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EXPE - Expedia Inc at Goldman Sachs Technology & Internet Conference

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CORPORATE PARTICIPANTS

Alan R. Pickerill *Expedia, Inc. - Executive VP & CFO*

Mark D. Okerstrom *Expedia, Inc. - President, CEO & Director*

CONFERENCE CALL PARTICIPANTS

Heath P. Terry *Goldman Sachs Group Inc., Research Division - MD*

PRESENTATION

Heath P. Terry - *Goldman Sachs Group Inc., Research Division - MD*

So we'll go ahead and get started. My name is Heath Terry, I cover the Internet sector for Goldman Sachs. Really happy to have with us today the team from Expedia, Mark Okerstrom, CEO; Alan Pickerill, CFO. Obviously, really busy time for your business, so thank you so much for taking the time to be with us here.

Mark D. Okerstrom - *Expedia, Inc. - President, CEO & Director*

Great to be here.

QUESTIONS AND ANSWERS

Heath P. Terry - *Goldman Sachs Group Inc., Research Division - MD*

Mark, everybody in the room obviously knows Expedia and a lot of the brands that you own. But maybe the best place to start is, as investors, how should they think about the company that you're trying to build and what, particularly as the new CEO, your strategy is going to be?

Mark D. Okerstrom - *Expedia, Inc. - President, CEO & Director*

Yes. Sure. So I mean let me frame it up sort of in terms of how we operate the business. So there's essentially 4 parts of the business in terms of how we operate it. I think, firstly, there's this core OTA business that includes Expedia and Hotels.com, and our private-label business, as well as all of our supply teams.

And we really think about that as really the world's largest two-sided platform. No matter what geography, no matter what product line, no matter what segment, that is the platform for travel in the world. And that's essentially the vision for it.

We then have Egencia, which is the corporate travel arm, which specializes in corporate travel. It also takes from the platform in terms of their hotel and air supply. You've got trivago, which is completely a standalone advertising business. And then you've got HomeAway which is a leader in alternative accommodations, again a standalone, end-to-end vertical platform that then feeds into the platform its alternative accommodation and takes from the platform, the main platform, other more traditional lodging.

In terms of kind of how we're operating the company now, I would just say that the -- at least the financial policy of this company that we're operating under is not dramatically different from the financial policy that we have been operating under really for the last 6 years since I stepped into the CFO role in 2011.

We are -- this year, as we were last year, we're taking a pretty big cash expense number that used to sit in CapEx and we're trying to make it smaller, but it's sitting up in the P&L which is putting some optical pressure.



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But if you take that cloud spend off the table and you normalize it for -- the guide that we just gave was 10% to 15% growth which, if you look back into history and back up the years where we've had big acquisitions, it's pretty consistent to where we've guided in Q1 historically. So you can get a sense of how we're thinking about the business.

Now we are guiding into that 10% to 15% but, at the same time, as we are stepping up some investments in our supply sales force really with the overall aim of making our business more efficient, making our business more efficient in terms of deploying market manager or sales force resources and then, importantly, sales and marketing, increasing conversion rates and repeat rates, et cetera.

So that's sort of how we're thinking about the business. It's not a dramatic departure from where we've been before. But we do think, with some of the strategic directions we're going, based upon data and history, we'll be able to produce better results.

Now in terms of where we're going to be 5 years from now, we have been a pretty U.S.-centric business. But the strategy going forward is to reverse that and actually get more global by essentially going deep in markets, a number of focus markets at a time, and actually delivering to customers in those markets the same experience that we see in the U.S., which is all the great selection, all the localized products, et cetera.

And so if I think 5 years from now, I think we're going to be more global. Our corporate travel business is going to be bigger. We are going to have alternative accommodations as a big part of this business not only in HomeAway but in the main business. And we see this \$1.6 trillion opportunity, and we see ourselves as being really the only player that's a global multiproduct platform. And we feel highly optimistic with our prospect looking forward, and we got our heads down executing against it.

