

FINAL TRANSCRIPT

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EXPE - Expedia, Inc. at Citi Entertainment, Media & Telecommunications Conference

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Mark Mahaney

Citigroup - Analyst

PRESENTATION

Mark Mahaney - *Citigroup - Analyst*

Okay, we'll get started. I've already lost 12 seconds. I am Mark Mahaney, Director of Internet Research here at Citi. We have Mike Adler, the CFO of Expedia, presenting. We have a breakout room shortly after. So I'm going to ask him a series of questions. I'll leave some time at the end for general Q&A.

Mike, thanks for joining us. And Alan Pickerill from IR at Expedia is here as well. The first question I want to ask you, just broad question, if we were at the beginning of 2011, the visibility you have into your business or the confidence you have in your business going into this year versus going into 2010, the same, worse or better?

Mike Adler - *Expedia, Inc. - EVP, CFO*

I would say it is better. I think that as we entered 2010, we had a fair amount of uncertainty as to the corporate travel market and the group travel market, and the dynamics in those markets impact our business directly and indirectly. And during 2010, we have seen corporate travel rebound. We've seen group travel rebound. And then we've also seen the leisure customer, the intent to travel, stay at a pretty strong rate.

Mark Mahaney - *Citigroup - Analyst*

Okay. And then if I could ask you also the broad 35,000-foot macro question. So just in terms of the overall economy, versus how it was for you in 2010, do you expect in 2011 to be better for you on your business, the same or worse?

Mike Adler - *Expedia, Inc. - EVP, CFO*

I guess in terms of overall economy, I guess I would say we have slightly more confidence in the economy heading into this year than we did last year. I think we all know that that little bit amount of extra confidence can evaporate very quickly if you hear something about Portugal or Greece or some other country. So it certainly is not a hugely endorsing, the economy is firing on all cylinders, because I don't think the economy in any country really, maybe other than Australia, is firing on all cylinders.

So for us, we look at the dynamics, say, within the travel industry and we feel pretty good. Airlines are still flying pretty full. But there are signs that some capacity, for example, is coming back into the system. So that is potentially advantageous for us.

Hotels are definitely doing better now than they did during the deepest part of the recession. But they are also not near their historical highs in terms of occupancy. So in terms of 2011, we see a pretty good outlook for our business. That is not to say we don't have all the challenges that we have.



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Mark Mahaney - Citigroup - Analyst

One of the -- we publish this report, the EMT Conference Preview -- it's a pretty good title there. And we put questions, leading questions, for each of the companies. And one of the questions was, how are your current supplier relationships with OTAs.

I hear that is a sensitive topic these days. So let's talk about what is going on with American Airlines. And I think there is a history here. I think you've had these kind of standoffs with different suppliers over time. Just give us some context around what's happening. And who knows how it gets resolved, but what is the backdrop?

Mike Adler - Expedia, Inc. - EVP, CFO

Sure. Because I guess I'd start with and actually say our relationships with our suppliers generally across the board remain very solid. And that is across air, it's across hotel, across car, cruise, et cetera.

In terms of American Airlines, there is right now, I would say, a difference of opinion and we are no longer doing business with American Airlines. I would say those types of situations tend to be the exception for us rather than the rule.

In this particular case, American Airlines has made it clear that it wants to operate under what it refers to as a direct connect model with travel agents. In our view, the direct connect model disintermediates the GDS. For us, we rely very heavily on the GDSs to provide air content to us. The GDSs take content from the hundreds of airlines that Expedia works with and really provides us assurance that we have 100% access to all the airlines' content and deliver it to us in a way that allows our business to scale nicely. So we get the advantage of getting the data from a GDS as opposed to from 300 airlines.

So in this case, American has said, well, we want you to direct connect. We don't think that is in our best interest. We don't think that's in the best interest of the consumer. From our perspective, we think that we would need to make unnecessary investment in technology to facilitate a direct connect with American. And then we would also lose the assurance that we had all the content from American that today we are getting from a GDS, and we think ultimately, that would compromise consumers and really, in our mind, reduce choices for travelers, make it harder for travelers to find what they are looking for. And Expedia is all about making travel content more accessible to the masses.

