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# EDITED TRANSCRIPT

EXPE - Expedia, Inc. at Goldman Sachs Technology & Internet Conference

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## CORPORATE PARTICIPANTS

**Mark Okerstrom** *Expedia, Inc - EVP, CFO*

## CONFERENCE CALL PARTICIPANTS

**Heath Terry** *Goldman Sachs - Analyst*

## PRESENTATION

**Heath Terry** - *Goldman Sachs - Analyst*

Great. Well, we'll go ahead and get started. My name is Heath Terry. I cover the internet space for Goldman Sachs.

We're really excited to have Mark Okerstrom, the CFO of Expedia here with us today. Mark, for the people in the audience that may not be as familiar with Expedia or know it only as customers, how do you describe Expedia now?

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**Mark Okerstrom** - *Expedia, Inc - EVP, CFO*

Well, Expedia is at its heart a company that is really working to revolutionize travel through the power of technology. We're a company that through Expedia, through Hotels.com, to some extent invented an industry on the back of technological innovation. And we focused those efforts increasingly over the last number of years towards the hotel space in the travel industry, which is a highly profitable space.

We do that through multiple brands, and we are at our core business an online travel agency, but really we're much more. And we've, as you've seen over the years, we've expanded into travel media, and we're really looking to connect through technology supply on one side and demand on the other side globally.

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**Heath Terry** - *Goldman Sachs - Analyst*

That's great. With the changes last year, the acquisition of VIA, now the investment in Trivago, the platform transition nearly complete, where is Expedia from a technology standpoint now versus the investment that you've been making over the last few years?

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**Mark Okerstrom** - *Expedia, Inc - EVP, CFO*

Sure. Well, knock on wood, I think we are close to the end of the big massive re-platforming efforts. Over the course of the last three to four years we have literally rewritten the vast majority of our code base all the way from our customer operations call center infrastructure to our transactional infrastructure, with Expedia Traveler Preference, our backend supply infrastructure. We then exposed that to the world, if you will, through the frontend re-platforming of Hotels.com, and now most recently the story's been told by the re-platforming of brand Expedia.

And brand Expedia is, if you think about the websites with the hotel tab, the flight tab, the packages tab, hotels is done, flights is essentially done and we're testing it, and packages will be done throughout 2013. And then really the bulk of the heavy lifting is done, and there'll be a few things like modernizing the VIA Egencia platform to go, but we feel good where we are from a technology standpoint now.

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**Heath Terry** - *Goldman Sachs - Analyst*

There's been just a lot of talk about the cost of acquiring customers in this space, particularly as traditional channels for customer acquisition like search have gotten more expensive. Expedia's sort of been able to go against the trend, or at least against the trend for most in that you've actually seen some leverage in your marketing spend. What's driven that to you?

**Mark Okerstrom** - *Expedia, Inc - EVP, CFO*

Well, I think what you saw, particularly the first part of last year, was us taking a step back while we were revamping the brand Expedia platform. And you saw in the first couple of quarters some sales and marketing leverage, which certainly helped us out. Not something that you might actually see over the course of the next couple of quarters, and that's certainly the guidance we've given.

I think over the long term though businesses in our industry that have great products generally can put themselves in a position where their marketing gets at least on an intra-country basis more efficient over time as more people try your product and come back to you through loyalty programs. And certainly that's something that we generally see in our mature markets.

But the market opportunity is so large that I think that you're going to see Expedia, Inc in a position where we're spending a little bit more aggressively to expand in places like China, Latin America, even Europe for us that may drive mix-shift reasons why sales and marketing could grow faster than revenue.

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**Heath Terry** - *Goldman Sachs - Analyst*

Yes. You mentioned China. That's obviously a really compelling market opportunity in a lot of ways. You have sort of a unique relationship with eLong there. For people that may not be as familiar with the eLong relationship, how does that work for you and what does investing in China look like practically for Expedia?

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**Mark Okerstrom** - *Expedia, Inc - EVP, CFO*

Yes. So we are in China through a variety of vehicles right now. The prominent vehicle is eLong. Hotels.com is also operating in China, as is our private label business, Egencia, our corporate travel business. China is a huge market. And right now it's predominantly domestic. And so the likes of the local -- big local players, Ctrip, eLong, can do pretty well on their own targeting that domestic market.