Heath P. Terry - Goldman Sachs Group Inc., Research Division - MD

And so there's a lot to drill into there. But maybe before we start to get into some of the specific businesses and initiatives, so we're talking about sort of the backdrop of the travel market that we're in.

We've seen incredible strength in travel demand, whether it's millennials or baby boomers retiring or just incredibly strong corporate demand for travel; occupancy rates are at all-time highs; ADRs are at all-time highs. How does that kind of operating environment benefit Expedia? What kind of challenges does it present?

Mark D. Okerstrom - Expedia, Inc. - President, CEO & Director

Yes. Well, it's been a pretty good operating environment for us. I think generally, what I can say is that when we're -- particularly in the lodging cycle, when we're at the peaks, in some cases that's going to result in more conflict, it can result in higher prices for leisure customers that can no longer afford it.

But we've actually been in this situation that because airfares have been going the other way, it's actually promoted more leisure travel. So it hasn't really impacted us. So it's been a pretty good environment. Last year, reports say the travel market grew 6% which is pretty good. We grew gross bookings 14%. So we're growing more than 2x faster than the overall industry. So it continues to be good and healthy.

And as we look around the world in terms of this trend from offline to online, this trend of emerging economies actually getting more disposable income and spending on travel, I think the setup's pretty favorable.

Heath P. Terry - Goldman Sachs Group Inc., Research Division - MD

Yes. So Alan, one of the trends within the financials, not just at Expedia but most companies that we're seeing, is marketing is getting more expensive, really look like it is. What's the right way for investors to think or the right way that Expedia is thinking about the tradeoff between growth and margin within your business, particularly as it relates to that marketing expense?



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Alan R. Pickerill - *Expedia, Inc. - Executive VP & CFO*

Yes. I think for us, and we've talked about this before, the primary factors for us in marketing have to do with global expansion. We're pushing into new markets. And when you're launching in a brand-new market, you don't have a repeat base of customers, you don't have a lot of direct type-in traffic, people just don't know your brand.

And so if you compare businesses, a U.S. business where you've got all of those traffic characteristics, you're going to generate a lot more profitability, you get a lot more of that direct type-in traffic and your marketing spend is a lot more efficient as a result.

The -- but in these new markets, you're not as efficient. And so on a blended basis, you end up with a lower blended marketing efficiency, which we have been fairly comfortable with.

Heath P. Terry - *Goldman Sachs Group Inc., Research Division - MD*

And how do you see that developing from here? Is that something that investors should just simply -- they should expect that that's going to continue, particularly as you get more global?

Alan R. Pickerill - *Expedia, Inc. - Executive VP & CFO*

I think for now, yes. I mean there is a vision that some time down the road, if we are as successful as we think we can be at building up these businesses in these focus markets, that you do start to see that direct type-in traffic, you do start to see the repeat behaviors and you start to generate more profit.

And so in those circumstances, if we're successful, it will give us more freedom to use some of that to reinvest in other markets and also to let some of that drop to the bottom line.

Mark D. Okerstrom - *Expedia, Inc. - President, CEO & Director*

And I'll just say, too, we have obviously got a long operating history in this industry. And what we have observed is that as we get more mature in markets, as we increase our supply count, conversion rates go up, repeat rates go up, sales and marketing efficiency gets better without exception really around the world.

And so as we go deeper in markets for supply, make them state the goal is actually for us to be more efficient in deploying sales and marketing. And if you look at our largest competitor, which I do very closely, the real essence of the difference is their ability to turn direct sales and marketing into revenue, and they look more effective than we have been at that, and we're focused on changing that.

Heath P. Terry - *Goldman Sachs Group Inc., Research Division - MD*

Yes. And is there a specific action that you've got to take? Is there something they do that's fundamentally different than what Expedia does or can do?

Mark D. Okerstrom - *Expedia, Inc. - President, CEO & Director*

Well, we have historically taken an approach of global expansion that has us doing a lot of things in a lot of markets. And the good news about it is that it's produced a business that has a presence in essentially every major market around the world.