Mark Mahaney - Citigroup - Analyst

Is there a win-win-lose solution here, whereby there just are a series of direct connects set up with a whole bunch of airlines, the airlines therefore can reduce their distribution costs that they pay to the GDSs, but they will still pay you the same or even more and they will cover your expenses?

Is there a situation in which the airlines win and travel agencies could actually have the same economics or better; it is just the GDSs that lose? Or is that just an impractical -- is setting up direct connects with all the airlines, the 20 major airlines, is that just technically and financially impossible?

Mike Adler - Expedia, Inc. - EVP, CFO

Again, we think the GDS model itself is very effective. And the scale that it brings to the industry is really a very important attribute.

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Mark Mahaney - Citigroup - Analyst

Okay. And then I think there are historical precedents here. I don't think this is the first time we've had this bit of -- contract comes up for renewal, and there is a bit of a standoff. I don't think you've had it with American before, but I think you've had it with -- I forget -- Continental three or four years ago?

Mike Adler - Expedia, Inc. - EVP, CFO

Yes, it was several years ago. I believe the last one was even before I joined Expedia, and I've been with Expedia since 2006. So it is a pretty rare occurrence. In the past, they tended to be resolved in I would say a fairly short order. Obviously, there is no guarantee of what an outcome will or won't be in this case.

We are in dialogue with American, and they've acknowledged that dialogue is taking place as well. And assuming that we can come to an agreement that we think is good for Expedia and is good for our consumers, we would be happy to have them back in our store. In the meantime, we have over 300 airlines in our store, and we believe that we continue to offer very robust supply offering to our customers.

Mark Mahaney - Citigroup - Analyst

Is there a reason we should think that this is a rogue airline, if you will, as opposed to you are going to now go through this with every other major airline in the next year?

Mike Adler - Expedia, Inc. - EVP, CFO

I mean, as we read the public statements of other airlines, we think that this particular issue is of most significant importance to American.

Mark Mahaney - Citigroup - Analyst

Okay. I asked that -- and kind of a setup here. If you don't mind, the stock has had a bit of a correction recently. And I think this is one of the -- this has been one of the overhang issues.

Another one has been heightened focus -- so let's just go through some of the bare arguments here -- another one has been some of the heightened focus on Google-ITA. So what is the latest thinking you have on the impact that could have on your business, not only on potentially as an online travel agency and whether there could be disintermediation risk, but it also seems like is there a risk here in terms of some of the things that Google may be doing separately that could impact TripAdvisor?

So I guess the question is how do you think about the Google risk?

Mike Adler - Expedia, Inc. - EVP, CFO

It's interesting, because we are obviously watching what Google is doing, and they've announced their intent to acquire ITA. And we think that putting together the dominant search engine with the dominant airfare search technology is potentially a dangerous combination for consumers. We can't predict what Google would do, but to the extent that Google would create a situation where they advantage their own products and services over the existing marketplace, we think that could end up with reduced consumer choice, which we think would be a bad thing.

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Google has recently introduced a product called Google Places. They seem to be doing a lot of testing of that product, so I'm not sure how far developed it is in their minds. But that product appears to basically take a natural search request, a request in Google's famous little box, and instead of returning results of a content provider -- like TripAdvisor, as you mentioned, like our competitors, maybe other content providers in other segments -- instead of returning those as search results, Google is actually inserting search results from what it calls its Google Places product.

So we think that again is not a good experience for consumers. We think that is the case of Google again using its dominance in search to favor its own products and services. That is potentially an indication of a type of thing that they could do on the air side of the business.

For us, we want to have a level playing field Tier. So Google, we know, is powerful. There are a number of companies who get substantial amounts of traffic in their business from Google, and we think that comes with an obligation not to advantage themselves in their own products and services, whether it is hotel, whether it's air, whether it is anything else.