The real opportunity for us is the outbound market. As Chinese travelers begin to travel more abroad, it lends itself to competitive advantage for global players such as ourselves. So our strategy and our relationship with eLong is such that they operate by and large fairly independently, but we give them all the benefits of being part of the Expedia, Inc family. When we have product innovations that are particularly successful on Hotels.com or brand Expedia, we share those with eLong, we share inventory, hotel supply with them. Recently we began integrating their hotel inventory on our websites.

So we're trying to basically have the best of both worlds in China, a local team running autonomously as a separate public company, while at the same time having all of the benefits of being part of a global player, larger global business so that down the road when that outbound business really begins to pick up, Expedia, Inc will be in a pretty unrivaled position in the region.

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**Heath Terry** - *Goldman Sachs - Analyst*

That's great. You guys recently made the investment in Trivago. Priceline bought Kayak. What is it that's happening right now with travel search that makes it interesting?

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**Mark Okerstrom** - *Expedia, Inc - EVP, CFO*

Well, I think travel searches have always been interesting to us, and we've certainly watched metasearch grow up over the years. The interesting thing is it makes for a great story, the Priceline buys Kayak and then Expedia buys Trivago. It's sort of this arming up of the two global players.



From our perspective anyways, they're completely unrelated events and we'd been speaking to Trivago for some time and had become huge fans of the team, huge fans of the technology. They had built just an incredible brand in Europe and an incredible product, and when we look at metasearch in hotel, we see a product that is incredibly compelling. I mean one stop, one search, you get to look at all of the hotels, and Trivago has about 600,000, over 600,000 hotels listed on their website versus ourselves at 200,000, maybe Priceline at 260,000.

So a broader set of inventory in one spot, all of the greatest content summarized, plus you get to look at all the prices of all of the other players. Why go anywhere else? And that's very attractive on desktop, and that's why they've got such great traction in Europe. It also becomes incrementally interesting on mobile when the costs of switching on a smartphone are just a little bit higher because you've got a little bit less dexterity, so the importance of the one-stop shop is even more so.

So we were thrilled to do the Trivago acquisition, we were thrilled to invest in Room 77, which is a business that's doing some incredibly innovative things. There again, love the team, a great technology, and our multi-brand strategy applies in metasearch and OTA, and we're exciting to be part of it.

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**Heath Terry** - Goldman Sachs - Analyst

Never dismiss the ability of a research analyst to create a story even when there's not one.

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**Mark Okerstrom** - Expedia, Inc - EVP, CFO

It does create a great story.

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**Heath Terry** - Goldman Sachs - Analyst

Yes. Speaking of great stories, you mentioned mobile there. What kind of impact does mobile have on your business?

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**Mark Okerstrom** - Expedia, Inc - EVP, CFO

Well there are a few. I think that there is really two things happening with mobile. One is that we're seeing a pretty significant channel shift. Consumers that would have been on desktop are now going to mobile devices. We're seeing the activity on tablets to be very similar to desktop. So you're seeing shifts of consumers, and any time you've seen shifts of consumers, in our industry anyways, it's created a ton of opportunity for people who have been leaders in that space, and we consider ourselves a leader in mobile.

And then we also think that that experience on tablet, as you can see from Windows 8, is starting to branch over to desktop as well. So we view it firstly as a big channel shift and something that, with all of our technology innovation, we're in a great position to actually innovate into and take disproportionate share.

Secondly, and perhaps more interestingly, mobile, specifically on smartphones, has opened up a whole new opportunity for us. The smartphone booker, it's something like 50% to 70% of all bookings are for same-day or next-day. That is dramatically different from our usual booking pattern, and it's essentially travelers that historically would have arrived in some small town in Italy and used their lonely planet and called up a small hotel or driven down the 90 and saw the Marriott Courtyard sign and drive up. Now they're on their Hotels.com app or their Expedia app and they're booking through our apps, and that's opened up a whole new market for us.

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**Heath Terry** - Goldman Sachs - Analyst

How significant has mobile been in driving the acceleration in room-night growth that you've seen?

**Mark Okerstrom** - *Expedia, Inc - EVP, CFO*

Well I think the core to the acceleration in our room-night growth has been universally building just better products across mobile, across desktop, getting much better at global online marketing and building a response of supply or inventory base that can meet the demands we see.

I think mobile is certainly a piece of that equation, and I think given that we are seeing a channel shift from desktop to tablet, had we not been as good, if you will, at mobile, we probably would have lost some opportunity. But I think the strength you're seeing is much more broad based.