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The bad news associated with that is that we're taking a long time to, outside of the U.S., get to the point where we're really considered a market leader in a lot of these countries. And why is that the case? Because they come to Expedia or they come to Hotels.com and they see, yes, they've got great inventory in London and New York, but when I got -- I want to go see grandma in the countryside, they don't have the selection. So what happens, they go somewhere else.

So the direction we're going is again to, in a selection of priority countries, go in and actually build a truly competitive product in our supply inventory, in the way that the tone of voice that we're speaking, in payment types and build a real product where customers can look at it and say, hey, this is actually -- when I compare you versus the competitor, that's a great product.

And this is a fundamentally different way of operating. It's not a big bet, it's not a guess, it's based on real data that we observed, and we think it will lead to better efficiency.

Heath P. Terry - Goldman Sachs Group Inc., Research Division - MD

Yes. So Alan, you guys reported last week, and there was a lot of focus on the guidance that you gave for the year, particularly the declines in the first half in terms of EBITDA growth before you got to sort of improvements in the second half. How do you get confident around the company's ability to make that turn halfway through the year?

Alan R. Pickerill - Expedia, Inc. - Executive VP & CFO

Yes. Well, let me frame up for everybody how we're thinking about the shape of the year. I think first, just as a reminder, kind of how the shape of the business has been for a while now, which is we have a seasonal business, and we are spending on selling and marketing expense in the first quarter to get bookings that drive revenue and EBITDA in the future quarters, principally Q3, but also some in Q2.

And so if you look like the last couple of years, the percentage mix of EBITDA dollars that we're generating in Q1 are, call it -- have been around 10% to 12% of the total EBITDA for the year. So that's kind of a normal backdrop for us as we grow.

This year, there are some additional factors. We've got HomeAway, which is hyperseasonal and making investments in their business, and that's going to result in them having a meaningful EBITDA loss in Q1. We've got trivago. Everybody's -- I think everybody's probably well versed on the challenges they've got in competing over their difficult revenue costs. They will have a loss in Q -- an EBITDA loss in Q1 compared to healthy profitability in Q1 of last year. And so that's a meaningful headwind for us.

The cloud spend in Q1 will be, call it, \$20 million more in Q1 '18 than it was in Q1 '17. So all 3 of those factors, you can kind of do the math on those and see that our Q1 will be under particular pressure. But we are -- we have done a lot of work on the range for the whole year, that 6% to 11% all-in, the 10% to 15%, excluding cloud. And Mark and I are very comfortable with that range for the full year.

Heath P. Terry - Goldman Sachs Group Inc., Research Division - MD

So maybe now is a good time to -- you both mentioned HomeAway and the alternative accommodations opportunity. So maybe now is a good time to kind of talk about that.

You're about 3 years into owning that business, you're getting close to it. What have you learned about that category? And how do you think about sort of where HomeAway sits, particularly in the competitive landscape there?



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Mark D. Okerstrom - *Expedia, Inc. - President, CEO & Director*

Yes. Well, I think versus 2.5 years ago when we did that deal, I think we feel even better about it now. First of all, it's a massive market. I think the latest numbers, \$120 billion is the estimate, and HomeAway is clearly one of the leaders. They've executed on a very difficult transition remarkably well.

And I spend a lot of time with Austin -- down in Austin with that team. And they're really operating that business like a real two-sided platform business and really thinking about ways, how they can create loyalty within customers in the platform and owners and managers in the platform. And as a result, they've been able to generate really strong, strong metrics. First bookings growth, up 47%, and you can see the monetization is increasing. So we feel really good about it.

And I think that as we look down the road, again 5 years, I think the blend and the lines, if you will, between alternative accommodations and traditional accommodations are going to continue to blur. And we feel like we're just in an excellent position given our plans for expanding our traditional lodging inventory.

HomeAway's efforts to move everything online, and not only just online but instantly bookable, and then piping that property into the core OTA platform, we feel like we're positioned incredibly well, and we're really excited about what HomeAway can do for HomeAway and what HomeAway can do for the bigger OTA platform.

