

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2020

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-37429

EXPEDIA GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

20-2705720

(I.R.S. Employer Identification No.)

1111 Expedia Group Way W.

Seattle, WA 98119

(Address of principal executive office) (Zip Code)

(206) 481-7200

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common stock, \$0.0001 par value	EXPE	The Nasdaq Global Select Market
Expedia Group, Inc. 2.500% Senior Notes due 2022	EXPE22	New York Stock Exchange

The number of shares outstanding of each of the registrant's classes of common stock as of May 8, 2020 was:

Common stock, \$0.0001 par value per share	135,459,390 shares
Class B common stock, \$0.0001 par value per share	5,523,452 shares

Expedia Group, Inc.**Form 10-Q****For the Quarter Ended March 31, 2020****Contents**

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Part I. Item 1. Consolidated Financial Statements

EXPEDIA GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except share and per share data)
(Unaudited)

	Three months ended March 31,	
	2020	2019
Revenue	\$ 2,209	\$ 2,609
Costs and expenses:		
Cost of revenue (exclusive of depreciation and amortization shown separately below) ⁽¹⁾	629	490
Selling and marketing ⁽¹⁾	1,210	1,521
Technology and content ⁽¹⁾	308	297
General and administrative ⁽¹⁾	187	184
Depreciation and amortization	229	228
Impairment of goodwill	765	—
Impairment of intangible assets	121	—
Legal reserves, occupancy tax and other	(21)	10
Restructuring and related reorganization charges	75	10
Operating loss	(1,294)	(131)
Other income (expense):		
Interest income	10	11
Interest expense	(50)	(41)
Other, net	(145)	20
Total other expense, net	(185)	(10)
Loss before income taxes	(1,479)	(141)
Provision for income taxes	82	41
Net loss	(1,397)	(100)
Net (income) loss attributable to non-controlling interests	96	(3)
Net loss attributable to Expedia Group, Inc.	\$ (1,301)	\$ (103)
Loss per share attributable to Expedia Group, Inc. available to common stockholders		
Basic	\$ (9.24)	\$ (0.69)
Diluted	(9.24)	(0.69)
Shares used in computing earnings (loss) per share (000's):		
Basic	140,823	147,882
Diluted	140,823	147,882

(1) Includes stock-based compensation as follows:

Cost of revenue	\$ 3	\$ 3
Selling and marketing	12	11
Technology and content	20	19
General and administrative	20	23

See accompanying notes.

EXPEDIA GROUP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In millions)
(Unaudited)

	Three months ended March 31,	
	2020	2019
Net loss	\$ (1,397)	\$ (100)
Currency translation adjustments, net of tax ⁽¹⁾	(90)	(5)
Comprehensive loss	(1,487)	(105)
Less: Comprehensive loss attributable to non-controlling interests	(102)	(5)
Comprehensive loss attributable to Expedia Group, Inc.	\$ (1,385)	\$ (100)

- (1) Currency translation adjustments include tax expense of \$2 million associated with net investment hedges for the three months ended March 31, 2020 and tax expense of \$3 million and for the three months ended March 31, 2019.

See accompanying notes.

EXPEDIA GROUP, INC.
CONSOLIDATED BALANCE SHEETS

(In millions, except number of shares which are reflected in thousands and par value)

	March 31, 2020	December 31, 2019
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,905	\$ 3,315
Restricted cash and cash equivalents	813	779
Short-term investments	194	526
Accounts receivable, net of allowance of \$95 and \$41	1,423	2,524
Income taxes receivable	74	70
Prepaid expenses and other current assets	1,243	521
Total current assets	7,652	7,735
Property and equipment, net	2,297	2,198
Operating lease right-of-use assets	628	611
Long-term investments and other assets	610	796
Deferred income taxes	258	145
Intangible assets, net	1,642	1,804
Goodwill	7,330	8,127
TOTAL ASSETS	\$ 20,417	\$ 21,416
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable, merchant	\$ 836	\$ 1,921
Accounts payable, other	859	906
Deferred merchant bookings	5,905	5,679
Deferred revenue	221	321
Income taxes payable	59	88
Accrued expenses and other current liabilities	978	1,050
Current maturities of long-term debt	750	749
Total current liabilities	9,608	10,714
Long-term debt, excluding current maturities	4,180	4,189
Revolving credit facility	1,900	—
Deferred income taxes	58	56
Operating lease liabilities	547	532
Other long-term liabilities	383	389
Commitments and contingencies		
Stockholders' equity:		
Common stock \$.0001 par value	—	—
Authorized shares: 1,600,000		
Shares issued: 258,770 and 256,692; Shares outstanding: 135,454 and 137,076		
Class B common stock \$.0001 par value	—	—
Authorized shares: 400,000		
Shares issued: 12,800 and 12,800; Shares outstanding: 5,523 and 5,523		
Additional paid-in capital	13,124	12,978
Treasury stock - Common stock and Class B, at cost	(10,083)	(9,673)
Shares: 130,592 and 126,893		
Retained earnings (deficit)	(470)	879
Accumulated other comprehensive income (loss)	(301)	(217)
Total Expedia Group, Inc. stockholders' equity	2,270	3,967
Non-redeemable non-controlling interests	1,471	1,569
Total stockholders' equity	3,741	5,536
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 20,417	\$ 21,416

See accompanying notes.

EXPEDIA GROUP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In millions, except share and per share data)
(Unaudited)

Three months ended March 31, 2019	Common stock		Class B common stock		Additional paid-in capital	Treasury stock		Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Non-redeemable non-controlling interest	Total
	Shares	Amount	Shares	Amount		Shares	Amount				
Balance as of December 31, 2018	231,492,986	\$ —	12,799,999	\$ —	\$ 9,549	97,158,586	\$(5,742)	\$ 517	\$ (220)	\$ 1,547	\$ 5,651
Net income (loss)								(103)		3	(100)
Other comprehensive income (loss), net of taxes									3	(8)	(5)
Payment of dividends to stockholders (declared at \$0.32 per share)								(47)			(47)
Proceeds from exercise of equity instruments and employee stock purchase plans	1,801,048	—			91						91
Treasury stock activity related to vesting of equity instruments						197,122	(25)				(25)
Other changes in ownership of non-controlling interests					(3)					9	6
Impact of adoption of new accounting guidance								6			6
Stock-based compensation expense					56						56
Other					1						1
Balance as of March 31, 2019	<u>233,294,034</u>	<u>\$ —</u>	<u>12,799,999</u>	<u>\$ —</u>	<u>\$ 9,694</u>	<u>97,355,708</u>	<u>\$(5,767)</u>	<u>\$ 373</u>	<u>\$ (217)</u>	<u>\$ 1,551</u>	<u>\$ 5,634</u>

Three months ended March 31, 2020	Common stock		Class B common stock		Additional paid-in capital	Treasury stock - Common and Class B		Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Non-redeemable non-controlling interest	Total
	Shares	Amount	Shares	Amount		Shares	Amount				
Balance as of December, 2019	256,691,777	\$ —	12,799,999	\$ —	\$ 12,978	126,892,525	\$(9,673)	\$ 879	\$ (217)	\$ 1,569	\$ 5,536
Net income (loss)								(1,301)		(96)	(1,397)
Other comprehensive income (loss), net of taxes									(84)	(6)	(90)
Payment of dividends to stockholders (declared at \$0.34 per share)								(48)			(48)
Proceeds from exercise of equity instruments and employee stock purchase plans	2,078,035	—			86						86
Treasury stock activity related to vesting of equity instruments						335,468	(40)				(40)
Common stock repurchases						3,364,119	(370)				(370)
Other changes in ownership of non-controlling interests					1					4	5
Stock-based compensation expense					59						59
Balance as of March 31, 2020	<u>258,769,812</u>	<u>\$ —</u>	<u>12,799,999</u>	<u>\$ —</u>	<u>\$ 13,124</u>	<u>130,592,112</u>	<u>\$(10,083)</u>	<u>\$ (470)</u>	<u>\$ (301)</u>	<u>\$ 1,471</u>	<u>\$ 3,741</u>

See accompanying notes.

EXPEDIA GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)
(Unaudited)

	Three months ended March 31,	
	2020	2019
Operating activities:		
Net loss	\$ (1,397)	\$ (100)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation of property and equipment, including internal-use software and website development	185	176
Amortization of intangible assets	44	52
Impairment of goodwill and intangible assets	886	—
Amortization of stock-based compensation	55	56
Deferred income taxes	(108)	17
Foreign exchange loss on cash, restricted cash and short-term investments, net	98	5
Realized gain on foreign currency forwards	(19)	(7)
(Gain) loss on minority equity investments, net	188	(22)
Provision for credit losses and other, net	105	(7)
Changes in operating assets and liabilities:		
Accounts receivable	1,086	(468)
Prepaid expenses and other assets	(791)	(23)
Accounts payable, merchant	(1,082)	39
Accounts payable, other, accrued expenses and other liabilities	(129)	146
Tax payable/receivable, net	(32)	(169)
Deferred merchant bookings	226	2,285
Deferred revenue	(99)	169
Net cash provided by (used in) operating activities	(784)	2,149
Investing activities:		
Capital expenditures, including internal-use software and website development	(287)	(274)
Purchases of investments	(285)	(438)
Sales and maturities of investments	585	—
Other, net	19	6
Net cash provided by (used in) investing activities	32	(706)
Financing activities:		
Revolving credit facility borrowings	1,900	—
Purchases of treasury stock	(410)	(25)
Payment of dividends to stockholders	(48)	(47)
Proceeds from exercise of equity awards and employee stock purchase plan	86	91
Other, net	(11)	2
Net cash provided by financing activities	1,517	21
Effect of exchange rate changes on cash, cash equivalents and restricted cash and cash equivalents	(141)	(11)
Net increase in cash, cash equivalents and restricted cash and cash equivalents	624	1,453
Cash, cash equivalents and restricted cash and cash equivalents at beginning of period	4,097	2,705
Cash, cash equivalents and restricted cash and cash equivalents at end of period	\$ 4,721	\$ 4,158
Supplemental cash flow information		
Cash paid for interest	\$ 87	\$ 71
Income tax payments, net	56	105

See accompanying notes.

Notes to Consolidated Financial Statements**March 31, 2020****(Unaudited)****Note 1 – Basis of Presentation****Description of Business**

Expedia Group, Inc. and its subsidiaries provide travel products and services to leisure and corporate travelers in the United States and abroad as well as various media and advertising offerings to travel and non-travel advertisers. These travel products and services are offered through a diversified portfolio of brands including: Brand Expedia®, Hotels.com®, Expedia® Partner Solutions, Vrbo®, Egencia®, trivago®, HomeAway®, Orbitz®, Travelocity®, Hotwire®, Wotif®, ebookers®, CheapTickets®, Expedia Group™ Media Solutions, Expedia Local Expert®, CarRentals.com™, Expedia® CruiseShipCenters®, Classic Vacations®, Trivago®, VacationRentals.com and SilverRail™. In addition, many of these brands have related international points of sale. We refer to Expedia Group, Inc. and its subsidiaries collectively as “Expedia Group,” the “Company,” “us,” “we” and “our” in these consolidated financial statements.

COVID-19

In December 2019, a novel strain of coronavirus (“COVID-19”) was initially detected in China, and over the subsequent months the virus spread globally. On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. Measures to contain the virus, including travel restrictions and quarantine orders, as well as limited operations for hotel and airline suppliers, have had a significant impact on the travel industry. This has contributed to unprecedented increases in cancellations and a decline in travel demand, which is having a material negative effect on our financial and operating results. It remains difficult to predict the duration of the impact from the virus, and when travel restrictions and quarantine orders will be lifted.

During this pandemic, Expedia Group has been working closely with our partners, and putting significant effort into taking care of our customers. For example, the Company has modified its cancellation policies. On near-term bookings with non-refundable rates impacted by COVID-19, customers have received refunds where hotels agree to make the booking refundable; otherwise, the customer received credit for a future booking. Recently, the Company started to allow customers eligible for a refund the ability to elect cash or credit for bookings impacted by COVID-19. Customers with certain non-refundable rates that are impacted by COVID-19 will continue to receive credit. Expedia Group continues to monitor the situation and adapt cancellation policies.

Due to the high degree of cancellations and customer refunds and lower new bookings in the merchant business model, the Company is experiencing unfavorable working capital trends and material negative cash flow. This is expected to continue until cancellations stabilize and travel demand begins to recover from current levels, at which time we expect merchant bookings and cash flow to increase. For a discussion on incremental credit losses and allowance impacts related to our accounts receivable and prepaid merchant bookings, see Note 2 – Summary of Significant Accounting Policies. For a discussion of goodwill and intangible asset impairments recognized in conjunction with this pandemic, see Note 3 – Fair Value Measurements. For a discussion of recent actions to strengthen our liquidity position in the current environment, see Note 11 – Subsequent Events.