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**Heath Terry** - *Goldman Sachs - Analyst*

You mentioned the suppliers. What's the relationship with suppliers like now, and just not even specifically to Expedia but just sort of OTAs in general, particularly as we've seen sort of the airlines push for more direct relationships? Where's the head of the typical hotel company at right now as it relates to the OTA model?

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**Mark Okerstrom** - *Expedia, Inc - EVP, CFO*

Well I would say if you put the airline companies aside, I think that's a different beast all together, and you focus on hotel, which is certainly where we're focused, I would say that the relationship between ourselves and the big chain hotels is healthy.

I think that we have now been through enough peaks and valleys where each of us may have taken advantage of the other in certain circumstances in the very early days, and weathered those storms together. But now I think the chains and the independents understand the value that we bring. I think particularly in an increasingly global travel landscape in an industry where innovation is increasing, the value of a global player such as ourselves with industry-leading technology that can put iPhone apps in Japanese, in the hands of a Japanese consumer who's going to make a booking in an Italian hotel, is a real value to those hoteliers. And I think they're recognizing it.

And I also think there's a little bit of benefit you get from being a health business that is growing nicely and can deliver great volume to a hotel. And so as we continue to improve our business, continue to gain momentum, there's also relationship benefits associated with that as well, and I think we're starting to see that.

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**Heath Terry** - *Goldman Sachs - Analyst*

That's great. In Europe you've begun to move to more of a hybrid agency merchant model. What kind of impact has that move driven for the business and what made you want to make that change after all this time in the first place?

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**Mark Okerstrom** - *Expedia, Inc - EVP, CFO*

Yes. Well, just to answer the first part of your question, from a financial standpoint there hasn't been a material impact on our business yet. But really the rationale is pretty simple, which is around the globe consumers have various preferences, preferences for either paying at the hotel when they stay or in many cases paying us, a reputable merchant with their credit card in advance. And there's a bunch of consumers in the middle who don't really care. But when you limit yourself to only being a merchant provider or only being an agency, hotel reservation service, to some extent you close the market opportunity off from yourself.

As I said at the beginning, we're in the business of finding the most effective way to match supply and demand, predominantly in hotel, and the Expedia Traveler Preference model is just really a way to remove friction from that marketplace and allow consumers to transact with us however they want.



So we're doing it because we think it's going to increase our market opportunity, consumers really like it, and that reflects in higher conversion rates. We've seen so far that consumers booking in hotels that are Expedia Traveler Preference hotels generally have a tendency to stay longer or up-book a little bit. There's been about a 5% increase in average booking values. So it's good for the hotels, it's good for the consumers, it's good for us, so we're pretty excited about it.

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**Heath Terry** - Goldman Sachs - Analyst

And does that have an impact on your ability to market in those markets? You mentioned that your marketing has been one of the things that's driven the acceleration in room night. Does ETP play a role there?

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**Mark Okerstrom** - Expedia, Inc - EVP, CFO

Well sure. I think to the extent that we continue to roll it out and we see the benefits in a broad rollout, similar to what we've seen in the test, which is you do get some conversion benefit. When we're able to convert traffic better, we're able to spend more in online marketing, and you can get that virtuous cycle going. So it should help us accelerate growth.

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**Heath Terry** - Goldman Sachs - Analyst

So often I think we sort of fall into the trap of thinking purely in sort of the public company model, there's Expedia and there's Priceline and it's one versus the other. And again, like those really simple stories we all sort of --

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**Mark Okerstrom** - Expedia, Inc - EVP, CFO

It's a great story.

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**Heath Terry** - Goldman Sachs - Analyst

Like to create. How do you think about the competitive environment within travel?

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**Mark Okerstrom** - Expedia, Inc - EVP, CFO

Yes. Well I would start with the fact that the opportunity is just gargantuan. It's a trillion-dollar market. If you look in the US where we are the single largest booker of hotel rooms, we sell one in 20 hotel rooms. We have 5% of the market. So we're not -- we haven't begun to penetrate into the total opportunity.

And so Priceline is a great business, and they have had some very impressive growth rates, and they have executed very well. And they've had those growth rates because they've executed well. We don't feel like our historic slower growth rates was a byproduct of their success, but rather we feel like it was a byproduct of our own poor execution, and more specifically old technology platforms that were slow to change.

So generally we view the market as being pretty large and ourselves as being fairly under-penetrated into those markets that there aren't many situations where we are completely head-to-head and that we can grow nicely based upon our own execution. Suppliers like to have multiple distributors. Consumers like to shop around. So there's no structural reason why we can't coexist in harmony for some time.