Mark Mahaney - Citigroup - Analyst

Okay. The next risk I wanted to ask you if you could address is the US hotel market. To what extent should we be worried that you are seeing materially new competition from an agency model coming into the US hotel market? And specifically, is it possible that -- you know, for years, the investment community has been focused on Expedia potentially gaining share from Priceline through a series of steps in Europe.

But are we starting -- should we really be focused on the other -- I'm overstating the question, but you know what I mean -- which is Booking.com seems to be making a big effort. They're going after the US market with an agency model, which in theory is much more supplier-friendly against the entrenched, dominant OTA company with a merchant model. Is there a real problem here?

Mike Adler - Expedia, Inc. - EVP, CFO

We don't think there is a real problem. We also don't take Booking.com lightly in any stretch of the imagination. Our business in the US is incredibly strong. We have taken significant share over the past several years. So we think we are in a very strong position. We have incredible brand recognition in the US. We have loyal users, et cetera.

I would say over time, we will continue to work with the agency model. The agency model is something we are pushing much more significantly in Europe, where Booking.com clearly showed that there was an addressable market both on the supplier side and the consumer side which favored that type of model. And I would say in the US, we will remain flexible and do what we need to do to protect our market position.

But again, we have shown considerable growth in the US in our market share. I would say from what I've seen, Booking.com looks like it is focusing very much on bringing traffic from Europe into the US and is competing aggressively in some of the major cities.

Mark Mahaney - Citigroup - Analyst

Just two factual questions. In the US, are you predominately exclusively a hotel merchant model, as opposed to agency?

Mike Adler - Expedia, Inc. - EVP, CFO

In the US, it is almost all merchant today.

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Mark Mahaney - Citigroup - Analyst

Yes, merchant. And then are there factors in the US market, particular to the US market, that you think make the agency model less applicable than it was in Europe?

Mike Adler - Expedia, Inc. - EVP, CFO

I think in the US, we have many more chain hotels, and there is a lot of benefits that come with working with us on the merchant model. You get to participate in packages. You get to participate in opaque inventory. You get to participate in more robust ways in our promotional campaigns that we do. So there is a whole host of benefits that we believe that our hotel partners in the US have come to really understand and really appreciate.

Mark Mahaney - Citigroup - Analyst

Okay. The last broad kind of risk area I wanted to address is, there have been concerns in the past that as the hotel occupant -- as hotel occupancy rates recover, that you were going to have this problem with access to inventory. Essentially, the argument was that you were countercyclical.

Looking at your bookings trends during the recession, it seems hard to make that argument, but that was the concern. Now, I think you did something during the recession in terms of negotiating these last room available deals, I think, that really kind of positioned you and helps you kind of hedge against that risk a little bit. Is that true, and what is the --?

Mike Adler - Expedia, Inc. - EVP, CFO

Yes. That is actually something we've had for years and is just part of our ordinary way of doing business. And that is to the extent that a hotel that we have an agreement with is making any inventory available online, that it will be made available through our property. So to the extent that there are rooms to be sold, you will be able to find them on the Expedia property.

So I would point out a couple of additional things, which is, we are well below our historical -- the historical highs in terms of occupancy rates. We are anywhere from 300 to 500 bps below the historical high. So we are nowhere near seeing those levels.

And I would point out that we were growing our room nights during those periods of time as well. So if you go back to higher occupancies, you go back to 2006, we were growing, we were taking share, we were taking advantage of the online shift, which we believe is continuing, as well. So it is something we get a lot more questions from investors about than what we really concern ourselves about internally. It is not something that really is much of a concern to us about not having the availability. It is really how do we connect the demand with the supply, is what we spend our time focused on.

Mark Mahaney - Citigroup - Analyst

Can we switch gears a little bit? Let's talk about product innovation in online travel. When you think about what you would like to do, Expedia as a company, over the next two to three years to really improve, if it needs improving, the online travel experience for leisure traveler, what are those areas? What would you like -- what needs to -- how is it going to get better?