Basis of Presentation

These accompanying financial statements present our results of operations, financial position and cash flows on a consolidated basis. The unaudited consolidated financial statements include Expedia Group, Inc., our wholly-owned subsidiaries, and entities we control, or in which we have a variable interest and are the primary beneficiary of expected cash profits or losses. We have eliminated significant intercompany transactions and accounts.

We have prepared the accompanying unaudited consolidated financial statements in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial reporting. We have included all adjustments necessary for a fair presentation of the results of the interim period. These adjustments consist of normal recurring items. Our interim unaudited consolidated financial statements are not necessarily indicative of results that may be expected for any other interim period or for the full year. These interim unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2019, previously filed with the Securities and Exchange Commission (“SEC”). trivago is a separately listed company on the Nasdaq Global Select Market and, therefore is subject to its own reporting and filing requirements, which could result in possible differences that are not expected to be material to Expedia Group.

Accounting Estimates

We use estimates and assumptions in the preparation of our interim unaudited consolidated financial statements in accordance with GAAP. Our estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of our interim unaudited consolidated financial statements. These estimates and assumptions also affect the reported amount of net income or loss during any period. Our actual financial results could differ significantly from these estimates. The significant estimates underlying our interim unaudited consolidated financial statements include revenue recognition; recoverability of current and long-lived assets, intangible assets and goodwill; income and transactional taxes, such as potential settlements related to occupancy and excise taxes; loss contingencies; deferred loyalty rewards; acquisition purchase price allocations; stock-based compensation; accounting for derivative instruments and provisions for credit losses, customer refunds and chargebacks.

The COVID-19 pandemic has created and may continue to create significant uncertainty in macroeconomic conditions, which may cause further business disruptions and adversely impact our results of operations. As a result, many of our estimates and assumptions required increased judgment and carry a higher degree of variability and volatility. As events continue to evolve and additional information becomes available, our estimates may change materially in future periods.

Reclassifications

We have reclassified prior period financial statements to conform to the current period presentation. During the first quarter of 2020, we reclassified depreciation expense from within our operating expense line items on our consolidated statements of operations to be included with intangible asset amortization expense. The following table presents a summary of the amounts as reported and as reclassified in our consolidated statements of operations for the three months ended March 31, 2019:

	Three months ended March 31, 2019	
	As reported	As reclassified
	(In millions)	
Cost of revenue	\$ 513	\$ 490
Selling and marketing	1,535	1,521
Technology and content	429	297
General and administrative	191	184
Depreciation and amortization	52	228

Seasonality

We generally experience seasonal fluctuations in the demand for our travel services. For example, traditional leisure travel bookings are generally the highest in the first three quarters as travelers plan and book their spring, summer and winter holiday travel. The number of bookings typically decreases in the fourth quarter. Because revenue for most of our travel services, including merchant and agency hotel, is recognized as the travel takes place rather than when it is booked, revenue typically lags bookings by several weeks for our hotel business and can be several months or more for our alternative accommodations business. Historically, Vrbo has seen seasonally stronger bookings in the first quarter of the year, with the relevant stays occurring during the peak summer travel months. The seasonal revenue impact is exacerbated with respect to income by the nature of our variable cost of revenue and direct sales and marketing costs, which we typically realize in closer alignment to booking volumes, and the more stable nature of our fixed costs. Furthermore, operating profits for our primary advertising business, trivago, have typically been experienced in the second half of the year, particularly the fourth quarter, as selling and marketing costs offset revenue in the first half of the year as we typically increase marketing during the busy booking period for spring, summer and winter holiday travel. As a result on a consolidated basis, revenue and income are typically the lowest in the first quarter and highest in the third quarter. The growth of our international operations, advertising business or a change in our product mix, including the growth of Vrbo, may influence the typical trend of the seasonality in the future.

Due to COVID-19, which impacted travel bookings made in the first quarter 2020 and led to significant cancellations for future travel, we do not expect our typical seasonal pattern for bookings, revenue and profit during 2020. In addition, with the lower new bookings and elevated cancellations in the merchant business model, our typical, seasonal working capital source of cash has been significantly disrupted resulting in the Company experiencing unfavorable working capital trends and material negative cash flow. This is expected to continue until cancellations stabilize and travel demand begins to recover from current

levels, at which time we expect merchant bookings and cash flow to increase. It is difficult to forecast the seasonality for the upcoming quarters, given the uncertainty related to the duration of the impact from COVID-19 and the shape and timing of a recovery.

Note 2 – Summary of Significant Accounting Policies

Recently Adopted Accounting Policies

Measurement of Credit Losses on Financial Instruments. As of January 1, 2020, we adopted the Accounting Standards Updates (“ASU”) guidance on the measurement of credit losses for financial assets measured at amortized cost, which includes accounts receivable, and available-for-sale debt securities, using the modified retrospective method. The new guidance replaced the existing incurred loss impairment model with an expected loss methodology, which will result in more timely recognition of credit losses. Upon adoption, this new guidance did not have a material impact on our consolidated financial statements and no cumulative-effect adjustment to retained earnings was made.

Cloud Computing Arrangements. As of January 1, 2020, we adopted the new ASU guidance on the accounting for implementation costs incurred for a cloud computing arrangement that is a service contract using the prospective method. The update conformed the requirements for capitalizing implementation costs incurred in a cloud computing arrangement that is a service contract with the accounting guidance that provides for capitalization of costs incurred to develop or obtain internal-use-software. The adoption of this new guidance did not have a material impact on our consolidated financial statements.

Fair Value Measurements. As of January 1, 2020, we adopted the new ASU guidance related to the disclosure requirements on fair value measurements, which removed, modified or added certain disclosures using the prospective method. The adoption of this new guidance did not have a material impact on our consolidated financial statements.

Guarantor Financial Information. In March 2020, the SEC amended Rule 3-10 of Regulation S-X regarding financial disclosure requirements for registered debt offerings involving subsidiaries as either issuers or guarantors and affiliates whose securities are pledged as collateral. This new guidance narrows the circumstances that require separate financial statements of subsidiary issuers and guarantors and streamlines the alternative disclosures required in lieu of those statements. We adopted these amendments for the quarter ended March 31, 2020. Accordingly, combined summarized financial information has been presented only for the issuer and guarantors of our senior notes for the most recent fiscal year and the year-to-date interim period, and the location of the required disclosures has been removed from the Notes to the Consolidated Financial Statements and moved to Part I. Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Recent Accounting Policies Not Yet Adopted

Simplifying the Accounting for Income Taxes. In December 2019, the Financial Accounting Standards Board issued new guidance to simplify the accounting for income taxes. This new standard eliminates certain exceptions in current guidance related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period, and the recognition of deferred tax liabilities for outside basis differences. It also clarifies and simplifies other aspects of the accounting for income taxes. For public business entities, this guidance is effective for interim or annual periods beginning after December 15, 2020, with early adoption permitted in any interim period within that year. We are currently evaluating the impact of this guidance on our consolidated financial statements and the timing of adoption.

Investments - equity securities; Investments - Equity Method and Joint Ventures; Derivatives and Hedging. In January 2020, the FASB issued an accounting standards update which clarifies the interaction between the accounting for investments in equity securities, equity method investments and certain derivative instruments. The new standard is expected to reduce diversity in practice and increase comparability of the accounting for these interactions. The standards update is effective for interim or annual periods beginning after December 15, 2020, with early adoption permitted. We are currently evaluating the impact of this guidance on our consolidated financial statements and the timing of adoption.

Significant Accounting Policies

Below are the significant accounting policies updated during 2020 as a result of the recently adopted accounting policies noted above as well as certain other accounting policies with interim disclosure requirements. For a comprehensive description of our accounting policies, refer to our Annual Report on Form 10-K for the year ended December 31, 2019.

Revenue

Prepaid Merchant Bookings. We classify payments made to suppliers in advance of our performance obligations as prepaid merchant bookings included within prepaid and other current assets. Prepaid merchant bookings was \$533 million as of March 31, 2020, which is net of a \$23 million reserve for future collectibility risk in consideration of the impact of the COVID-19 pandemic on the economy, and \$226 million as of December 31, 2019.

Deferred Merchant Bookings. We classify cash payments received in advance of our performance obligations as deferred merchant bookings. At December 31, 2019, \$4.898 billion of cash advance cash payments was reported within deferred merchant bookings, \$2.880 billion of which was recognized resulting in \$442 million of revenue during the three months ended March 31, 2020. At March 31, 2020, the related balance was \$5.116 billion.

At December 31, 2019, \$781 million of deferred loyalty rewards was reported within deferred merchant bookings, \$158 million of which was recognized within revenue during the three months ended March 31, 2020. At March 31, 2020, the related balance was \$789 million.

Deferred Revenue. At December 31, 2019, \$321 million was recorded as deferred revenue, \$109 million of which was recognized as revenue during the three months ended March 31, 2020. At March 31, 2020, the related balance was \$221 million.

Practical Expedients and Exemptions. We have used the portfolio approach to account for our loyalty points as the rewards programs share similar characteristics within each program in relation to the value provided to the traveler and their breakage patterns. Using this portfolio approach is not expected to differ materially from applying the guidance to individual contracts. However, we will continue to assess and refine, if necessary, how a portfolio within each rewards program is defined.

We do not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which we recognize revenue at the amount to which we have the right to invoice for services performed.

Cash, Restricted Cash and Cash Equivalents

Our cash and cash equivalents include cash and liquid financial instruments, including money market funds and term deposit investments, with maturities of three months or less when purchased. Restricted cash includes cash and cash equivalents that is restricted through legal contracts, regulations or our intention to use the cash for a specific purpose. Our restricted cash primarily relates to certain traveler deposits and to a lesser extent collateral for office leases. The following table reconciles cash, cash equivalents and restricted cash reported in our consolidated balance sheets to the total amount presented in our consolidated statements of cash flows:

	March 31, 2020	December 31, 2019
	(in millions)	
Cash and cash equivalents	\$ 3,905	\$ 3,315
Restricted cash and cash equivalents	813	779
Restricted cash included within long-term investments and other assets	3	3
Total cash, cash equivalents and restricted cash and cash equivalents in the consolidated statement of cash flow	<u>\$ 4,721</u>	<u>\$ 4,097</u>

Accounts Receivable and Allowances

Accounts receivable are generally due within thirty days and are recorded net of an allowance for expected uncollectible amounts. We consider accounts outstanding longer than the contractual payment terms as past due. The risk characteristics we generally review when analyzing our accounts receivable pools primarily include the type of receivable (for example, credit card vs hotel collect), collection terms and historical or expected credit loss patterns. For each pool, we make estimates of expected credit losses for our allowance by considering a number of factors, including the length of time trade accounts receivable are past due, previous loss history continually updated for new collections data, the credit quality of our customers, current economic conditions, reasonable and supportable forecasts of future economic conditions and other factors that may affect our ability to collect from customers. The provision for estimated credit losses is recorded as cost of revenue in our consolidated statements of operations. During the three months ended March 31, 2020, we recorded approximately \$59 million of incremental allowance for expected uncollectible amounts, including estimated future losses in consideration of the impact of COVID-19 pandemic on the economy and the Company, partially offset by \$5 million of other adjustments. Actual future bad debt could differ materially from this estimate resulting from changes in our assumptions of the duration and severity of the impact of the COVID-19 pandemic.

Note 3 – Fair Value Measurements

Financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2020 are classified using the fair value hierarchy in the table below:

	Total	Level 1	Level 2
	(In millions)		
Assets			
Cash equivalents:			
Money market funds	\$ 322	\$ 322	\$ —
Term deposits	863	—	863
Derivatives:			
Foreign currency forward contracts	79	—	79
Investments:			
Term deposits	184	—	184
Marketable equity securities	54	54	—
U.S. treasury securities	10	10	—
Total assets	\$ 1,512	\$ 386	\$ 1,126

Financial assets measured at fair value on a recurring basis as of December 31, 2019 are classified using the fair value hierarchy in the table below:

	Total	Level 1	Level 2
	(In millions)		
Assets			
Cash equivalents:			
Money market funds	\$ 36	\$ 36	\$ —
Term deposits	865	—	865
U.S. treasury securities	10	10	—
Investments:			
Term deposits	526	—	526
Marketable equity securities	129	129	—
Total assets	\$ 1,566	\$ 175	\$ 1,391
Liabilities			
Derivatives:			
Foreign currency forward contracts	\$ 8	\$ —	\$ 8

We classify our cash equivalents and investments within Level 1 and Level 2 as we value our cash equivalents and investments using quoted market prices or alternative pricing sources and models utilizing market observable inputs. Valuation of the foreign currency forward contracts is based on foreign currency exchange rates in active markets, a Level 2 input.

As of March 31, 2020 and December 31, 2019, our cash and cash equivalents consisted primarily of term deposits with maturities of three months or less and bank account balances.

We hold term deposit investments with financial institutions. Term deposits with original maturities of less than three months are classified as cash equivalents and those with remaining maturities of less than one year are classified within short-term investments.