That said, I think that we have seen some increased competitive activity. Booking.com has started their television advertising in the US. That's been a spot where traditionally Expedia and Hotels.com and Hotwire have been at least relatively unrivaled from the Booking.com standpoint. So it suggests to us that competitive intensity is heating up a little bit.



In addition, as we get better in paid search, there will be situations, and there are situations right now for certain key words in the US, New York hotels, San Francisco hotels, where we bump up against each other. So competitive intensity is increasing between Priceline and Expedia, but it's not really a barrier to our overall growth stories.

And at the same time I think you are seeing some of the smaller players and the smaller regional players that don't have the advantage of being a global player, that don't have the advantage of having modern technology platforms, finding it a little bit more difficult to compete with the global players.

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**Heath Terry** - *Goldman Sachs - Analyst*

So obviously it's 5% of the US market, incredibly fragmented space in a lot of ways. Does mobile start to change that? I mean how many apps are people really going to have for travel on their phone? Do we start to see some consolidation around bigger players like Expedia and Priceline?

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**Mark Okerstrom** - *Expedia, Inc - EVP, CFO*

You know it's certainly possible. We would certainly like that. I think there is -- there's certainly an argument to say listen, there's limited real estate. Travel is by definition global, and people travel all over the world, so a player that has a global inventory platform that can offer any hotel anywhere at anytime should be in a better position to get that precious real estate on the app, or on the iPhone or mobile device. But we'll see.

I think HTML5 could change that picture somewhat -- to some extent, and I think it depends on how the ecosystem evolves, but we think net mobile is going to be a good thing for us and could lead to the strong getting stronger and the weak getting weaker.

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**Heath Terry** - *Goldman Sachs - Analyst*

Yes. So we do have microphones around the room. If we've got anybody with questions just feel free to raise your hand. We'll get a microphone over to you.

While the microphones are getting around, we'd be curious as you think about sort of the emerging side, you mentioned the investment that you've got in Room 77, which they were on a travel panel today and we've seen a whole new sort of wave of innovation in travel, how acquisitive does Expedia want to be versus building out a lot of these models on your own?

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**Mark Okerstrom** - *Expedia, Inc - EVP, CFO*

Well we've -- as you can tell by our brand portfolio, we have had acquisitions and M&A activity at our heart from the very start, so we're always on the lookout for great companies with great brands and great teams and great technology. And we view what some would argue to be a proliferation of innovation in our industry as just a fantastic thing. We think that's the sign of a healthy industry.

We think that given the technology investments that we've made, more innovation is better, and to the extent we find players who have done something better than we have done and have a team and technology that we think has a sustainable position and value to us. We're more than happy to acquire them at a fair valuation of course. And it's going to be something that we continue to do forever.

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**Heath Terry** - *Goldman Sachs - Analyst*

Yes. So looking at the -- speaking of acquisitions, looking at the VIA acquisition, it gives you a bigger role in corporate travel.



**Mark Okerstrom** - *Expedia, Inc - EVP, CFO*

Yes.

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**Heath Terry** - *Goldman Sachs - Analyst*

How key is corporate to the growth strategy for Expedia?

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**Mark Okerstrom** - *Expedia, Inc - EVP, CFO*

Well it's pretty core to our long-term vision. It's very differentiated versus any other competitor in the marketplace. There aren't really any other players that have scale corporate travel businesses and scale leisure businesses.

And in that marketplace construct that I shared with you where we're trying to basically build a network of supply and demand, corporate is a huge piece of the puzzle. I mean the average big box hotel would be a third corporate, a third meetings, and a third leisure. So to the extent that we can with a single hotel relationship offer that hotel distribution on corporate meetings and leisure, that's incredibly powerful for us.

And we also think that the approach that we've got to corporate travel, which is, as with the rest of our business, very technology driven, in the face of competitors who are -- who have a revenue model that is predominantly driven by transactions being done on phone, whereas our revenue model is predominantly driven by revenue we make from hotels, we have a unique opportunity to have a pretty disruptive influence on that industry that is better for travelers, better for travel managers, and better for suppliers than the existing model, and we are slowly and surely gaining steam and scale in that business.

The VIA Travel acquisition was a way for us to bulk up our customer base, particularly in Northern Europe, and we're going to continue to look for ways to do that.

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**Heath Terry** - *Goldman Sachs - Analyst*

All right. Question?

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**Unidentified Audience Member**

Are you more -- being more wary of Google's intentions in the travel vertical? I mean I go on Google, I say San Francisco hotels, there's a local hotel finder right there with dates and things like that. So I know that you are -- Expedia pops up and Priceline pops up, but just curious whether there's a chance of disintermediation right there?