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Mike Adler - Expedia, Inc. - EVP, CFO

For us, we really are focusing on discoverability of the product. We have 130,000 hotels in our system. So I think you are going to see much more about personalization, about trying to really surface the right hotel, the right experience, for the right consumer, and for us to really know our customers better.

I think you are going to see continued innovation on the loyalty side of the business. Our WelcomeRewards program has worked extremely well on hotels.com, stay 10 nights, get one night free. We are rolling out an enhanced loyalty program on Expedia as well.

You are also going to see us really spend more time and effort on our mobile products, mobile applications. We recently made an acquisition of a company called Mobiata that is a leading app provider in the travel space. And it is interesting as we watch online, and what is occurring is we have to be prepared for what is happening today on the mobile side of the house as well.

Mark Mahaney - Citigroup - Analyst

Do you think mobile is going to be material for you in terms of percentage of your bookings or something like that?

Mike Adler - Expedia, Inc. - EVP, CFO

I think that mobile will grow to be very important to us. I can't predict at what level it is going to grow to, but I think it is going to be big. I think it will probably end up being bigger on our corporate travel business, Egencia, than on the leisure side of the business. But there are indications that it is real and that it is going to be a meaningful part of our business.

The question we ask ourselves is, is it incremental or not. Even if it is not incremental, if it is where our customers want to be booking, we obviously want to be there. And there are some very early signs that it may be generating some level of incremental bookings, getting travelers that are looking to book in a very, very short window.

So you can envision a business traveler who didn't realize they were going to be in Phoenix tonight, and they hadn't planned to be in Phoenix, going to your Smartphone and finding a hotel, as opposed to maybe driving up and down one of the main streets, looking for a hotel to drive into to see if there is a vacancy.

Mark Mahaney - Citigroup - Analyst

Let me ask you -- the biggest high-level question I want to ask you today is, the overall growth strategy, so you've got -- and with Egencia, you've got a corporate travel play. With the Expedia brand and the hotels.com brand, you've got consumer leisure travel plays in the US and internationally. You've got offerings in Asia. With TripAdvisor, you've got a very good kind of social content, user-generated content play.

Is there anything particularly missing from the growth strategy for the next two to three years? Any (inaudible) that just take all of those, continue growing them --?

Mike Adler - Expedia, Inc. - EVP, CFO

We don't think there is anything missing. We think we have Expedia as the full-service offering; hotels.com, specialist in hotels; Hotwire, focused on the opaque channels; you mentioned Egencia, focused on corporate travel; TripAdvisor, our main play in the media business; expanding pretty aggressively in China, vacation rental markets, business listings, et cetera. And so we think that the business can grow nicely on an organic basis.

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That said, we will continue to look for opportunistic acquisitions. I think most likely, you would see us do something if we thought that we needed to gain a better foothold in a specific geographic market, much like we did with eLong back five or six years ago in China. So that is perhaps something that would interest us. We will continue to look at acquisitions to extend the TripAdvisor franchise.

And with Egencia now hitting its current level of scale, we are probably a little bit more open to doing some corporate acquisitions. But again, I would use the word opportunistic acquisitions as opposed to acquisitions to fill a known gap.

Mark Mahaney - Citigroup - Analyst

Because when I think about it, the acquisitions in the last year, this is probably one of the lowest acquisition periods you've had in numerous years. Either that is because assets have become -- there is no good deals out there because people are -- prices are too high, or you feel like you've kind of got a lot of the pieces.

Mike Adler - Expedia, Inc. - EVP, CFO

Is interesting, because I would say in some cases, prices are high. And in other cases, assets are scarce. If you go back and you look at what we've built on our TripAdvisor network side of the house through a significant number of small acquisitions, there is not that much left of size.