Our marketable equity securities consist of our investment in Despegar, a publicly traded company, which is included in long-term investments and other assets in our consolidated balance sheets. During the three months ended March 31, 2020 and 2019, we recognized a gain (loss) of approximately \$(75) million and \$24 million within other, net in our consolidated statements of operations related to the fair value changes of this equity investment.

Derivative instruments are carried at fair value on our consolidated balance sheets. We use foreign currency forward contracts to economically hedge certain merchant revenue exposures, foreign denominated liabilities related to certain of our

loyalty programs and our other foreign currency-denominated operating liabilities. Our goal in managing our foreign exchange risk is to reduce, to the extent practicable, our potential exposure to the changes that exchange rates might have on our earnings, cash flows and financial position. Our foreign currency forward contracts are typically short-term and, as they do not qualify for hedge accounting treatment, we classify the changes in their fair value in other, net. As of March 31, 2020, we were party to outstanding forward contracts hedging our liability and revenue exposures with a total net notional value of \$3.7 billion. We had a net forward asset of \$79 million (\$131 million gross forward asset) as of March 31, 2020 recorded in prepaid expenses and other current assets and a net forward liability of \$8 million (\$30 million gross forward liability) as of December 31, 2019 recorded in accrued expenses and other current liabilities. We recorded \$106 million and \$(6) million in net gains (losses) from foreign currency forward contracts during the three months ended March 31, 2020 and 2019.

Assets Measured at Fair Value on a Non-recurring Basis

Our non-financial assets, such as goodwill, intangible assets and property and equipment, as well as equity method investments, are adjusted to fair value when an impairment charge is recognized or the underlying investment is sold. Such fair value measurements are based predominately on Level 3 inputs. We measure our minority investments that do not have readily determinable fair values at cost less impairment, adjusted by observable price changes with changes recorded within other, net on our consolidated statements of operations.

Goodwill. During the first quarter of 2020, we recognized goodwill impairment charges of \$765 million, of which \$539 million related to our Retail segment, primarily our Vrbo reporting unit, and \$226 million related to our trivago segment. These impairment charges resulted from the significant negative impact related to COVID-19, which has had a severe effect on the entire global travel industry. As a result, we concluded that sufficient indicators existed to require us to perform an interim quantitative assessment of goodwill as of March 31, 2020 in which we compared the fair value of the reporting units to their carrying value. The fair value estimates for all reporting units except trivago were based on a blended analysis of the present value of future discounted cash flows and market value approach, Level 3 inputs. The significant estimates used in the discounted cash flows model included our weighted average cost of capital, projected cash flows and the long-term rate of growth. Our assumptions were based on the actual historical performance of the reporting unit and took into account the recent severe and continued weakening of operating results as well as the anticipated rate of recovery, and implied risk premiums based on market prices of our equity and debt as of the assessment dates. Our significant estimates in the market approach model included identifying similar companies with comparable business factors such as size, growth, profitability, risk and return on investment and assessing comparable revenue and earnings multiples in estimating the fair value of the reporting unit. The fair value estimate for the trivago reporting unit was based on trivago's stock price, a Level 1 input, adjusted for an estimated control premium. The excess of the reporting unit's carrying value over our estimate of the fair value was recorded as the goodwill impairment charge in the first quarter of 2020. As of March 31, 2020, the applicable reporting units within our Retail segment had \$2.3 billion goodwill remaining and our trivago segment had \$316 million goodwill remaining.

Intangible Assets. During the first quarter of 2020, also as a result of the significant negative impact related to COVID-19, which has had a severe effect on the entire global travel industry, we recognized intangible asset impairment charges of \$121 million. The impairment charges were primarily related to indefinite-lived trade names within our Retail segment and resulted from changes in estimated future revenues of the related brands. The assets, classified as Level 3 measurements, were written down to \$237 million based on valuation using the relief-from-royalty method, which includes unobservable inputs, including royalty rates and projected revenues.

We may continue to record impairment charges in the future due to the long-term economic impact and near-term financial impacts of the COVID-19 pandemic.

Minority Investments without Readily Determinable Fair Values. As of March 31, 2020 and December 31, 2019, the carrying values of our minority investments without readily determinable fair values totaled \$352 million and \$467 million. During the three months ended March 31, 2020, we recorded \$113 million of impairment losses related to a minority investment, which had a recent observable and orderly transaction for similar investments, using an option pricing model that utilizes judgmental inputs such as discounts for lack of marketability and estimated exit event timing. As of March 31, 2020, total cumulative adjustments made to the initial cost bases of these investments included \$82 million in unrealized downward adjustments (including impairments). During the three months ended March 31, 2019, we had no material gains or losses recognized related to these minority investments.

Note 4 – Debt

The following table sets forth our outstanding debt:

	March 31, 2020	December 31, 2019
	(In millions)	
5.95% senior notes due 2020	\$ 750	\$ 749
2.5% (€650 million) senior notes due 2022	715	725
4.5% senior notes due 2024	497	497
5.0% senior notes due 2026	744	743
3.8% senior notes due 2028	992	992
3.25% senior notes due 2030	1,232	1,232
Long-term debt ⁽¹⁾	4,930	4,938
Current maturities of long-term debt	(750)	(749)
Long-term debt, excluding current maturities	\$ 4,180	\$ 4,189
Revolving credit facility	\$ 1,900	\$ —

(1) Net of applicable discounts and debt issuance costs.

Outstanding Debt

Our \$750 million in registered senior unsecured notes outstanding at March 31, 2020 are due in August 2020 and bear interest at 5.95% (the “5.95% Notes”). The 5.95% Notes were issued at 99.893% of par resulting in a discount, which is being amortized over their life. Interest is payable semi-annually in February and August of each year. We may redeem the 5.95% Notes at a redemption price of 100% of the principal plus accrued interest, plus a “make-whole” premium, in whole or in part.

Our Euro 650 million in registered senior unsecured notes outstanding at March 31, 2020 are due in June 2022 and bear interest at 2.5% (the “2.5% Notes”). The 2.5% Notes were issued at 99.525% of par resulting in a discount, which is being amortized over their life. Interest is payable annually in arrears in June of each year. We may redeem the 2.5% Notes at our option, at whole or in part, at any time or from time to time. If we elect to redeem the 2.5% Notes prior to March 3, 2022, we may redeem them at a specified “make-whole” premium. If we elect to redeem the 2.5% Notes on or after March 3, 2022, we may redeem them at a redemption price of 100% of the principal plus accrued and unpaid interest. Subject to certain limited exceptions, all payments of interest and principal for the 2.5% Notes will be made in Euros.

The aggregate principal value of the 2.5% Notes is designated as a hedge of our net investment in certain Euro functional currency subsidiaries. The notes are measured at Euro to U.S. Dollar exchange rates at each balance sheet date and transaction gains or losses due to changes in rates are recorded in accumulated other comprehensive income (loss) (“AOCI”). The Euro-denominated net assets of these subsidiaries are translated into U.S. Dollars at each balance sheet date, with effects of foreign currency changes also reported in AOCI. Since the notional amount of the recorded Euro-denominated debt is less than the notional amount of our net investment, we do not expect to incur any ineffectiveness on this hedge.

Our \$500 million in registered senior unsecured notes outstanding at March 31, 2020 are due in August 2024 and bear interest at 4.5% (the “4.5% Notes”). The 4.5% Notes were issued at 99.444% of par resulting in a discount, which is being amortized over their life. Interest is payable semi-annually in February and August of each year. We may redeem the 4.5% Notes at our option at any time in whole or from time to time in part. If we elect to redeem the 4.5% Notes prior to May 15, 2024, we may redeem them at a redemption price of 100% of the principal plus accrued interest, plus a “make-whole” premium. If we elect to redeem the 4.5% Notes on or after May 15, 2024, we may redeem them at a redemption price of 100% of the principal plus accrued interest.

Our \$750 million in registered senior unsecured notes outstanding at March 31, 2020 are due in February 2026 and bear interest at 5.0% (the “5.0% Notes”). The 5.0% Notes were issued at 99.535% of par resulting in a discount, which is being amortized over their life. Interest is payable semi-annually in arrears in February and August of each year. We may redeem the 5.0% Notes at our option at any time in whole or from time to time in part. If we elect to redeem the 5.0% Notes prior to November 12, 2025, we may redeem them at a redemption price of 100% of the principal plus accrued interest, plus a “make-whole” premium. If we elect to redeem the 5.0% Notes on or after November 12, 2025, we may redeem them at a redemption price of 100% of the principal plus accrued interest.

Notes to Consolidated Financial Statements – (Continued)

Our \$1 billion in registered senior unsecured notes outstanding at March 31, 2020 are due in February 2028 and bear interest at 3.8% (the “3.8% Notes”). The 3.8% Notes were issued at 99.747% of par resulting in a discount, which is being amortized over their life. Interest is payable semi-annually in arrears in February and August of each year. We may redeem the 3.8% Notes at our option at any time in whole or from time to time in part. If we elect to redeem the 3.8% Notes prior to November 15, 2027, we may redeem them at a redemption price of 100% of the principal plus accrued interest, plus a “make-whole” premium. If we elect to redeem the 3.8% Notes on or after November 15, 2027, we may redeem them at a redemption price of 100% of the principal plus accrued interest.

In September 2019, we privately placed \$1.25 billion of senior unsecured notes that are due in February 2030 and bear interest at 3.25%. In February 2020, we completed an offer to exchange these notes for registered notes having substantially the same financial terms and covenants as the original notes (the unregistered and registered notes collectively, the “3.25% Notes”). The 3.25% Notes were issued at 99.225% of par resulting in a discount, which is being amortized over their life. Interest is payable semi-annually in arrears in February and August of each year. We may redeem the 3.25% Notes at our option at any time in whole or from time to time in part. If we elect to redeem the 3.25% Notes prior to November 15, 2029, we may redeem them at a redemption price of 100% of the principal plus accrued interest, plus a “make-whole” premium. If we elect to redeem the 3.25% Notes on or after November 15, 2029, we may redeem them at a redemption price of 100% of the principal plus accrued interest.

In May 2020, we privately placed an additional \$2.75 billion in unsecured senior notes. See Note 11 – Subsequent Events for additional information.

The 5.95%, 2.5%, 4.5%, 5.0%, 3.8% and 3.25% Notes (collectively the “Notes”) are senior unsecured obligations issued by Expedia Group and guaranteed by certain domestic Expedia Group subsidiaries. The Notes rank equally in right of payment with all of our existing and future unsecured and unsubordinated obligations of Expedia Group and the guarantor subsidiaries. In addition, the Notes include covenants that limit our ability to (i) create certain liens, (ii) enter into sale/leaseback transactions and (iii) merge or consolidate with or into another entity or transfer substantially all of our assets. Accrued interest related to the Notes was \$38 million and \$76 million as of March 31, 2020 and December 31, 2019. The Notes are redeemable in whole or in part, at the option of the holders thereof, upon the occurrence of certain change of control triggering events at a purchase price in cash equal to 101% of the principal plus accrued and unpaid interest.

The following table sets forth the approximate fair value of our outstanding debt, which is based on quoted market prices in less active markets (Level 2 inputs):

	March 31, 2020		December 31, 2019
	(In millions)		
5.95% senior notes due 2020	\$	747	\$ 767
2.5% (€650 million) senior notes due 2022 ⁽¹⁾		691	764
4.5% senior notes due 2024		457	536
5.0% senior notes due 2026		691	825
3.8% senior notes due 2028		875	1,021
3.25% senior notes due 2030		1,150	1,206

(1) Approximately 625 million Euro as of March 31, 2020 and 682 million Euro as of December 31, 2019.

Credit Facility

As of March 31, 2020, Expedia Group maintained a \$2 billion unsecured revolving credit facility with a group of lenders, which was unconditionally guaranteed by certain domestic Expedia Group subsidiaries that were the same as under the Notes and expired in May 2023. On March 18, 2020, we borrowed \$1.9 billion under the revolving credit facility, which remained outstanding as of March 31, 2020. As of December 31, 2019, we had no revolving credit facility borrowings outstanding. The facility bore interest based on the Company’s credit ratings, with drawn amounts bearing interest at LIBOR plus 112.5 basis points and the commitment fee on undrawn amounts at 15 basis points as of March 31, 2020. The interest rate on the outstanding balance was 2.01% as of March 31, 2020. The facility contained covenants including maximum leverage and minimum interest coverage ratios. In May 2020, we amended this facility. See Note 11 – Subsequent Events for additional information.

The amount of stand-by letters of credit (“LOC”) issued under the facility reduced the credit amount available. As of both March 31, 2020 and December 31, 2019, there was \$16 million of outstanding stand-by LOCs issued under the facility.

In addition, one of our international subsidiaries maintains a Euro 50 million uncommitted credit facility, which is guaranteed by Expedia Group, that may be terminated at any time by the lender. As of March 31, 2020 and December 31, 2019, there were no borrowings outstanding.