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**Mark Okerstrom** - *Expedia, Inc - EVP, CFO*

Well we're always wary of what Google does. They're obviously very large. They have a dominant position in the search market. But none of what they're doing is a particular surprise to us. I think that they're in the business of taking consumers' questions and answering them better than anyone else.

And if you look at what they're doing, they're trying to get a lead out of the bottom of their wonderful Google box that is more qualified than the one that they got. And the way that they make a lead more qualified is they get a traveler to the point where they're ready to book a hotel. And to get a traveler to that point you need a lot of great content, you need all the hotels, you need great mapping technology. It's really what we've been doing for the last 15 years. We know all about it. And so everything they're doing is very predictable, it seems very rationale.



When leads come out of HotelFinder, for us they generally are more qualified than a lead that comes out of New York hotel search, and we're willing to pay more for that. So we're watching what they do very closely. We think they're rational. If they're rational they'll stay in the advertising business. And if they're not and they go into pure booking, well then we've got the best global inventory around, ourselves and Priceline. We should be okay in that position.

And you know, we're ready to go. So we're watching what we're doing. It's not the type of the list of our biggest concerns. And we'll see.

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**Heath Terry** - *Goldman Sachs - Analyst*

That sort of feeds in to something we talked about a little bit before, just in terms of the way you think about customer acquisition. How much of a motivation is seeing what Google's doing within search pushing you to find other channels for acquiring and reaching Expedia's customers, whether it's television or mobile?

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**Mark Okerstrom** - *Expedia, Inc - EVP, CFO*

Yes. Well we're in a fortunate position from a couple of standpoints. One is by virtue of our heritage of having these incredibly strong brands, particularly in the US that have been built over such a long period of time. Our customer traffic profile is significantly more diversified than what you might see from other players. So that's certainly a fortunate position for us to be in.

I think the second thing is that we are incredibly analytical about the way we look at our marketing dollars, so we aren't strategically sitting back and saying boy, we're going to spend less in Google because we don't like what they're doing, instead we're going to spend it over here in X. We are looking to drive consumers to a product that we are increasingly trying to make the best product in the world and giving them a compelling experience that they come back to us again through one of our loyalty programs and through email.

And so because of that very analytical approach, we're able to call it take what we want from these channels and turn first-time users into loyal customers, and that makes us a little bit less worried about where we get traffic from in the first instance over time.

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**Heath Terry** - *Goldman Sachs - Analyst*

And is there -- go ahead.

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**Unidentified Audience Member**

On your investment in eLong, there seems to be a constant fear or introduction of coupons or price wars that continues to take place. You mentioned the word rational a few minutes ago. How do you rate that market given that it's in the pretty early stage?

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**Mark Okerstrom** - *Expedia, Inc - EVP, CFO*

Well right now it's hyper competitive. I think you've got eLong and Ctrip engaging in price wars. You've got Baidu, who is the Google of China, buying a business called Qunar, which is a metasearch player and driving increasing amounts of traffic through Qunar. So it's hyper competitive.

That said, it's a big market now. It's going to be a huge market in the future. We feel like the approach that eLong is taking and the approach that management team is taking is the right approach, which is to focus on online hotel, the most profitable space to be in, and do that better than anyone else. And that's what they're very focused on. I think that they have certainly gotten the attention of Ctrip in that respect.



And eLong is a business that is built for that competitive battle. I mean they're built to be lean and work on low margins. And we are very much supporting eLong in building a leadership position in China such that they can reap the rewards of being the largest player and what will be the largest travel market in the world. And as part of Expedia, Inc, we can benefit from the outbound travel that Chinese travelers will do over time.

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**Heath Terry** - *Goldman Sachs - Analyst*

Got one over here.

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**Unidentified Audience Member**

You and Priceline have been mostly focused on kind of wiring the hotels and connecting the airlines. And the (inaudible) due to consumers and of course now moving to mobile, but mostly on the transaction side with some reviews. As you look forward to the next say five, ten years, can you talk about some areas that you feel neither of you have focused on so far? Some areas that would give some added benefits to a traveler beyond just finding the best room or at the right price or ease of booking? What are the other -- some new areas that you're looking into?