Mark Mahaney - Citigroup - Analyst

Switch over to the expense line. One of the biggest expenses is always marketing, for all of the online travel agencies. I think Justin Diddams, I think, is here, and he has talked about in the Australia market, where for -- I think it is for [what if] -- marketing expenses are dramatically lower as a percentage of revenue than they are for Priceline, Expedia, Orbitz, and that because it is a such more competitive market here.

It seems like we've got a pretty strong inflationary CPC market here. So to what extent do we have to worry going forward a year or two that you could see material deleverage in your marketing line because of a spiking CPC environment?

Mike Adler - Expedia, Inc. - EVP, CFO

I guess for us, it comes down to can we improve our conversion along the lines that we are targeting. Because obviously, more conversion can help us -- can help fuel or help us afford increased marketing spend. We also work to get just better at how we buy our search engine marketing, and we've taken our technology in-house and we continue to refine that and hopefully improve it.

So we need -- we do need to get conversion gains to become even more competitive as a business. I would throw out we do have a bit of a natural hedge within our business on CPCs, in that as CPCs rise, that value also helps lift TripAdvisor. Also keep in mind that as CPCs rise, in many cases, that is also an indication that ADRs are rising in the industry. And our revenue should be going up accordingly, as well, based on rate. So ADRs move more or less in line with CPCs; that also helps us offset that.

Mark Mahaney - Citigroup - Analyst

I don't want to oversimplify it, but as the --

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Mike Adler - *Expedia, Inc. - EVP, CFO*

Please do.

Mark Mahaney - *Citigroup - Analyst*

That's my job. I try not to over, oversimplify. But when I think about an economic recovery, I think both of these things happen. The CPCs rise and the ADRs rise. Is that -- and the timing is never perfect, but are those kind of equal to your overall business, such that that's a very good reason why you shouldn't have material marketing deleverage, that --? Is that oversimplifying?

Mike Adler - *Expedia, Inc. - EVP, CFO*

Well, it maybe is oversimplifying it, because there is always so many different things going on in mix between different markets and our various growth strategies. And it is really -- I won't call it a race, but it really depends on how rational or logical our competitors are. So if other folks are in there trying to gain share and being less sensitive to the economics, even if ADRs are increasing, CPCs in certain we'll call it battleground markets could be growing faster.

Our long-term goal is to grow revenue and sales and marketing expense in line with each other. And we have not achieved that over the last couple of quarters, and we've indicated that we don't expect to achieve that over the next several quarters, as we really are becoming more aggressive in trying to grow our business internationally, in particular in Europe.

Mark Mahaney - *Citigroup - Analyst*

The cast of competitive characters hasn't really changed that much. Have you seen anybody act irrationally in terms of marketing spend?

Mike Adler - *Expedia, Inc. - EVP, CFO*

I would say we see less of that now. Post-recession, we see less of that. We have not seen people barrel back into the markets. But there are occasional times where you see somebody coming in and wondering what they are doing.

Mark Mahaney - *Citigroup - Analyst*

I know you're not going to talk about 2011 outlook, but there were a couple of -- if that's the case, that marketing spend doesn't -- the marketing spend environment doesn't become irrational -- you did have a couple of factors in 2010, some corporate relocation or the Swiss costs, you had some volcanic ash -- pretty big spike-up in customer service costs. I think all of those would argue that Expedia should be a margin expansion story, even if modest in 2011. Is there anything irrational in that statement?

Mike Adler - *Expedia, Inc. - EVP, CFO*

I mean, there is a lot of things going on, some of which we called out during our last earnings call. So there are some headwinds that go against it. I think that it is always difficult in any one year to isolate a few negative things that happened in one year and say, well, automatically you are starting the next year in a different position.

On the Geneva expenses, we had significant expense in 2010, but that was only partial-year. We now have a full-year impact in 2011. So even though 2010 had a bunch of nonrecurring in it, the recurring costs in 2011 aren't all that different. I think we had \$20 million of total costs in 2010, and we expect, I think, \$14 million of recurring cost in 2011 on Geneva, for example. And if I

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got the numbers wrong, refer to our conference call transcript, where I probably also got the numbers wrong last time, too, as I recall.