Heath P. Terry - *Goldman Sachs Group Inc., Research Division - MD*

Yes. So let's talk about sort of the relationship with the hotels. We've seen a pretty vocal hotel environment where managements have said we've renegotiated our deals with the OTAs, we've got everything that we wanted, they've launched Stop Clicking Around campaigns and direct booking initiatives and all of that. What kind of impact is that having on your business? And what's -- what do you think the drivers behind that really are here?

Mark D. Okerstrom - *Expedia, Inc. - President, CEO & Director*

Well, I guess, I would break the story into 2 pieces. The first part of the story goes like this: Expedia started in the world of online travel with margins that were meant to undercut wholesalers who were charging 40%, and we were charging, call it, mid-20s margins. And over the course of the last 4 years, it essentially brought our margins down to a market level.

Now independent hotels were a beneficiary of that, the chain hotels were a beneficiary of that. And I think the chain hotels felt very good about -- and they should feel good about it. Now that's chapter 1.

Chapter 2, which we started, maybe starting last year, has been all around with our chain hotels, is that how can we just price more intelligently? How can we structure things in ways that the big chain hotels and all of their owners can ultimately have more flexibility in terms of paying us more when they need us more and paying us less than they need us with the view that, ultimately, we'd be able to achieve our own take rates or even our target take rates or even better, and they would be able to produce meaningfully better results because it's a more intelligent pricing. And that's the direction that we've been going.

Now with respect to their direct booking campaigns, if you read what they have said, said their direct bookings are up, their loyalty in membership is up. And if you look at what we've said is we've seen a share shift of our business from chains to independents. Those 2 things actually make sense.

But from an overall bookings perspective, from a conversion perspective, we haven't seen any impact on our business. And the reason is, is our customers are price-agnostic.

So if I look at what might be happening here, you've got a situation where, on the margin, the chain hotels may have been able to take their most loyal customers and trade off the odd ones on the margin that may have been paid -- they've been maybe paying OTA commissions off, and trade



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that off against doing them on the direct bookings side where owners are giving or paying for whatever the discount is, 10% to 15%, 10% discount. Owners are paying for the rewards program. The chains are spending more in sales and marketing.

And I don't know if that math works or not. I'll leave it to them to sort it out. But for us, again, it's been -- it hasn't been an impact on our business, and we're doing just fine.

Now we don't like the message of, hey, it's cheaper over here. But at the same time, we have all these independent hotels that are giving our loyalty members cheaper rates than they will see published. And so we've got our own story of, hey, no, no, the cheapest is here. And again our customers are agnostic about the brands, and they're getting great deals, and it seems to be working quite well for us.

Heath P. Terry - Goldman Sachs Group Inc., Research Division - MD

Yes. So the brands obviously started -- have been the most vocal about it. But trivago, last week, on their earnings call, talked about -- Rolf said that they're starting to see the independents pretty aggressively using price as a way to undercut what you guys are offering, not just you but everyone else in the travel space, as a way to sort of in-run having to bid higher than everybody else, they'll just offer the room for \$3 less, win the box that way.

How do you see that playing out? Clearly, it's really early, so it's not having an impact on your business yet, but could it?

Mark D. Okerstrom - Expedia, Inc. - President, CEO & Director

Yes. Well, I think any small hotel -- first of all, small hotels are a very small percentage of trivago's business. Having any small hotel that is involved in trivago, I think they're going to experiment with things.

But really what's happening is the vast majority of these small hotels, what they're doing is also trying to find expense channels that don't publish lower rates everywhere because that's not in their interest, expense channels, such as our package rates, such as our member-only deals or our mobile-only deals, where they can actually manage to better outcomes in a way that isn't screaming from the mountain tops the cheapest place to get things is here on this advertising channel for the world to see.

And generally, that's been the direction that the industry has generally always been going. And so I think there's just maybe some experimentation going on. But again we're getting great deals for our members, maybe even from these exact same hotels, and we'll see how things develop.