Note 5 – Stockholders’ Equity

Dividends on our Common Stock

The Executive Committee, acting on behalf of the Board of Directors, declared the following dividends during the periods presented:

Declaration Date	Dividend Per Share	Record Date	Total Amount (in millions)	Payment Date
Three Months Ended March 31, 2020				
February 13, 2020	\$ 0.34	March 10, 2020	\$ 48	March 26, 2020
Three Months Ended March 31, 2019				
February 6, 2019	0.32	March 7, 2019	47	March 27, 2019

Treasury Stock

As of March 31, 2020, the Company’s treasury stock was comprised of approximately 123.3 million common stock and 7.3 million Class B shares. As of December 31, 2019, the Company’s treasury stock was comprised of approximately 119.6 million shares of common stock and 7.3 million Class B shares.

Share Repurchases. In April 2018, the Executive Committee, acting on behalf of the Board of Directors, authorized a repurchase of up to 15 million outstanding shares of our common stock. In December 2019, the Board of Directors authorized a repurchase of up to 20 million outstanding shares of our common stock. During the three months ended March 31, 2020, we repurchased, through open market transactions, 3.4 million shares under these authorizations for the total cost of \$370 million, excluding transaction costs, representing an average repurchase price of \$109.88 per share. As of March 31, 2020, there were approximately 23.3 million shares remaining under the 2018 and 2019 repurchase authorizations. There is no fixed termination date for the repurchases.

Stock-based Awards

Stock-based compensation expense relates primarily to expense for restricted stock units (“RSUs”) and stock options. As of March 31, 2020, we had stock-based awards outstanding representing approximately 18 million shares of our common stock, consisting of approximately 6 million RSUs and options to purchase approximately 12 million shares of our common stock with a weighted average exercise price of \$104.82 and weighted average remaining life of 3.2 years.

Annual employee stock-based award grants typically occur during the first quarter of each year and generally vest over four years. During 2019, we started issuing RSUs as our primary form of stock-based compensation, which vest 25% after one year and will then vest quarterly over the following three years. During the three months ended March 31, 2020, we granted approximately 3 million RSUs.

Accumulated Other Comprehensive Loss

The balance of accumulated other comprehensive loss as of March 31, 2020 and December 31, 2019 was comprised of foreign currency translation adjustments. These translation adjustments include foreign currency transaction losses at March 31, 2020 of \$7 million (\$9 million before tax) and \$15 million (\$19 million before tax) at December 31, 2019 associated with our 2.5% Notes. The 2.5% Notes are Euro-denominated debt designated as hedges of certain of our Euro-denominated net assets. See Note 4 – Debt for more information.

Note 6 – Earnings (Loss) Per Share

Basic earnings per share is calculated using our weighted-average outstanding common shares. The earnings per share amounts are the same for common stock and Class B common stock because the holders of each class are legally entitled to equal per share distributions whether through dividends or in liquidation.

Diluted earnings per share is calculated using our weighted-average outstanding common shares including the dilutive effect of stock awards as determined under the treasury stock method. In periods when we recognize a net loss, we exclude the impact of outstanding stock awards from the diluted loss per share calculation as their inclusion would have an antidilutive

effect. For the three months ended March 31, 2020 and 2019, approximately 18 million and 21 million of outstanding stock awards have been excluded from the calculations of diluted earnings per share attributable to common stockholders because their effect would have been antidilutive.

Note 7 – Restructuring and Related Reorganization Charges

In late February 2020, we committed to restructuring actions intended to simplify our businesses and improve operational efficiencies, which have resulted in headcount reductions. As a result, we recognized \$75 million in restructuring and related reorganization charges during the three months ended March 31, 2020. Based on current plans, which are subject to change, we expect total reorganization charges in the remainder of 2020 in the range of \$60 million to \$115 million. These costs could be higher or lower should we make additional decisions in future periods that impact our reorganization efforts.

We also engaged in certain smaller scale restructure actions in 2019 to centralize and migrate certain operational functions and systems, for which we recognized \$10 million in restructuring and related reorganization charges during the three months ended March 31, 2019, which were primarily related to severance and benefits.

The following table summarizes the restructuring and related reorganization activity for the three months ended March 31, 2020:

	Employee Severance and Benefits	Other	Total
	(In millions)		
Accrued liability as of January 1, 2020	\$ 11	\$ 6	\$ 17
Charges	69	6	75
Payments	(17)	(5)	(22)
Accrued liability as of March 31, 2020	\$ 63	\$ 7	\$ 70

Note 8 – Income Taxes

Ordinarily, our interim provision for income taxes is determined using an estimate of our annual effective tax rate (“estimated annual effective tax rate method”), and we record any changes affecting the estimated annual effective tax rate in the interim period in which the change occurs, including discrete tax items. Due to the COVID-19 pandemic, and difficulty forecasting the fiscal year 2020 mix of income by jurisdiction, we determined the estimated annual effective rate method would not provide a reliable estimate of the Company’s overall annual effective tax rate. As such, we have calculated the tax provision using the actual effective rate for the three months ended March 31, 2020.

For the three months ended March 31, 2020, the effective tax rate was a 5.6% benefit on a pre-tax loss, compared to a 29.2% benefit on a pre-tax loss for the three months ended March 31, 2019. The change in the effective tax rate was primarily driven by the mix of income across jurisdictions, nondeductible impairment charges and a valuation allowance principally related to unrealized capital losses in the first quarter of 2020.

We are subject to taxation in the United States and various other state and foreign jurisdictions. We are under examination by the Internal Revenue Service (“IRS”) for our 2011 to 2013 tax years. During the fourth quarter of 2019, the IRS issued final adjustments related to transfer pricing with our foreign subsidiaries for our 2011 to 2013 audit cycle. The proposed adjustments would increase our U.S. taxable income by \$696 million, which would result in federal tax of approximately \$244 million subject to interest. We do not agree with the position of the IRS and are formally protesting the IRS position. Subsequent years remain open to examination by the IRS. We do not anticipate a significant impact to our gross unrecognized tax benefits within the next 12 months related to these years.

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act, which, along with earlier issued IRS guidance, provides for deferral of certain taxes. The CARES Act, among other things, also contains numerous other provisions which may benefit the Company. We continue to assess the effect of the CARES Act and ongoing government guidance related to COVID-19 that may be issued.

Note 9 – Commitments and Contingencies

Legal Proceedings

In the ordinary course of business, we are a party to various lawsuits. Management does not expect these lawsuits to have a material impact on the liquidity, results of operations, or financial condition of Expedia Group. We also evaluate other potential contingent matters, including value-added tax, excise tax, sales tax, transient occupancy or accommodation tax and

similar matters. We do not believe that the aggregate amount of liability that could be reasonably possible with respect to these matters would have a material adverse effect on our financial results; however, litigation is inherently uncertain and the actual losses incurred in the event that our legal proceedings were to result in unfavorable outcomes could have a material adverse effect on our business and financial performance.

Litigation Relating to Occupancy Taxes. One hundred one lawsuits have been filed by or against cities, counties and states involving hotel occupancy and other taxes. Eight lawsuits are currently active. These lawsuits are in various stages and we continue to defend against the claims made in them vigorously. With respect to the principal claims in these matters, we believe that the statutes or ordinances at issue do not apply to us or the services we provide and, therefore, that we do not owe the taxes that are claimed to be owed. We believe that the statutes or ordinances at issue generally impose occupancy and other taxes on entities that own, operate or control hotels (or similar businesses) or furnish or provide hotel rooms or similar accommodations. To date, forty-seven of these lawsuits have been dismissed. Some of these dismissals have been without prejudice and, generally, allow the governmental entity or entities to seek administrative remedies prior to pursuing further litigation. Thirty-three dismissals were based on a finding that we and the other defendants were not subject to the local tax ordinance or that the local government lacked standing to pursue its claims. As a result of this litigation and other attempts by certain jurisdictions to levy such taxes, we have established a reserve for the potential settlement of issues related to hotel occupancy and other taxes, consistent with applicable accounting principles and in light of all current facts and circumstances, in the amount of \$52 million and \$48 million as of March 31, 2020 and December 31, 2019, respectively. Our settlement reserve is based on our best estimate of probable losses and the ultimate resolution of these contingencies may be greater or less than the liabilities recorded. An estimate for a reasonably possible loss or range of loss in excess of the amount reserved cannot be made. Changes to the settlement reserve are included within legal reserves, occupancy tax and other in the consolidated statements of operations.

Pay-to-Play. Certain jurisdictions may assert that we are required to pay any assessed taxes prior to being allowed to contest or litigate the applicability of the ordinances. This prepayment of contested taxes is referred to as “pay-to-play.” Payment of these amounts is not an admission that we believe we are subject to such taxes and, even when such payments are made, we continue to defend our position vigorously. If we prevail in the litigation, for which a pay-to-play payment was made, the jurisdiction collecting the payment will be required to repay such amounts and also may be required to pay interest.

We are in various stages of inquiry or audit with domestic and foreign tax authorities, some of which, including in the City of Los Angeles regarding hotel occupancy taxes and in the United Kingdom regarding the application of value added tax (“VAT”) to our European Union related transactions as discussed below, may impose a pay-to-play requirement to challenge an adverse inquiry or audit result in court.

Matters Relating to International VAT. We are in various stages of inquiry or audit in multiple European Union jurisdictions, including in the United Kingdom, regarding the application of VAT to our European Union related transactions. While we believe we comply with applicable VAT laws, rules and regulations in the relevant jurisdictions, the tax authorities may determine that we owe additional taxes. In certain jurisdictions, including the United Kingdom, we may be required to “pay-to-play” any VAT assessment prior to contesting its validity. While we believe that we will be successful based on the merits of our positions with regard to the United Kingdom and other VAT audits in pay-to-play jurisdictions, it is nevertheless reasonably possible that we could be required to pay any assessed amounts in order to contest or litigate the applicability of any assessments and an estimate for a reasonably possible amount of any such payments cannot be made.

Competition and Consumer Matters. On August 23, 2018, the Australian Competition and Consumer Commission, or “ACCC”, instituted proceedings in the Australian Federal Court against trivago. The ACCC alleged breaches of Australian Consumer Law, or “ACL,” relating to trivago’s advertisements in Australia concerning the hotel prices available on trivago’s Australian site, trivago’s strike-through pricing practice and other aspects of the way offers for accommodation were displayed on trivago’s Australian website. The matter went to trial in September 2019 and, on January 20, 2020, the Australian Federal Court issued a judgment finding trivago had engaged in conduct in breach of the ACL. On March 4, 2020, trivago filed a notice of appeal of part of that judgment at the Australian Federal Court. The appeal is scheduled to be heard on July 20-21, 2020. The court has yet to set a date for a separate trial regarding penalties and other orders. We recorded the estimated probable loss associated with the proceedings in a previous period. An estimate for the reasonable possible loss or range of loss in excess of the amount reserved cannot be made.

Note 10 – Segment Information

Beginning in the first quarter of 2020, we have the following reportable segments: Retail, B2B, and trivago. The change from our previous reportable segments, Core OTA, trivago, Vrbo and Egencia, reflect Expedia Group's efforts to simplify our organization into a platform operating model by aligning our retail brand operations, combining our business focused brands and centralizing our platform and supply organizations to support all of our businesses. Our Retail segment, which consists of the aggregation of operating segments, provides a full range of travel and advertising services to our worldwide customers through a variety of consumer brands including: Expedia.com and Hotels.com in the United States and localized Expedia and Hotels.com websites throughout the world, Vrbo, Orbitz, Travelocity, Wotif Group, ebookers, CheapTickets, Hotwire.com, CarRentals.com, CruiseShipCenters, Classic Vacations and SilverRail Technologies, Inc. Our B2B segment is comprised of our Expedia Business Services organization including Expedia Partner Solutions, which operates private label and co-branded programs to make travel services available to leisure travelers through third-party company branded websites, and Egencia, a full-service travel management company that provides travel services to businesses and their corporate customers. Our trivago segment generates advertising revenue primarily from sending referrals to online travel companies and travel service providers from its hotel metasearch websites. There were no changes to our reporting units for goodwill testing as a result of these current year segment changes.

We determined our operating segments based on how our chief operating decision makers manage our business, make operating decisions and evaluate operating performance. Our primary operating metric is Adjusted EBITDA. Adjusted EBITDA for our Retail and B2B segments includes allocations of certain expenses, primarily related to our global travel supply organization and the majority of costs from our product and technology platform, as well as facility costs and the realized foreign currency gains or losses related to the forward contracts hedging a component of our net merchant lodging revenue. We base the allocations primarily on transaction volumes and other usage metrics. We do not allocate certain shared expenses such as accounting, human resources, certain information technology and legal to our reportable segments. We include these expenses in Corporate and Eliminations. Our allocation methodology is periodically evaluated and may change.