Mark Mahaney - Citigroup - Analyst

That's encouraging. Let's see, let's do a balance sheet question and then we will open it up for general Q&A. I know we have a lot of people here.

What do we think -- how should we think about what you're going to do with the cash? This is a company that I think in 2006 and 2007 did two very large Dutch tender offers. It seems like it has been a very shareholder-friendly company in terms of what it does with its cash.

Should we expect the same sort of those kind of activities going forwards? What else are you going to do with the cash? Is the leverage ratio where you want it to be? What are you going to do with the cash?

Mike Adler - Expedia, Inc. - EVP, CFO

So we expect to be long-term net buyers of our stock. In terms of what we are looking to do with the cash, we discussed briefly before possible uses on the M&A side of the house. And for us, we will wait and see what opportunities present themselves. Any acquisitions, we will weight them against the attractiveness of buying back our own stock. I don't think you are going to see us do anything as monumental as what we had done earlier.

In terms of our leverage, we don't have a specific leverage target. We've said that we are comfortable operating the business at two to three times gross debt to EBITDA. We are very conscious of operating the Company consistent with an investment grade rating as well.

So I don't think you're going to see us go out and raise huge gobs of money to lever up the Company.

Mark Mahaney - Citigroup - Analyst

Okay. Let me open it up to questions from anybody in the audience. But if not, I'll keep going. Anybody? Alex.

QUESTIONS AND ANSWERS

Mark Mahaney - Citigroup - Analyst

Okay, let's talk geographies. Let's talk about the European market. One of the things you've tried to do over the last couple of years is better compete in that market. You did this acquisition of Venere. Now you've been -- I forget what you call it -- the agency model in Europe is called --?

Mike Adler - Expedia, Inc. - EVP, CFO

Easy Manage.



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Mark Mahaney - Citigroup - Analyst

Easy Manage. How are you doing versus your goals in that market? And is it steady as she goes? Is there something you can do to accelerate your position in the European market?

Mike Adler - Expedia, Inc. - EVP, CFO

I think we've done really well on our acquisition of supply in the Europe market, and we now have 30,000 agency relationships, primarily in Europe. And we are seeing in some markets, some secondary and tertiary markets, we are actually seeing the take rate of the agency hotels up nicely, 10% to 20% of total penetration, in some of the smaller markets. It has not yet been enough to move the overall needle on hotel in Europe.

In terms of how Expedia is doing or how hotels.com is doing, hotels.com recently completed a re-platforming. And it caused us some pain in this past year and now we are through that, and we are starting to see much improved performance of hotels.com in Europe. On Expedia, we are looking to further improve our results.

But we are growing in Europe. We are not growing as fast as one of our key competitors, and we are watching and learning as much as we can from that and looking to improve.

Mark Mahaney - Citigroup - Analyst

And then I want to switch over to Asia. And I think about Priceline, and I think that stock has gone through a re-rating over the last 12 months, in part because it's got material Asia exposure -- it's 5%, 6%, 7% of bookings. What people -- the market doesn't really focus on is actually that's about the same for you, too, that you've actually become just as much of an Asia travel play as Priceline has, but you haven't gone through a re-rating.

Do you like your position in Asia? You are much more focused on the China market than in other places. Are there obvious gaps that you want to fill in Asia?

Mike Adler - Expedia, Inc. - EVP, CFO

We have our eLong business in (technical difficulty). ELong is our subsidiary that we own 65% of. And we've spent the last several years repositioning eLong in the China market, and its growth has been considerable, and we are really happy where they have gotten to.

China is going to be the number one online travel market in Asia and in the world, probably, in five or seven years. So we are very pleased with our position there.

We have made inroads in Japan. We've made inroads into India. I think the area where you will see us pay some increased attention to is Southeast Asia. We think that there is a fair amount of opportunity there for us.