Heath P. Terry - Goldman Sachs Group Inc., Research Division - MD

Yes. So when we look at the corporate opportunity, Egencia is something that you guys have been highlighting a lot lately. And we've seen some M&A in that space, clearly some interesting activity there. How do you size that opportunity? How do the economics in that business differ from your core?

Mark D. Okerstrom - Expedia, Inc. - President, CEO & Director

Yes. So the overall managed corporate travel market, if you will, globally, and you see different numbers, we think about it as \$250 billion to \$300 billion or so.

Egencia -- and by the way, that market grows 2% to 3%-ish, think about it in that range. Egencia has been pretty consistently growing at rates of, depending on the year, 3 to 5x, what those is. So they continue to gain share.



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And generally, the way that they're able to gain share is a couple of ways. One is that they are bringing consumer-like products, the type of product, the mobile apps, the user interfaces on desktop, that people are used to seeing on Expedia. And they're bringing them to the corporate environment. And that's entirely differentiated.

And when we take traditional corporates that have been through one of the big traditionals, and we've put them on the Egencia platform, the online adoption just goes through the roof because it's just easier. People actually don't want to talk to humans if they don't have to, and Egencia makes it easier for them to not to talk to humans. So it's very popular with travelers but also, importantly, it's very popular with travel managers for a couple of reasons.

One is that when there are more transactions that happen online, by travelers themselves or travel arrangers, they don't have to pay someone for a phone call because the monetization model of a lot of these TMCs has been on fees and phone call charges essentially. So less phone calls means a cheaper experience.

Secondly is that the traditional corporate rate negotiation process has been a very static process. Like I will negotiate this rate with you. You're at this company for a year, and this is the rate that your employees will pay. Well, Egencia, because it has access to all of the Expedia inventory, is actually able to provide a spot market for pricing that actually allows corporates in many times to get rates that are lower than what their negotiated rate is, and so it can actually result in real savings for corporates as well.

So as a result, it's been -- it's a very popular product. We've stepped on the gas in terms of our sales force. We started hiring up more salespeople for Egencia at the beginning of last year. They broke a record in new client signings in Q3, they then turn around in Q4, and broke it again. Last year they signed up \$1.4 billion of new business. And we want to grow that business into a huge business over the long term, and they're on a great trajectory.

Heath P. Terry - Goldman Sachs Group Inc., Research Division - MD

Yes. So Alan, one of the bigger changes that we've seen in the landscape over the last couple years has been the way that Google is presenting its search engine result pages to consumers and the way that they're trying to work with hotels and OTAs through their metasearch platform. What kind of impact is that having on the business? Where do you see that going over time in terms of Google as a partner?

Alan R. Pickerill - Expedia, Inc. - Executive VP & CFO

Yes. I'll start, then you can jump in. The -- I think that's true. I mean the major changes that you've seen in Google that I think are probably obvious to most people is monetizing more and more of the traffic and pushing SEO down the page. That has been a headwind for us for a long time and, on a net basis, does result in our total transactions generated off the Google platform being less efficient, if you will.

But the second factor is they are increasingly moving from the blue links into metasearch. That actually has been -- and both of those things actually have been things that we've been able to navigate pretty well. We have good capabilities around metasearch marketing and search engine marketing and have been able to navigate pretty well.

In certain ways, it's created -- the SEO component of that has created moats for the larger players that have the technology and the resources to invest appropriately there. So, so far, we've been able to navigate it pretty well. I think it's something to keep an eye on.

We do -- we don't think they're going to run the table on traffic acquisition. There's still traffic that's coming to us through a lot of other channels, other metasearch players, e-mail marketing, direct type-in, affiliate marketing. And as long as we can see reasonable and healthy growth in those other channels, I think it's -- it should work out fine for us.

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Mark D. Okerstrom - *Expedia, Inc. - President, CEO & Director*

Yes. And I think just to put it in perspective, the last time we disclosed this was in our March '16 investor deck, 2/3 of our bookings come in through direct or cheap brand channels. I mean, this is not changing. These channels, Google, metasearch, they're important channels to reach new customers.