Our segment disclosure includes intersegment revenues, which primarily consist of advertising and media services provided by our trivago segment to our Retail segment. These intersegment transactions are recorded by each segment at amounts that approximate fair value as if the transactions were between third parties, and therefore, impact segment performance. However, the revenue and corresponding expense are eliminated in consolidation. The elimination of such intersegment transactions is included within Corporate and Eliminations in the table below.

Corporate and Eliminations also includes unallocated corporate functions and expenses as well as Bodybuilding.com subsequent to our acquisition on July 26, 2019. In addition, we record amortization of intangible assets and any related impairment, as well as stock-based compensation expense, restructuring and related reorganization charges, legal reserves, occupancy tax and other, and other items excluded from segment operating performance in Corporate and Eliminations. Such amounts are detailed in our segment reconciliation below.

The following tables present our segment information for the three months ended March 31, 2020 and 2019. As a significant portion of our property and equipment is not allocated to our operating segments and depreciation is not included in our segment measure, we do not report the assets by segment as it would not be meaningful. We do not regularly provide such information to our chief operating decision makers.

Notes to Consolidated Financial Statements – (Continued)

	Three months ended March 31, 2020				
	Retail	B2B	trivago	Corporate & Eliminations	Total
	(In millions)				
Third-party revenue	\$ 1,582	\$ 485	\$ 103	\$ 39	\$ 2,209
Intersegment revenue	—	—	51	(51)	—
Revenue	<u>\$ 1,582</u>	<u>\$ 485</u>	<u>\$ 154</u>	<u>\$ (12)</u>	<u>\$ 2,209</u>
Adjusted EBITDA	\$ 22	\$ 26	\$ (1)	\$ (123)	\$ (76)
Depreciation	(128)	(32)	(3)	(22)	(185)
Amortization of intangible assets	—	—	—	(44)	(44)
Impairment of goodwill	—	—	—	(765)	(765)
Impairment of intangible assets	—	—	—	(121)	(121)
Stock-based compensation	—	—	—	(55)	(55)
Legal reserves, occupancy tax and other	—	—	—	21	21
Restructuring and related reorganization charges	—	—	—	(75)	(75)
Realized (gain) loss on revenue hedges	9	(3)	—	—	6
Operating loss	<u>\$ (97)</u>	<u>\$ (9)</u>	<u>\$ (4)</u>	<u>\$ (1,184)</u>	<u>(1,294)</u>
Other expense, net					(185)
Loss before income taxes					(1,479)
Provision for income taxes					82
Net loss					<u>(1,397)</u>
Net loss attributable to non-controlling interests					96
Net loss attributable to Expedia Group, Inc.					<u><u>\$ (1,301)</u></u>

Notes to Consolidated Financial Statements – (Continued)

	Three months ended March 31, 2019				
	Retail	B2B	trivago	Corporate & Eliminations	Total
	(In millions)				
Third-party revenue	\$ 1,901	\$ 556	\$ 152	\$	\$ 2,609
Intersegment revenue		—	85	(85)	—
Revenue	<u>\$ 1,901</u>	<u>\$ 556</u>	<u>\$ 237</u>	<u>\$ (85)</u>	<u>\$ 2,609</u>
Adjusted EBITDA	\$ 195	\$ 72	\$ 24	\$ (115)	\$ 176
Depreciation	(128)	(27)	(3)	(18)	(176)
Amortization of intangible assets	—	—	—	(52)	(52)
Stock-based compensation	—	—	—	(56)	(56)
Legal reserves, occupancy tax and other	—	—	—	(10)	(10)
Restructuring and related reorganization charges	—	—	—	(10)	(10)
Realized (gain) loss on revenue hedges	(2)	(1)	—	—	(3)
Operating income (loss)	<u>\$ 65</u>	<u>\$ 44</u>	<u>\$ 21</u>	<u>\$ (261)</u>	<u>(131)</u>
Other expense, net					(10)
Loss before income taxes					(141)
Provision for income taxes					41
Net loss					(100)
Net income attributable to non-controlling interests					(3)
Net loss attributable to Expedia Group, Inc.					<u>\$ (103)</u>

Revenue by Business Model and Service Type

The following table presents revenue by business model and service type:

	Three months ended March 31,	
	2020	2019
	(in millions)	
Business Model:		
Merchant	\$ 1,340	\$ 1,435
Agency	562	842
Advertising, media and other	307	332
Total revenue	<u>\$ 2,209</u>	<u>\$ 2,609</u>
Service Type:		
Lodging	\$ 1,518	\$ 1,687
Air	109	248
Advertising and media	203	265
Other ⁽¹⁾	379	409
Total revenue	<u>\$ 2,209</u>	<u>\$ 2,609</u>

- (1) Other includes car rental, insurance, destination services, cruise and fee revenue related to our corporate travel business, among other revenue streams, none of which are individually material. Other also includes product revenue of \$39 million during the three ended March 31, 2020 related to our acquisition of Bodybuilding.com.

Our Retail and B2B segments generate revenue from the merchant, agency and advertising, media and other business models as well as all service types. trivago segment revenue is generated through advertising and media.

Note 11 – Subsequent Events

As a part of Expedia Group's overall efforts aimed at strengthening our liquidity position in the current environment, we entered into the following transactions subsequent to the end of the first quarter of 2020:

Issuance of Notes

On May 5, 2020, we privately placed \$2 billion of unsecured 6.250% senior notes that are due in May 2025 (the "6.25% Notes") and \$750 million of unsecured 7.000% senior notes due May 2025 (the "7.0% Notes", and, together with the 6.25% Notes, the "6.25% and 7.0% Notes"). The 6.25% and 7.0% Notes were issued at a price of 100% of the aggregate principal amount. Interest is payable semi-annually in arrears in May and November of each year, beginning November 1, 2020. We expect to use the net proceeds of this offering for general corporate purposes, which may include, but are not limited to, the repayment or redemption of our 5.95% senior notes due 2020.

We may redeem some or all of the 6.25% Notes at any time prior to February 1, 2025 by paying a "make-whole" premium plus accrued and unpaid interest, if any. We may redeem some or all of the 6.250% Notes on or after February 1, 2025 at par plus accrued and unpaid interest, if any.

We may redeem some or all of the 7.0% Notes at any time prior to May 1, 2022 at a redemption price equal to 100% of the principal amount of the 7.0% Notes to be redeemed, plus a "make-whole" premium, plus accrued and unpaid interest, if any. We may redeem some or all of the 7.0% Notes on or after May 1, 2022 at specified redemption prices set forth in the 7.0% Indenture, plus accrued and unpaid interest, if any. In addition, at any time or from time to time prior to May 1, 2022, we may redeem up to 40% of the aggregate principal amount of the 7.0% Notes with the net proceeds of certain equity offerings at the specified redemption price described in the 7.0% Indenture, plus accrued and unpaid interest, if any.

The 6.25% and 7.0% Notes are senior unsecured obligations issued by Expedia Group and guaranteed by certain domestic Expedia Group subsidiaries. The 6.25% and 7.0% Notes rank equally in right of payment with all of our existing and future unsecured and unsubordinated obligations of Expedia Group and the guarantor subsidiaries. The 6.25% and 7.0% Notes include covenants that limit our ability to (i) create certain liens, (ii) enter into sale/leaseback transactions and (iii) merge or consolidate with or into another entity or transfer substantially all of our assets. The 6.25% and 7.0% Notes are redeemable in whole or in part, at the option of the holders thereof, upon the occurrence of certain change of control triggering events at a purchase price in cash equal to 101% of the principal plus accrued and unpaid interest.

Credit Facility Amendment

On May 4, 2020, the Company, certain of the Company's subsidiaries party thereto and the lenders party thereto (the "Consenting Lenders") executed a restatement agreement, which amends and restates the Company's existing revolving credit facility (as amended and restated, the "Amended Credit Facility") to, among other things, suspend the maximum leverage ratio covenant until December 31, 2021, increase the maximum permissible leverage ratio (once such covenant is reinstated) until March 31, 2023 (at which time the maximum permissible leverage ratio will return to the level in effect immediately prior to effectiveness of the Amended Credit Facility), eliminate the covenant imposing a minimum permissible ratio of consolidated EBITDA to consolidated cash interest expense and add a covenant regarding minimum liquidity, as well as to make certain other amendments to the affirmative and negative covenants therein. The Amended Credit Facility became effective on May 5, 2020 (the "Amended Credit Facility Effective Date"), substantially concurrently with the completion of the Notes Offering and the completion of the transactions contemplated by the Investment Agreements (as defined below).

Obligations under the Amended Credit Facility are secured by substantially all of the assets of the Company and its subsidiaries that guarantee the Amended Credit Facility (subject to certain exceptions, including for our new headquarters located in Seattle, WA) up to the maximum amount permitted under the indentures governing the Notes and the Company's existing 5.95% Senior Notes due 2020, 2.500% Senior Notes due 2022, 4.500% Senior Notes due 2024, 5.000% Senior Notes due 2026, 3.800% Senior Notes due 2028 and 3.25% Senior Notes due 2030 (collectively, the "Existing Notes") as of the Amended Credit Facility Effective Date without securing such notes. Aggregate commitments under the Amended Credit Facility will initially total \$2 billion, and will mature on May 31, 2023.

Pursuant to the terms of the Amended Credit Facility, the Company has agreed to use reasonable best efforts to enter into (and to cause certain of its subsidiaries, including certain of its subsidiaries that are not guarantors of the 6.25% and 7.0% Notes or the Existing Notes, to enter into), promptly after the Amended Credit Facility Effective Date, a new credit facility incurred by one or more of the Company's subsidiaries that are not obligors with respect to the Amended Credit Facility, the 6.25% and 7.0% Notes or the Existing Notes and which will be guaranteed by the Company, its subsidiaries that guarantee the Amended Credit Facility, the 6.25% and 7.0% Notes and the Existing Notes and certain of the Company's non-guarantor subsidiaries (the "Additional Credit Facility"), on specified terms in an aggregate principal amount up to approximately \$855 million. Upon the establishment of the Additional Credit Facility, the Company will prepay indebtedness, and reduce

commitments, under the Amended Credit Facility, in an amount equal to the aggregate commitments in respect of the Additional Credit Facility.

Loans under the Amended Credit Facility held by Consenting Lenders will bear interest (A) in the case of eurocurrency loans, at rates ranging from (i) prior to December 31, 2021, 2.35% per annum for any day that the aggregate unused commitments and funded exposure under the Amended Credit Facility exceed \$1.145 billion to 2.25% per annum otherwise and (ii) on and after December 31, 2021, or prior to such date for each quarter that the leverage ratio, as of the end of the most recently ended fiscal quarter for which financial statements have been delivered, calculated on an annualized basis using consolidated EBITDA for the two most recently ended fiscal quarters included in such financial statements multiplied by two, is not greater than 5.00:1.00, 1.10% to 1.85% per annum for any day that the aggregate unused commitments and funded exposure under the Amended Credit Facility exceed \$1.145 billion and, otherwise, ranging from 1.00% to 1.75% per annum, in each case, depending on the Company's credit ratings, and (B) in the case of base rate loans, at rates ranging from (i) prior to December 31, 2021, 1.35% per annum for any day that the aggregate unused commitments and funded exposure under the Amended Credit Facility exceed \$1.145 billion to 1.25% per annum otherwise and (ii) on and after December 31, 2021, or prior to such date if the leverage ratio condition referred to above is satisfied, 0.10% to 0.85% per annum for any day that the aggregate unused commitments and funded exposure under the Amended Credit Facility exceed \$1.145 billion, and, otherwise, ranging from 0.00% to 0.75% per annum, in each case, depending on the Company's credit ratings.

Under certain circumstances, loans under the Amended Credit Facility held by Consenting Lenders that do not participate in the Additional Credit Facility, if established, will bear interest at rates ranging from 1.00% to 1.75% per annum, in the case of eurocurrency loans, and ranging from 0.00% to 0.75% per annum, in the case of base rate loans, in each case, depending on the Company's credit ratings.

Investment Agreements

On May 5, 2020, we completed the sale of Series A Preferred Stock (as defined below) and warrants (the "Warrants") to purchase our common stock ("Common Stock") to AP Fort Holdings, L.P., an affiliate of Apollo Global Management, Inc. (the "Apollo Purchaser") and SLP Fort Aggregator II, L.P. and SLP V Fort Holdings II, L.P., affiliates of Silver Lake Group, L.L.C. (the "Silver Lake Purchasers") pursuant to the Company's previously announced Investment Agreements, dated as of April 23, 2020, with the Apollo Purchaser and the Silver Lake Purchasers (together, the "Investment Agreements").