Mark Mahaney - Citigroup - Analyst

What about Latin America? All of a sudden, that seems to have popped up a little bit. I think for the first time, it was actually mentioned, I think on your earnings call and I know on Priceline's earnings call. Is there actually now starting to be a robust market that is actually material for you?

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Mike Adler - Expedia, Inc. - EVP, CFO

Absolutely. Latin America is growing very, very quickly for us. I was actually just in Brazil a few weeks ago.

Mark Mahaney - Citigroup - Analyst

Vacation?

Mike Adler - Expedia, Inc. - EVP, CFO

No, business, but we found some time for the steakhouse. And the market in Brazil is growing considerably. It is a huge market. There is a very fast-developing middle class there. And we are actually seeing the market develop in Brazil faster than in some countries in Asia. So there is a big, big opportunity; Brazil and Mexico, I would call out as the two primary opportunities in Latin America.

Mark Mahaney - Citigroup - Analyst

I was going to ask one question about TripAdvisor, but give everybody one more chance if anybody wants to ask a question. If not, TripAdvisor has had very strong, sustainable growth for years. Is there anything you need to do different about the -- outside of maybe watching for Google Places or anything that you need to do differently about the growth strategy for TripAdvisor?

Mike Adler - Expedia, Inc. - EVP, CFO

I think the TripAdvisor game plan is strong. We are now in 24 plus countries, 17 plus languages, 40% of its revenue is international. It is diversifying its product offering from CPC. We've added display advertising, business listings advertising, et cetera. They are investing pretty heavily in the vacation rentals market. They are really, really deepening their relationship on the social networking side of the house. So a very strong relationship with Facebook, being very aggressive in the mobile space.

So even though we can look at TripAdvisor and say, yes, the road looks very positive for us in its traditional model, they are not sitting still. Again, social networking, mobile, new lines of -- new vertical lines of business, vacation rentals. And so, again, we feel very good about our current position, but certainly don't take anything for granted, and are working to really create new avenues of growth for that business as well.

Mark Mahaney - Citigroup - Analyst

Okay, Justin, quick question. Let me put the mic up here.

Mike Adler - Expedia, Inc. - EVP, CFO

You have 12 seconds.

Unidentified Audience Member

Thanks. I'll make it quick. I think earlier you said that the shift to online is continuing in the US in terms of usage and money flows. In 2010, what sort of percentage of your growth do you think came from that shift, and what was the cyclical rebound?

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Mike Adler - *Expedia, Inc. - EVP, CFO*

I don't have specific numbers, but I would say the growth in online helped us in 2010, but that we also, particularly at hotels.com, gained share above and beyond what the online shift would imply. And we have generally done that over the years. So while we have benefited from the online shift, we then also have typically over-benefited from it.

Unidentified Audience Member

(Inaudible question - microphone inaccessible) over the next five years?

Mike Adler - *Expedia, Inc. - EVP, CFO*

So the best estimates we have is about that 55% of the US market is online. And we see travel customers get into the 90%, corporate travel. We don't think it will go quite that high, but we do still think that there is absolutely room for that to expand from current levels.

Mark Mahaney - *Citigroup - Analyst*

So you think that corporate travel is 90% online --?

Mike Adler - *Expedia, Inc. - EVP, CFO*

We see some of our customers that use Egencia have online penetration rates as high as 90%. So when we look at that, that maybe establishes in my mind some sort of ceiling as to how high it could go. And we think there are probably reasons that leisure won't go as high as that, because they don't have a corporate travel manager basically saying thou must book online.

Mark Mahaney - *Citigroup - Analyst*

Okay. Michael Adler, the CFO of Expedia, I want to thank you very much for (multiple speakers) today.

Mike Adler - *Expedia, Inc. - EVP, CFO*

Thank you. Thanks for having us here.

Mark Mahaney - *Citigroup - Analyst*

And we have a breakout immediately afterwards, but thank you, everybody.

Jan. 05. 2011 / 4:50PM, EXPE - Expedia, Inc. at Citi Entertainment, Media & Telecommunications Conference

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