But importantly, what we see is when we acquire these new customers, they repeat with us directly, and we add them to that direct stack. I mean the underlying product and the operating model works, Google will continue to try to monetize better, and we expect them to. But when we get that traffic from Google, we can turn them into loyal repeat customers, and that's a great thing for us.

Heath P. Terry - *Goldman Sachs Group Inc., Research Division - MD*

Yes, okay. So we do have time for questions from the audience. If you have a question, just raise your hand. We'll get a microphone up to you. We've got one there at the back.

Unidentified Analyst

Just on that last point that these expensive channels might be where you go to get new customers. As you think about this international push which, obviously, has been a long time in the making, but really concentrating on some of these markets, is it fair to say that the cost of scaling up on a marginal basis today is greater than it was before given that acquiring these customers and bringing them in to where they may be a direct booker is through these channels that are going up in price?

Mark D. Okerstrom - *Expedia, Inc. - President, CEO & Director*

Well, it's a great question. I guess what I would do is just kind of explain to you how it would work which is, essentially, when we sign up a new hotel, the first thing we want to do is make that new hotel available to all of our existing traffic. And generally, think about that as a free transaction.

But also, importantly, we're marketing it in Google and metasearch providers. And generally, what we're trying to do is make some money on that transaction but also get that customer to repeat with us.

And then similarly, when we get to more density of traffic, we get to a spot where we have a destination that's got good hotel content, we bid on Google, and we get those customers, and conversion rates go up, and we can turn those into loyal customers. And then when we're really strong in a market we can go and do television advertising because we know that we've got everything that a customer could want.

So in the early stages, particularly when you're early in a market, yes, because you are more reliant on these variable marketing channels and less on the direct traffic, those transactions can be incrementally more expensive than certainly the ones coming out of your mature markets. But we are making money on them, and they are incremental transactions, and we're very focused on growing absolute EBITDA, absolute free cash flow over time.

So whether it costs us a little bit more or less than the average, we don't really focus too much on that as long as it's economic activity, favorable economic activity, on a variable basis. And that's what we're focused on.

Heath P. Terry - *Goldman Sachs Group Inc., Research Division - MD*

Okay. Question? We've got one here, kind of in the middle.



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Unidentified Analyst

Mark, during the last earnings call, towards the end of it, you mentioned planning to double supply this year. And that sounded like a step change versus what you said in the past. How should we be thinking about that? And is that all over the world, international, domestic?

Mark D. Okerstrom - *Expedia, Inc. - President, CEO & Director*

Yes. So what I said was we're going to double the pace of acquisition, hotel acquisition. So last year, we signed up about 95,000 net new hotels, excluding the HomeAway properties. So that was the number I was talking about doubling.

Honestly, this is kind of a next logical step in what has been, over the course of the last 5 years, a kind of doubling and doubling again of our capability. 5 years ago, we probably added 15,000 properties; maybe 3 years ago, it was 30,000; then it was 60,000; and now 90,000; and then it'll be more than that next year. So this is a capability we've been building up for a long time.

The total financial impact of it, again, if you back out cloud, we've guided to 10% to 15%. It would've been a few hundred basis points higher had we not been making these investments. And I think Alan gave some color on cloud and that together.

In terms of where we're doing it, well, there's -- I guess, there's 2 buckets of it broadly. One is that we have a huge sales force all over the world. And that sales force, if we do nothing else, is going to do some account management activity, and it's going to do some hotel acquisition activity, everywhere, globally.

But we are making an incremental, concentrated investment in a number priority markets that will not be in the U.S. That is sort of on top of what we've done historically. And that's where -- again, if you want to use step change, it is a step change on the back of a series of step changes that we've learned a lot operationally and learned a lot about what the returns on these investments are.

Unidentified Analyst

And just as I think about the financial outlook going forward as well as signs of impact for that. Would we -- does your -- just when you think about your ROI calc from that change in terms of should we still think that you're a rational competitor with Priceline? Or is it like take the pain now because then we get as much share as we can for later?

