.

So I think you will see some of the sexy stuff on the booking side and then you will see some of the unsexy stuff on the customer service side. And we plan to experiment with both of them.

On the VR side we are testing with kind of VR rigs as we speak. I think the potential that we see with VR is to whet the appetites of someone looking at a destination, what experience they can have or a hotelier. So we want VR to be just good enough to make you want to go there but not good enough for you to avoid the trip. And I think we have got plenty of time there.



OCTOBER 27, 2016 / 8:30PM, EXPE - Q3 2016 Expedia Inc Earnings Call

Mark Okerstrom - *Expedia, Inc. - EVP of Operations & CFO*

Exactly. Dan, on the room night growth question, we are not going to answer the September, but I will just remind you that in Q3 of 2015 organic room night growth was just about 29%. We reported 36% all-in. Inorganic contributors were Brand Expedia Asia which we had consolidated just at the end of the quarter before or two quarters before in Q1. And then Wotif as well with a very small contribution from Wotif or from Orbitz which closed halfway through September.

Dan Wasiolek - *Morningstar - Analyst*

Okay, thanks, guys.

Operator

Eric Sheridan, UBS.

Eric Sheridan - *UBS - Analyst*

Maybe a bigger picture one. One of the announcements that took us a little bit by surprise in the quarter was the Marriott Expedia with respect to Expedia being the technology platform partnering vacations by Marriott. Wanted to understand a little bit of the genesis of how that came to be.

And, Dara, we have talked a lot over the years on these calls about the technology investment Expedia is making, about how that puts you on the front foot after a number of years to be a broader technology platform for the travel industry. Is this a forerunner for things we could see over the next couple years and how might that impact the business model? Thanks, guys.

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

Great question, Eric and I would say definitely. Listen, the platform that we build both on the Expedia side and on the Hotels.com side have the capability to be extensible. And just as we are using the Expedia platform to power the Orbitz side with different experiences, power Wotif with different experiences, we will be able to extend that capability to a Marriott vacations and other providers as well.

We think that there are tons and tons of hotels out there and hotel chains out there, airlines out there who don't necessarily -- aren't necessarily able to keep investing and keep experimenting, keep optimizing leading sites that can accept payments in every single kind of payment plan known on earth. We can do that and we can essentially extend our platform into the travel ecosystem, which is something that we are doing.

And then on the supply side we are even tying in now supply from third parties where not only are we acquiring supply directly, but we are piping in supply from other players. And we will kind of present the best choice for consumers based on what that best choice is, based on availability, based on pricing, etc.

So it is a two-sided marketplace. We are very, very early in this. And then of course we have got a private-label business, our EAN business, that is actually one of the stars of the show. It is a business that is growing very, very quickly especially in the Asia-Pacific markets and we are pretty optimistic about.

And then lastly, Orbitz did have a very, very big private-label business, it had call it more customization capability than what we had built on the Expedia side where we have taken on that team and they are a very important part of our team now and we are building up call it the more -- the increased customization capability on top of the Expedia platform.



OCTOBER 27, 2016 / 8:30PM, EXPE - Q3 2016 Expedia Inc Earnings Call

So, we are investing in this area. You are not done seeing hopefully surprising announcements in the future because I think our capabilities are going to get much, much better here.

Eric Sheridan - *UBS - Analyst*

Thanks for the color.

Operator

Peter Stabler, Wells Fargo.

Unidentified Participant

Good afternoon, this is Rob on the call for Peter. Two questions, please. First, wondering if you could provide an update on Accelerator and what you are seeing there given the current RevPAR backdrop.

And then secondly on Orbitz, just wondering if you could provide a little more color on what functionality you've decided not to build into the Expedia platform going forward and just a little more color on what to expect there in Q4. Thank you.

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

Sure, Rob. As far as Accelerator, we are making good progress there. So Accelerator -- kind of the number of hotels that are engaging in the Accelerator product continues to increase, the bidding activity continues to increase as well. We are seeing less engagement from some of our -- the big brands out there, so smaller hotels tend to engage in Accelerator more aggressively. But we are very, very pleased with the results and kind of every week the numbers get better.

It is still a new product and it is not a I would say significant driver of our overall results, but we do see it building and we are quite pleased with the early signs so far.

As far as Orbitz goes and one functionality, there was a number of call it packages type functionality that we initially dropped off that we are going to be adding as time goes on. ebookers in Europe had certain functionality of what we call Sub Pub where they kind of price some airfare below published rates in order to go out and acquire customers.

There was some fee technology that both Orbitz and ebookers had built, variable fees especially on the air side that we haven't carried through at this point. These are all technologies that were actually pretty interesting, but whenever you move on something from a technology side you kind of introduce what we call an MVP, a minimum viable product, and then you build on it.

So some of this functionality may make its way back, some of it is very, very cool. But we wanted to move kind of Orbitz and ebookers over as quickly as possible. And I think the teams made the right trade-off calls and I think that they have executed quite well.

Unidentified Participant

Great, thank you.



OCTOBER 27, 2016 / 8:30PM, EXPE - Q3 2016 Expedia Inc Earnings Call

Operator

And, ladies and gentlemen, that is all the time we have for questions today. I would like to turn the call back over to management for any closing remarks.

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

Thanks, everybody, for joining us on the call today. Dara, do you have any final thoughts?

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

Just thanks to the Expedia, Inc. employees for definitely a quarter that was a step in the right direction. And we all know that we are not satisfied, so got a lot more work ahead of us. And thank you to everyone for joining the call.

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

Thank you.

Mark Okerstrom - *Expedia, Inc. - EVP of Operations & CFO*

Thank you.

Operator

Ladies and gentlemen, this does conclude today's conference. We appreciate your participation.

DISCLAIMER

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2016, Thomson Reuters. All Rights Reserved.