We have agreed to issue and sell (1) to the Apollo Purchaser, pursuant to the Apollo Investment Agreement, 600,000 shares of the Company's newly created Series A Preferred Stock, par value \$0.001 per share (the "Series A Preferred Stock") and warrants (the "Warrants") to purchase 4.2 million shares of the Company's common stock, par value \$0.0001 per share ("Common Stock"), for an aggregate purchase price of \$588 million and (2) to the Silver Lake Purchaser, pursuant to the Silver Lake Investment Agreement, 600,000 shares of Series A Preferred Stock and Warrants to purchase 4.2 million shares of Common Stock, for an aggregate purchase price of \$588 million. At closing, we paid certain fees in an aggregate amount of \$12 million to affiliates of the Apollo Purchaser and the Silver Lake Purchaser. On the terms and subject to the conditions set forth in the Investment Agreements, from and after the closing, (1) each of the Apollo Purchaser and the Silver Lake Purchaser designated one representative who was appointed to the Board of Directors of the Company (the "Board") and (2) the Apollo Purchaser appointed one non-voting observer to the Board, in each case until such time as the applicable Purchaser and its Permitted Transferees (as defined in the Investment Agreements) no longer beneficially own (a) at least 50% of the shares of Series A Preferred Stock purchased by the applicable Purchaser under the Investment Agreement (unless the applicable Purchaser holds less than 50% of the shares of Series A Preferred Stock as a result of redemptions by the Company, in which case the reference to 50% shall be replaced with a reference to 20%) and (b) Warrants and/or Common Stock for which the Warrants were exercised that represent in the aggregate and on an exercised basis, at least 50% of the shares underlying the Warrants purchased by the applicable Purchaser under the Investment Agreement.

The Investment Agreements (including the forms of Certificate of Designations, Warrants and Registration Rights Agreement) contain other customary covenants and agreements, including certain standstill provisions and customary preemptive rights.

Certificate of Designations for Series A Preferred Stock. Dividends on each share of Series A Preferred Stock accrue daily on the Preference Amount (as defined below) at the then-applicable Dividend Rate (as defined below) and are payable semi-annually in arrears. As used herein, "Dividend Rate" with respect to the Series A Preferred Stock means (a) from the closing until the day immediately preceding the fifth anniversary of the closing, 9.5% per annum, (b) beginning on each of the fifth, sixth and seventh anniversaries of the closing, the then-applicable Dividend Rate shall be increased by 100 basis points on each such yearly anniversary, and (c) beginning on each of the eighth and ninth anniversaries of the closing date, the then-applicable Dividend Rate shall be increased by 150 basis points on each such yearly anniversary. The Dividend Rate is also subject to certain adjustments if the Company incurs indebtedness causing its leverage to exceed certain thresholds. Dividends are payable (a) until the third anniversary of the closing, either in cash or through an accrual of unpaid dividends ("Dividend Accrual"), at the Company's option, (b) from the third anniversary of the closing until the sixth anniversary of the closing,

either in cash or in a combination of cash and Dividend Accrual (with no more than 50% of the total amount of such Dividend being paid through a Dividend Accrual), at the Company's option and (c) thereafter, in cash.

The Series A Preferred Stock rank senior to the Common Stock and the Class B common stock, par value \$0.0001 per share, of the Company (the "Class B Common Stock") with respect to dividend rights, redemption rights and rights on the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company.

At any time on or before the first anniversary of the closing, we may redeem all or any portion of the Series A Preferred Stock in cash at a price equal to 105.0% of the sum of the original liquidation preference of \$1,000 per share of Series A Preferred Stock plus any Dividend Accruals (the "Preference Amount"), plus accrued and unpaid distributions as of the redemption date. Any time after the first anniversary of the closing but on or prior to the second anniversary of the closing, we may redeem all or any portion of the Series A Preferred Stock in cash at a price equal to 103.0% of the Preference Amount, plus accrued and unpaid distributions as of the redemption date. Any time after the second anniversary of the closing but on or prior to the third anniversary of the closing, we may redeem all or any portion of the Series A Preferred Stock in cash at a price equal to 102.0% of the Preference Amount, plus accrued and unpaid distributions as of the redemption date. Any time after the third anniversary of the closing but on or prior to the fourth anniversary of the closing, we may redeem all or any portion of the Series A Preferred Stock in cash at a price equal to 101.0% of the Preference Amount, plus accrued and unpaid distributions as of the redemption date. At any time after the fourth anniversary of the closing, we may redeem all or any portion of the Series A Preferred Stock in cash at a price equal to the Preference Amount plus accrued and unpaid distributions as of the redemption date. In addition, upon the occurrence of a change of control, (i) we shall have the right, but not the obligation, to redeem any or all of the outstanding shares of Series A Preferred Stock at the then applicable redemption price, payable in cash and (ii) each holder will have the right, but not the obligation, to require the Company to redeem any or all of the outstanding shares of Series A Preferred Stock owned by such holder at the then applicable redemption price, payable in cash.

The Series A Preferred Stock is not convertible into Common Stock or Class B Common Stock. Each holder of Series A Preferred Stock will have one vote per share on any matter on which holders of Series A Preferred are entitled to vote separately as a class (as described below), whether at a meeting or by written consent. The holders of shares of Series A Preferred Stock do not otherwise have any voting rights.

The vote or consent of the holders of at least two-thirds of the shares of Series A Preferred Stock outstanding at such time, voting together as a separate class, is required in order for the Company to (i) amend, alter or repeal any provision of its Amended and Restated Certificate of Incorporation (including the certificates of designations relating to the Series A Preferred Stock) in a manner that would have an adverse effect on the rights, preferences or privileges of the Series A Preferred Stock, as applicable, (ii) issue, any capital stock ranking senior or pari passu to the Series A Preferred Stock, other than certain issuances to a governmental entity in connection with a financing transaction or (iii) liquidate, dissolve or wind up the Company.

Warrants to Purchase Company Common Stock. Pursuant to the Investment Agreements, we issued to each of (1) the Silver Lake Purchasers (in the aggregate) and (2) the Apollo Purchaser, Warrants to purchase 4.2 million shares of Common Stock at an exercise price of \$72.00 per share, subject to certain customary anti-dilution adjustments provided under the Warrants, including for stock splits, reclassifications, combinations and dividends or distributions made by the Company on the Common Stock. The Warrants are exercisable on a net share settlement basis. The Warrants expire ten years after the closing date.

Registration Rights Agreement. In connection with and concurrently with the effective time of the transactions contemplated by the Investment Agreements, the Company, the Apollo Purchaser and the Silver Lake Purchasers entered into a Registration Rights Agreement (the "Registration Rights Agreement"), pursuant to which the Apollo Purchaser and the Silver Lake Purchasers are entitled to certain registration rights. Under the terms of the Registration Rights Agreement, the Apollo Purchaser and the Silver Lake Purchasers are entitled to customary registration rights with respect to the shares of Common Stock for which the Warrants may be exercised and, from and after the fifth anniversary of the closing, the Series A Preferred Stock.

Bodybuilding.com Transaction

In May 2020, we completed the sale of Bodybuilding.com.

Part I. Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements reflect the views of our management regarding current expectations and projections about future events and are based on currently available information. Actual results could differ materially from those contained in these forward-looking statements for a variety of reasons, including, but not limited to, those discussed in our Annual Report on Form 10-K for the year ended December 31, 2019, Part I, Item 1A, "Risk Factors," in Exhibit 99.2 to our Current Report on Form 8-K filed with the SEC on April 23, 2020, as well as those discussed in the Risk Factor section and elsewhere in this report. COVID-19, and the volatile regional and global economic conditions stemming from it, and additional or unforeseen effects from the COVID-19 pandemic, could also give rise to or aggravate these risk factors, which in turn could materially adversely affect our business, financial condition, liquidity, results of operations (including revenues and profitability) and/or stock price. Further, COVID-19 may also affect our operating and financial results in a manner that is not presently known to us or that we currently do not consider to present significant risks to our operations. Other unknown or unpredictable factors also could have a material adverse effect on our business, financial condition and results of operations. Accordingly, readers should not place undue reliance on these forward-looking statements. The use of words such as "anticipates," "believes," "could," "estimates," "expects," "goal," "intends," "likely," "may," "plans," "potential," "predicts," "projected," "seeks," "should" and "will," or the negative of these terms or other similar expressions, among others, generally identify forward-looking statements; however, these words are not the exclusive means of identifying such statements. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. These forward-looking statements are inherently subject to uncertainties, risks and changes in circumstances that are difficult to predict. We are not under any obligation to, and do not intend to, publicly update or review any of these forward-looking statements, whether as a result of new information, future events or otherwise, even if experience or future events make it clear that any expected results expressed or implied by those forward-looking statements will not be realized. Please carefully review and consider the various disclosures made in this report and in our other reports filed with the SEC that attempt to advise interested parties of the risks and factors that may affect our business, prospects and results of operations.

The information included in this management's discussion and analysis of financial condition and results of operations should be read in conjunction with our consolidated financial statements and the notes included in this Quarterly Report, and the audited consolidated financial statements and notes and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended December 31, 2019.

Overview

Expedia Group is one of the world's largest travel companies. We help reduce the barriers to travel, making it easier, more attainable and more accessible, bringing the world within reach for customers and partners around the globe. We leverage our platform and technology capabilities across an extensive portfolio of businesses and brands to orchestrate the movement of people and the delivery of travel experiences on both a local and global basis. We make available, on a stand-alone and package basis, travel services provided by numerous lodging properties, airlines, car rental companies, activities and experiences providers, cruise lines, alternative accommodations property owners and managers, and other travel product and service companies. We also offer travel and non-travel advertisers access to a potential source of incremental traffic and transactions through our various media and advertising offerings on our websites. For additional information about our portfolio of brands, see "Portfolio of Brands" in Part I, Item 1, "Business", in our Annual Report on Form 10-K for the year ended December 31, 2019.

All percentages within this section are calculated on actual, unrounded numbers.

Trends

During the first quarter of 2020, the outbreak and spreading of the COVID-19 pandemic, and measures to contain the virus, including government travel restrictions and quarantine orders, have had a significant negative impact on the travel industry. COVID-19 has forced many of our supply partners, particularly airlines and hotels, to operate at significantly reduced service levels, and has negatively impacted consumer sentiment and consumers ability to travel. Our financial and operating results for the first quarter of 2020 were significantly impacted due to the decrease in travel demand related to COVID-19 with the impact worsening during the quarter as the virus developed into a global pandemic.

We currently expect COVID-19 to have significantly greater impact on our second quarter of 2020 results as we will see the full global impact of the virus for the entire quarter, compared to a partial quarter of impact in the first quarter. The ultimate duration and impact of COVID-19 remains uncertain and it is difficult to predict the timing and nature of a recovery for the travel industry and, in particular, our business.

COVID-19 has had broader economic impacts, including a significant increase in unemployment levels and reduction in economic activity, which could lead to a recession, and further reduction in consumer or business spending on travel activities, which may negatively impact the timing and level of a recovery in travel demand. Additionally, further health-related events, political instability, geopolitical conflicts, acts of terrorism, significant fluctuations in currency values, sovereign debt issues, and natural disasters, are examples of other events that could have a negative impact on the travel industry in the future.

Prior to the onset of COVID-19, we began to execute a cost savings initiative aimed at simplifying the organization and increasing efficiency. We expect these efforts, which include a significant reduction in headcount, to generate \$300 to \$500 million in annualized run-rate cost savings by the end of 2020.

Following the onset of COVID-19, we took several additional actions to reduce costs to help mitigate the impact to demand from COVID-19. This included a significant reduction in our variable costs, of which direct marketing is the largest component. We also achieved cost savings in several other areas, which we expect to continue to benefit from when business conditions return to more normalized levels. We continue to evaluate additional opportunities to increase efficiency and improve operational effectiveness across the Company.

As a result of the cost savings effort launched prior to COVID-19 and additional cost reductions during COVID-19 that we expect to remain in place, we expect Adjusted EBITDA margins to increase compared to historical levels when revenue returns to more normalized levels.

Lodging

Lodging includes hotel accommodations and alternative accommodations. As a percentage of our total worldwide revenue in the first three months of 2020, lodging accounted for 69%. As a result of the COVID-19 outbreak and impact on travel demand, room nights declined 14% in the first three months of 2020. Many hotel partners were forced to shut a number of properties due to the virus, and some remain closed. The timing of hotel operations returning to normal levels, and recovery in consumer sentiment on staying at hotels will be a factor in our level of room night growth. Average Daily Rates (“ADRs”) for rooms booked on Expedia Group websites increased 2% in the first three months of 2020. The uncertain environment related to COVID-19, and the potential that suppliers reduce prices, including a higher degree of discounting activity due to the lower travel demand, could result in ADR declines for a period of time. Travel restrictions and shift in consumer behavior during COVID-19 could also impact the geographic mix of our hotel bookings, which could impact ADRs.

Hotel. We generate the majority of our revenue through the facilitation of hotel reservations (stand-alone and package bookings). After rolling out Expedia Traveler Preference (“ETP”) globally over a period of several years, during which time we reduced negotiated economics in certain instances to compensate for hotel supply partners absorbing expenses such as credit card fees and customer service costs, our relationships and overall economics with hotel supply partners have been broadly stable in recent years. As we continue to expand the breadth and depth of our global hotel offering, in some cases we have reduced our economics in various geographies based on local market conditions. These impacts are due to specific initiatives intended to drive greater global size and scale through faster overall room night growth. Additionally, increased promotional activities such as growing loyalty programs contribute to declines in revenue per room night and profitability.