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**Mark Okerstrom** - *Expedia, Inc - EVP, CFO*

Sure. Well I think we're in the fortunate position that there is a ton of runway in our core hotel business. I mean we have 200,000 hotels, Trivago has over 600,000 listed. They don't have them all listed. There's significant headroom there. There's significant headroom on the consumer side. So we've got a lot of runway in our core hotel business.

So I think specific innovations around the hotel business specifically, I think some of the things that Room 77 is doing is very interesting, the room level content, finding value-added ways to upgrade people to rooms that they might not otherwise be able to do on an OTA. Those are some of the different call it product innovations that will likely happen in this industry over time.

But the real story I think is going to be told by just continued global expansion of ourselves and growing our hotel footprint at the same time as we're growing our consumer base. And that's going to be the real story.

I think the other piece for the travel industry generally, and I think mobile will open this up is I think destination services, the connection between booking in advance, landing in a destination, and getting your tour booked on your phone is potentially something that could be interesting over the next five to ten years. But I think the bulk of the growth is going to come from the core of the business for quite some time.

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**Unidentified Audience Member**

What I meant to say was as you look at the value chain of travel, you're in the booking section. Are you looking at other parts? Let's say the inspiration and discovery. The social travel. Any other -- are there parts of travel from the time that a person decides that we're going to go to this place to after the trip in fact?

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**Mark Okerstrom** - *Expedia, Inc - EVP, CFO*

Well we've always looked at it, and the interesting thing is that most startups start at some extreme end of the funnel. And the end of the day many of them fail because inspiration is not what pays the bills. Google is doing a pretty good job and TripAdvisor is doing a pretty good job of answering the questions of where do I want to stay and what do I want to do and what are my friends doing.

So for now I think we're pretty comfortable with focusing closer to the transaction. That said, Trivago is a step further up the funnel. TripAdvisor, when we owned TripAdvisor, was a step further up the funnel. And destination services type activities are to some extent an in-trip experience, so there are things that we'll do on the fringes. But it's hard to make the business case for too much spend on inspiration.



**Heath Terry** - Goldman Sachs - Analyst

Okay. We've got one last question.

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**Unidentified Audience Member**

Thanks. I was hoping you could address your goals around margin leverage in the business. Obviously you're coming through a multi-year investment cycle on refreshing your platform and starting to pay dividends in the top line growth. There's obviously a clear spread between your profitability metrics and those of your largest competitor, but they have some more scale. If you could just update us on when we might see some incremental margin leverage come through in the business as you come through this investment cycle and what gets us down that path. Thanks.

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**Mark Okerstrom** - Expedia, Inc - EVP, CFO

Sure. Well I think the story is very similar to what we've said in the past, which is as we get towards the back part of 2013, on a cash basis our technology and content spend is going to start to leverage. And at the same time cost of good sales is going to leverage, G&A is going to leverage, sales and marketing is something that will generally grow in line with or faster than revenue to the extent we can drive more bottom line growth.

But towards the end of 2013 we're going to have some decisions to make based upon what incremental spend we think we can make to drive more growth or whether or not we drop those benefits to the bottom line. So I think over the long term certainly this is the business that can drive P&L or margin expansion pretty nicely. I think you've seen that with our primary competitor over time.

And it's something that we will -- when we don't see opportunities to get good returns on our spend, something that we'll have the decision whether or not we do post 2013. But right now we're not giving any significant guidance as to when or when not you might see margin expansion because right now we don't know. It's going to depend -- it's going to be dependent on what we see.

Now I will tell you though just for guidance, when you are comparing our P&L to Priceline's P&L, it's not an apples to apples comparison. If you look at the businesses that Priceline has, they've got Priceline, which is equivalent to our Hotwire, they've got Booking.com which from a cost structure standpoint is very similar to Hotels.com, although they've got much more scale in the top line, they've got a business called RentalCars.com, which is same as our CarRentals.com, and they've got Agoda, which is a regional player similar to Venere.com, and that -- those businesses comprise their cost structure.

They don't have Expedia, the only global online travel agency in the world that's full service, and multi-product businesses take a lot more heavy infrastructure. They don't have Egencia, the fifth largest corporate travel business in the world. And they don't have eLong, the number two OTA in China.

So the cost structures of the businesses are just fundamentally different. So I wouldn't expect to see until Expedia and Egencia and eLong are at significantly larger scale, an opportunity for them to have margins anywhere near what you see Priceline has.

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**Heath Terry** - Goldman Sachs - Analyst

Great. Mark, really appreciate you taking the time. Thank you for joining us.

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**Mark Okerstrom** - Expedia, Inc - EVP, CFO

Thank you.

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