Mark D. Okerstrom - *Expedia, Inc. - President, CEO & Director*

No, this is not -- we are not entering a period of irrationality. We have been a very rational player. Our competitor, from what we can tell, has been a very rational player. We are very focused on just producing a better product and experience for our customers and, in doing that, getting better efficiencies in sales and marketing.

We are not entering in a scorched earth campaign to take over the whole world. We're going to build a great business for the long term in a responsible way, and we've built up the capabilities and the confidence to actually make this incremental investment and supply this year. But this does not mark a -- the beginning of a war of any type.

Unidentified Analyst

In 2017, hotel...

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Mark D. Okerstrom - *Expedia, Inc. - President, CEO & Director*

Give it a shot. I think we got it.

Unidentified Analyst

In 2017, hotel ADRs were up 2% to 3%. Revenue per room night on hotels was probably down 3%. What's kind of a normal gap? And what's the strategy and time line to get to a normal gap?

Mark D. Okerstrom - *Expedia, Inc. - President, CEO & Director*

Do you want to take that, Alan?

Alan R. Pickerill - *Expedia, Inc. - Executive VP & CFO*

Yes. The principal factors in our -- the gap that you described between revenue per room night and ADRs over, call it, the last 4 or 5 years has been our effort that Mark mentioned earlier, to take our contracted rates down to more market level. That gap was as wide as 1,000 basis points at one point, and that has narrowed significantly.

The other factor that is in there is the impact of our loyalty programs. And so as long as the loyalty programs are growing faster than the rest of the business then you would continue to see a headwind on revenue per room night from there. We do expect to see more stabilization there. And as we move through 2018, we think that gap will continue to narrow.

There are bits and pieces on each side of it. There's -- if you have a new contract that goes into play, it can have a slight impact around the edges, but that should start to narrow. But the loyalty impact is just going to depend on when that normalizes.

Heath P. Terry - *Goldman Sachs Group Inc., Research Division - MD*

Great. We got time for one last question here.

Unidentified Analyst

I just had a question about sort of the evolution of both the supply side and demand side of your network. So demand side, obviously, is your consumer channel. On supply side, you've got the hotels.

When I think about sort of how those dynamics work, you mentioned your sales force is huge and your main competitors' sales force is huge. In the past, you guys would go to hotels and sign them up. Obviously, every hotel in the world knows it's easy online now. How critical is the sales force versus sort of a self-signing, self-service sort of methodology in getting onboard as a supplier?

In other words -- and just thinking about the evolution of your marketing and your sales and marketing, to bring supply-side onboard. And then on the other side, how competitive are Airbnb or other services, in them actually encroaching to your hotel space via self sign-on sort of evolution?

Mark D. Okerstrom - *Expedia, Inc. - President, CEO & Director*

Yes. So we employ a combination of self sign-on and sales force. We're probably doing on the margin more self sign-ons than we've done historically.



FEBRUARY 13, 2018 / 7:00PM, EXPE - Expedia Inc at Goldman Sachs Technology & Internet Conference

Generally, what we find is that hoteliers are pretty quick to either to reach out directly to us or to respond to our query, but it does take some work to get them to upload their photos and get great descriptions and then help load great rates and inventory because, in many cases, particularly and definitely outside of the big chains, the technology that is powering some of these small hotels is still a pen and paper. So in that case, the sales force becomes very important.

But it is still -- there's still a very human element to this. These are still humans that have relationships that are making a lot of these decisions. But it is becoming more tech-driven over time, and we'll continue to make that push.

We have not seen Airbnb has been a factor in hotels. I think they will probably add some hotels on the margin. But we know it coming the other way. Alternative accommodations is a very different thing than a hotel. It's just -- the structure of the pricing, in fact, it usually is 1 room as opposed to many rooms, the professionalism that's -- it's just a very different animal.

Heath P. Terry - Goldman Sachs Group Inc., Research Division - MD

Great. Mark, Alan, thanks so much for taking time to join us, we really appreciate it.

Mark D. Okerstrom - Expedia, Inc. - President, CEO & Director

Yes, thank you.

Alan R. Pickerill - Expedia, Inc. - Executive VP & CFO

Thank you.

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