Since our hotel supplier agreements are generally negotiated on a percentage basis, any increase or decrease in ADRs has an impact on the revenue we earn per room night. Over the course of the last several years, occupancies and ADRs in the lodging industry generally increased on a currency-neutral basis in a gradually improving overall travel environment. However, with certain travel restrictions and quarantine orders implemented due to COVID-19, current occupancy rates for hotels in the United States are at historically low levels and ADRs could decline for a period of time. In addition, other factors could pressure ADR trends, including the continued growth in hotel supply in recent years and the increase in alternative accommodation inventory. Further, while the global lodging industry remains very fragmented, there has been consolidation in the hotel space among chains as well as ownership groups. In the meantime, certain hotel chains have been focusing on driving direct bookings on their own websites and mobile applications by advertising lower rates than those available on third-party websites as well as incentives such as loyalty points, increased or exclusive product availability and complimentary Wi-Fi.

We have continued to add supply to our global lodging marketplace with over 1.7 million properties on our global websites as of March 31, 2020, including over 880,000 integrated Vrbo alternative accommodations listings.

Alternative Accommodations. With our acquisition of Vrbo (previously HomeAway) and all of its brands in December 2015, we expanded into the fast growing alternative accommodations market. Vrbo is a leader in this market and represents an attractive growth opportunity for Expedia Group. Vrbo has transitioned from a listings-based classified advertising model to an online transactional model that optimizes for both travelers and homeowner and property manager partners, with a goal of increasing monetization and driving growth through investments in marketing as well as in product and technology. Vrbo offers hosts subscription-based listing or pay-per-booking service models. It also generates revenue from a traveler service fee for bookings. As of March 31, 2020, there are over 2.1 million online bookable listings available on Vrbo. In addition, we have

actively moved to integrate Vrbo listings into our global Retail services, as well as directly add alternative accommodation listings to our offerings, to position our key global brands to offer a full range of lodging options for consumers.

Air

The airline industry has been dramatically impacted by COVID-19. As a result of the significantly reduced air travel demand due to government travel restrictions and the impact on consumer sentiment related to COVID-19, airlines have been operating with limited capacity and passenger traffic has declined significantly. According to the International Air Transport Association (“IATA”), global flights were down approximately 80% from the beginning of the year by early April 2020 and global passenger traffic is expected to decline approximately 48% in 2020. The recovery in air travel remains difficult to predict, and may not correlate with the recovery in lodging demand.

In addition, there is significant correlation between airline revenue and fuel prices, and fluctuations in fuel prices generally take time to be reflected in air revenue. Given current volatility, it is uncertain how fuel prices could impact airfares. We could encounter pressure on air remuneration as air carriers combine, certain supply agreements renew, and as we continue to add airlines to ensure local coverage in new markets.

Air ticket volumes increased 5% in 2018 and 7% in 2019. In the first three months of 2020, air ticket volumes declined 26%. As a percentage of our total worldwide revenue in the first three months of 2020, air accounted for 5%.

Advertising & Media

Our advertising and media business is principally driven by revenue generated by trivago, a leading hotel metasearch website, in addition to Expedia Group Media Solutions, which is responsible for generating advertising revenue on our global online travel brands. In the first three months of 2020, we generated \$203 million of advertising and media revenue, a 23% decline from the same period in 2019, representing 9% of our total worldwide revenue. Given the decline in travel demand related to COVID-19, online travel agencies have dramatically reduced marketing spend, including on trivago, and given the uncertain duration and impact of COVID-19 it is difficult to predict when spend will recover. In response, trivago has significantly reduced its marketing spend and taken additional actions to lower operating expenses. We expect trivago to continue to experience significant pressure on revenue and profit until online travel agencies and other hotel suppliers begin to see consumer demand that warrants an increase in marketing spend.

Online Travel

Increased usage and familiarity with the internet are driving rapid growth in online penetration of travel expenditures. According to Phocuswright, an independent travel, tourism and hospitality research firm, in 2019, approximately 45% of U.S. and European leisure and unmanaged corporate travel expenditures occurred online. This figure was estimated to reach approximately 50% in 2020, prior to the outbreak of COVID-19. Online penetration rates in the emerging markets, such as Asia Pacific and Latin American regions, are lagging behind that of the United States and Europe. These penetration rates increased over the past few years, and are expected to continue growing, which presents an attractive growth opportunity for our business, while also attracting many competitors to online travel. This competition intensified in recent years, and the industry is expected to remain highly competitive for the foreseeable future. In addition to the growth of online travel agencies, we see increased interest in the online travel industry from search engine companies such as Google, evidenced by continued product enhancements, including new trip planning features for users and the integration of its various travel products into the Google Travel offering, as well as further prioritizing its own products in search results. Competitive entrants such as “metasearch” companies, including Kayak.com (owned by Booking Holdings), trivago (in which Expedia Group owns a majority interest) as well as TripAdvisor, introduced differentiated features, pricing and content compared with the legacy online travel agency companies, as well as various forms of direct or assisted booking tools. Further, airlines and lodging companies are aggressively pursuing direct online distribution of their products and services. In addition, the increasing popularity of the “sharing economy,” accelerated by online penetration, has had a direct impact on the travel and lodging industry. Businesses such as Airbnb, Vrbo (previously HomeAway, which Expedia Group acquired in December 2015) and Booking.com (owned by Booking Holdings) have emerged as the leaders, bringing incremental alternative accommodation and vacation rental inventory to the market. Many other competitors, including vacation rental metasearch players, continue to emerge in this space, which is expected to continue to grow as a percentage of the global accommodation market. Finally, traditional consumer ecommerce and group buying websites expanded their local offerings into the travel market by adding hotel offers to their websites.

The online travel industry also saw the development of alternative business models and variations in the timing of payment by travelers and to suppliers, which in some cases place pressure on historical business models. In particular, the agency hotel model saw rapid adoption in Europe. Expedia Group facilitates both merchant (Expedia Collect) and agency (Hotel Collect) hotel offerings with our hotel supply partners through both agency-only contracts as well as our hybrid ETP program, which offers travelers the choice of whether to pay Expedia Group at the time of booking or pay the hotel at the time of stay.

We manage our marketing spending on a brand basis, making decisions in each applicable market that we think are appropriate based on the relative growth opportunity, the expected returns and the competitive environment. Intense competition also historically led to aggressive marketing efforts by the travel suppliers and intermediaries, and a meaningful unfavorable impact on our overall marketing efficiencies and operating margins. More recently, we have increased our focus on opportunities to increase marketing efficiency, drive a higher proportion of transactions through direct channels and improve the balance of transaction growth and profitability.

Growth Strategy

Global Expansion. Our Brand Expedia, Hotels.com, Vrbo portfolio, Expedia Partner Solution and Egencia brands operate both domestically and through international points of sale, including in Europe, Asia Pacific, Canada and Latin America. In addition, ebookers offers multi-product online travel reservations in Europe and the Wotif portfolio of brands are focused principally on the Australia and New Zealand markets. We own a majority share of trivago, a leading metasearch company. In December 2016, trivago successfully completed its initial public offering and trades on the Nasdaq Global Select Market under the symbol “TRVG.” In addition, we have commercial agreements in place with Trip.com and eLong in China, Traveloka in Southeast Asia, as well as Despegar in Latin America, among many others. In conjunction with the commercial arrangements with Traveloka and Despegar, we have also made strategic investments in both companies. In the first three months of 2020, approximately 40% of worldwide revenue was through international points of sale. Our strategy is focused on continuing to grow our international market share, and over the longer term we aim to increase our mix of international revenue as we execute to strengthen our brands and products in key international markets.

In expanding our global reach, we leverage significant investments in technology, operations, brand building, supplier relationships and other initiatives that we have made since the launch of Expedia.com in 1996. More recently, we have invested in migrating parts of our technology platform to the cloud, as well as focused on expanding our lodging supply, particularly in key international markets. Our scale of operations enhances the value of technology innovations we introduce on behalf of our travelers and suppliers. We believe that our size and scale afford the company the ability to negotiate competitive rates with our supply partners, provide breadth of choice and travel deals to our traveling customers through an expanding supply portfolio and create opportunities for new value added offers for our customers such as our loyalty programs. The size of Expedia Group’s worldwide traveler base makes our websites an increasingly appealing channel for travel suppliers to reach customers. In addition, the sheer size of our user base and search query volume allows us to test new technologies very quickly to determine which innovations are most likely to improve the travel research and booking process, and then roll those features out to our worldwide audience to drive improvements in conversion.

Product Innovation. Each of our leading brands was a pioneer in online travel and has been responsible for driving key innovations in the space for more than two decades. We have made key investments in technology, including significant development of our technical platforms, that make it possible for us to deliver innovations at a faster pace. Improvements in our global platforms for Hotels.com, Brand Expedia and Vrbo continue to enable us to significantly increase the innovation cycle, thereby improving conversion and driving faster growth rates for those brands. Since 2014, we have acquired Travelocity, Wotif Group and Orbitz Worldwide, including Orbitz, CheapTickets and ebookers, and migrated their brands to the Brand Expedia technology platform. In addition, Orbitz for Business customers were migrated to the Egencia technology platform in 2016. We intend to continue leveraging these technology investments when launching additional points of sale in new countries, introducing new website features, adding supplier products and services including new business model offerings, as well as proprietary and user-generated content for travelers.

Channel Expansion. Technological innovations and developments continue to create new opportunities for travel bookings. In the past few years, each of our brands made significant progress innovating on its mobile websites and mobile applications, contributing to solid download trends, and many of our brands now see more traffic via mobile devices than via traditional PCs and an increasing percentage of transactions are coming through mobile. Mobile bookings continue to present an opportunity for incremental growth as they are often completed with a much shorter booking window than we historically experienced via more traditional online booking methods. Additionally, our brands are implementing new technologies like voice-based search, chatbots and messaging apps as mobile-based options for travelers. In addition, we are seeing significant cross-device usage among our customers, who connect to our websites and apps across multiple devices and platforms throughout their travel planning process. We also believe mobile represents an efficient marketing channel given the opportunity for direct traffic acquisition, increase in share of wallet and in repeat customers, particularly through mobile applications. During 2019, more than 40% of transactions across Expedia Group’s Retail brands were booked on a mobile device.

Seasonality

We generally experience seasonal fluctuations in the demand for our travel services. For example, traditional leisure travel bookings are generally the highest in the first three quarters as travelers plan and book their spring, summer and winter

holiday travel. The number of bookings typically decreases in the fourth quarter. Because revenue for most of our travel services, including merchant and agency hotel, is recognized as the travel takes place rather than when it is booked, revenue typically lags bookings by several weeks for our hotel business and can be several months or more for our alternative accommodations business. Historically, Vrbo has seen seasonally stronger bookings in the first quarter of the year, with the relevant stays occurring during the peak summer travel months. The seasonal revenue impact is exacerbated with respect to income by the nature of our variable cost of revenue and direct sales and marketing costs, which we typically realize in closer alignment to booking volumes, and the more stable nature of our fixed costs. Furthermore, operating profits for our primary advertising business, trivago, have typically been experienced in the second half of the year, particularly the fourth quarter, as selling and marketing costs offset revenue in the first half of the year as we typically increase marketing during the busy booking period for spring, summer and winter holiday travel. As a result on a consolidated basis, revenue and income are typically the lowest in the first quarter and highest in the third quarter. The growth of our international operations, advertising business or a change in our product mix, including the growth of Vrbo, may influence the typical trend of the seasonality in the future.

Due to COVID-19, which impacted travel bookings made in the first quarter and led to significant cancellations for future travel, we do not expect our typical seasonal pattern for bookings, revenue and profit during 2020. In addition, with the lower new bookings and elevated cancellations in the merchant business model, our typical, seasonal working capital source of cash has been significantly disrupted resulting in the Company experiencing unfavorable working capital trends and material negative cash flow. This is expected to continue until cancellations stabilize and travel demand begins to recover from current levels, at which time we expect merchant bookings and cash flow to increase. It is difficult to forecast the seasonality for the upcoming quarters, given the uncertainty related to the duration of the impact from COVID-19 and the shape and timing of a recovery.

Critical Accounting Policies and Estimates

Critical accounting policies and estimates are those that we believe are important in the preparation of our consolidated financial statements because they require that we use judgment and estimates in applying those policies. We prepare our consolidated financial statements and accompanying notes in accordance with generally accepted accounting principles in the United States ("GAAP"). Preparation of the consolidated financial statements and accompanying notes requires that we make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements as well as revenue and expenses during the periods reported. We base our estimates on historical experience, where applicable, and other assumptions that we believe are reasonable under the circumstances. Actual results may differ from our estimates under different assumptions or conditions.

There are certain critical estimates that we believe require significant judgment in the preparation of our consolidated financial statements. We consider an accounting estimate to be critical if:

- It requires us to make an assumption because information was not available at the time or it included matters that were highly uncertain at the time we were making the estimate; and
- Changes in the estimate or different estimates that we could have selected may have had a material impact on our financial condition or results of operations.

The COVID-19 pandemic has created and may continue to create significant uncertainty in macroeconomic conditions, which may cause further business disruptions and adversely impact our results of operations. As a result, many of our estimates and assumptions required increased judgment and carry a higher degree of variability and volatility. As events continue to evolve and additional information becomes available, our estimates may change materially in future periods.

Recoverability of Goodwill and Indefinite and Definite-Lived Intangible Assets

Goodwill. We assess goodwill for impairment annually as of October 1, or more frequently, if events and circumstances indicate impairment may have occurred. During the first quarter of 2020, as a result of the significant turmoil related to COVID-19, we concluded that sufficient indicators existed to require us to perform an interim impairment assessment. In the evaluation of goodwill for impairment, we typically perform a quantitative assessment and compare the fair value of the reporting unit to the carrying value and, if applicable, record an impairment charge based on the excess of the reporting unit's carrying amount over its fair value. Periodically, we may choose to perform a qualitative assessment, prior to performing the quantitative analysis, to determine whether the fair value of the goodwill is more likely than not impaired.

We generally base our measurement of fair value of reporting units, except for trivago, which is a separately listed company on the Nasdaq Global Select Market, on a blended analysis of the present value of future discounted cash flows and market valuation approach. The discounted cash flows model indicates the fair value of the reporting units based on the present value of the cash flows that we expect the reporting units to generate in the future. Our significant estimates in the discounted cash flows model include: our weighted average cost of capital; long-term rate of growth and profitability of our business; and

working capital effects. The market valuation approach indicates the fair value of the business based on a comparison of the Company to comparable publicly traded firms in similar lines of business. Our significant estimates in the market approach model include identifying similar companies with comparable business factors such as size, growth, profitability, risk and return on investment and assessing comparable revenue and operating income multiples in estimating the fair value of the reporting units. The fair value estimate for our trivago reporting unit is based on trivago's stock price, a Level 1 input, adjusted for an estimated control premium.

We believe the weighted use of discounted cash flows and market approach is generally the best method for determining the fair value of our reporting units because these are the most common valuation methodologies used within the travel and internet industries; and the blended use of both models compensates for the inherent risks associated with either model if used on a stand-alone basis.

In addition to measuring the fair value of our reporting units as described above, we consider the combined carrying and fair values of our reporting units in relation to the Company's total fair value of equity plus debt as of the assessment date. Our equity value assumes our fully diluted market capitalization, using either the stock price on the valuation date or the average stock price over a range of dates around the valuation date, plus an estimated acquisition premium which is based on observable transactions of comparable companies. The debt value is based on the highest value expected to be paid to repurchase the debt, which can be fair value, principal or principal plus a premium depending on the terms of each debt instrument.

Indefinite-Lived Intangible Assets. We base our measurement of fair value of indefinite-lived intangible assets, which primarily consist of trade name and trademarks, using the relief-from-royalty method. This method assumes that the trade name and trademarks have value to the extent that their owner is relieved of the obligation to pay royalties for the benefits received from them. This method requires us to estimate the future revenue for the related brands, the appropriate royalty rate and the weighted average cost of capital.

Definite-Lived Intangible Assets. We review the carrying value of long-lived assets or asset groups to be used in operations whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recoverable. Factors that would necessitate an impairment assessment include a significant adverse change in the extent or manner in which an asset is used, a significant adverse change in legal factors or the business climate that could affect the value of the asset, or a significant decline in the observable market value of an asset, among others. If such facts indicate a potential impairment, we would assess the recoverability of an asset group by determining if the carrying value of the asset group exceeds the sum of the projected undiscounted cash flows expected to result from the use and eventual disposition of the assets over the remaining economic life of the primary asset in the asset group. If the recoverability test indicates that the carrying value of the asset group is not recoverable, we will estimate the fair value of the asset group using appropriate valuation methodologies, which would typically include an estimate of discounted cash flows. Any impairment would be measured as the difference between the asset groups carrying amount and its estimated fair value.

The use of different estimates or assumptions in determining the fair value of our goodwill, indefinite-lived and definite-lived intangible assets may result in different values for these assets, which could result in an impairment or, in the period in which an impairment is recognized, could result in a materially different impairment charge.

For additional information on our goodwill and intangible asset impairments recorded as a result of our interim impairment testing during the first quarter of 2020, see Note 3 – Fair Value Measurements in the notes to the consolidated financial statements.

For additional information about our other critical accounting policies and estimates, see the disclosure included in our Annual Report on Form 10-K for the year ended December 31, 2019 as well as updates in the current fiscal year provided in Note 2 – Summary of Significant Accounting Policies in the notes to the consolidated financial statements.

Occupancy and Other Taxes

Legal Proceedings. We are currently involved in eight lawsuits brought by or against states, cities and counties over issues involving the payment of hotel occupancy and other taxes. We continue to defend these lawsuits vigorously. With respect to the principal claims in these matters, we believe that the statutes and/or ordinances at issue do not apply to us or the services we provide, namely the facilitation of travel planning and reservations, and, therefore, that we do not owe the taxes that are claimed to be owed. We believe that the statutes and ordinances at issue generally impose occupancy and other taxes on entities that own, operate or control hotels (or similar businesses) or furnish or provide hotel rooms or similar accommodations.

Recent developments include:

- *City of San Antonio, Texas Litigation.* On May 11, 2020, the United States Fifth Circuit Court of Appeals affirmed the district court's award of over \$2 million in appeal bond costs against the city.

- *Palm Beach, Florida Litigation.* On March 25, 2020, the Florida Fourth District Court of Appeals affirmed the trial court's decision that defendants are not subject to tax.
- *Miami Dade County, Florida Litigation.* The parties reached a settlement and on April 7, 2020, the county filed a notice of voluntary dismissal without prejudice, thereby ending the matter.

For additional information on these and other legal proceedings, see Part II, Item 1, Legal Proceedings.

We have established a reserve for the potential settlement of issues related to hotel occupancy and other tax litigation, consistent with applicable accounting principles and in light of all current facts and circumstances, in the amount of \$52 million as of March 31, 2020, and \$48 million as of December 31, 2019.

Certain jurisdictions, including without limitation the states of New York, New Jersey, North Carolina, Minnesota, Oregon, Rhode Island, Maryland, Pennsylvania, Hawaii, Iowa, Massachusetts, Arizona, Wisconsin, Idaho, Arkansas, Indiana, Maine, Nebraska, Vermont, the city of New York, and the District of Columbia, have enacted legislation seeking to tax online travel company services as part of sales or other taxes for hotel and/or other accommodations and/or car rental. In addition, in certain jurisdictions, we have entered into voluntary collection agreements pursuant to which we have agreed to voluntarily collect and remit taxes to state and/or local taxing jurisdictions. We are currently remitting taxes to a number of jurisdictions, including without limitation the states of New York, New Jersey, South Carolina, North Carolina, Minnesota, Georgia, Wyoming, West Virginia, Oregon, Rhode Island, Montana, Maryland, Kentucky, Maine, Pennsylvania, Hawaii, Iowa, Massachusetts, Arizona, Wisconsin, Idaho, Arkansas, Indiana, Nebraska, Vermont, the city of New York and the District of Columbia, as well as certain other jurisdictions.

Pay-to-Play

Certain jurisdictions may assert that we are required to pay any assessed taxes prior to being allowed to contest or litigate the applicability of the ordinances. This prepayment of contested taxes is referred to as "pay-to-play." Payment of these amounts is not an admission that we believe we are subject to such taxes and, even when such payments are made, we continue to defend our position vigorously. If we prevail in the litigation, for which a pay-to-play payment was made, the jurisdiction collecting the payment will be required to repay such amounts and also may be required to pay interest. However, any significant pay-to-play payment or litigation loss could negatively impact our liquidity.

Other Jurisdictions. We are also in various stages of inquiry or audit with domestic and foreign tax authorities, some of which, including the City of Los Angeles regarding hotel occupancy taxes and the United Kingdom regarding the application of value added tax ("VAT") to our European Union related transactions, may impose a pay-to-play requirement to challenge an adverse inquiry or audit result in court.

Segments

Beginning in the first quarter of 2020, we have the following reportable segments: Retail, B2B, and trivago. Our Retail segment provides a full range of travel and advertising services to our worldwide customers through a variety of consumer brands including: Expedia.com and Hotels.com in the United States and localized Expedia and Hotels.com websites throughout the world, Vrbo, Orbitz, Travelocity, Wotif Group, ebookers, CheapTickets, Hotwire.com, CarRentals.com, CruiseShipCenters, Classic Vacations and SilverRail Technologies, Inc. Our B2B segment is comprised of our Expedia Business Services organization including Expedia Partner Solutions, which operates private label and co-branded programs to make travel services available to leisure travelers through third-party company branded websites, and Egencia, a full-service travel management company that provides travel services to businesses and their corporate customers. Our trivago segment generates advertising revenue primarily from sending referrals to online travel companies and travel service providers from its hotel metasearch websites.

Operating Metrics

Our operating results are affected by certain metrics, such as gross bookings and revenue margin, which we believe are necessary for understanding and evaluating us. Gross bookings generally represent the total retail value of transactions booked for agency and merchant transactions, recorded at the time of booking reflecting the total price due for travel by travelers, including taxes, fees and other charges, and are reduced for cancellations and refunds. As travelers have increased their use of the internet to book travel arrangements, we have generally seen our gross bookings increase, reflecting the growth in the online travel industry, our organic market share gains and our business acquisitions. Revenue margin is defined as revenue as a percentage of gross bookings.

Gross Bookings and Revenue Margin

	Three months ended March 31,		% Change
	2020	2019	
(\$ in millions)			
Gross bookings	\$ 17,885	\$ 29,409	(39)%
Revenue margin ⁽¹⁾	12.4%	8.9%	

(1) trivago, which is comprised of a hotel metasearch business that differs from our transaction-based websites, does not have associated gross bookings or revenue margin. However, third-party revenue from trivago is included in revenue used to calculate total revenue margin.

During the three months ended March 31, 2020, gross bookings decreased 39% compared to the same period in 2019. In January 2020, gross bookings growth was positive, as COVID-19 modestly impacted results, with the virus largely limited to the Asia Pacific region. In February 2020, gross bookings declined year-over-year as the virus spread, particularly into Europe by later in the month. During March 2020, with COVID-19 becoming a global pandemic, including significantly impacting North America, our largest region, cancellations exceeded new bookings, and total gross bookings were negative for the month.

Results of Operations

Revenue

	Three months ended March 31,		% Change
	2020	2019	
(\$ in millions)			
<u>Revenue by Segment</u>			
Retail	\$ 1,582	\$ 1,901	(17)%
B2B	485	556	(13)%
trivago (Third-party revenue)	103	152	(32)%
Corporate (Bodybuilding.com)	39	—	N/A
Total revenue	<u>\$ 2,209</u>	<u>\$ 2,609</u>	(15)%

Revenue decreased 15% for the three months ended March 31, 2020, compared to the same period in 2019. First quarter 2020 revenue declined less than gross bookings since revenue is recognized at the time of stay thus was not impacted by cancellations for future stays. Revenue grew for both January and February 2020 before significantly declining year-over-year in March 2020.

	Three months ended March 31,		% Change
	2020	2019	
(\$ in millions)			
<u>Revenue by Service Type</u>			
Lodging	\$ 1,518	\$ 1,687	(10)%
Air	109	248	(56)%
Advertising and media ⁽¹⁾	203	265	(23)%
Other	379	409	(7)%
Total revenue	<u>\$ 2,209</u>	<u>\$ 2,609</u>	(15)%

(1) Includes third-party revenue from trivago as well as our transaction-based websites.

Lodging revenue decreased 10% for the three months ended March 31, 2020, compared to the same period in 2019, on a 14% decrease in room nights stayed, partially offset by a 5% increase in revenue per room night.

Air revenue decreased 56% for the three months ended March 31, 2020, compared to the same period in 2019, driven by a 41% decrease in revenue per ticket and a 26% decline in air tickets sold. The declines in air revenue reflect the adverse impact of COVID-19 on air travel, including elevated cancellation activity during March 2020.

Advertising and media revenue decreased 23% for the three months ended March 31, 2020, compared to the same period in 2019, due to declines at trivago and Expedia Group Media Solutions. All other revenue, which includes car rental, insurance, destination services, fee revenue related to our corporate travel business and Bodybuilding.com, decreased 7% for the three months ended March 31, 2020, compared to the same period in 2019, due to declines in insurance and car revenue, partially offset by the inorganic benefit related to the acquisition of Bodybuilding.com during the third quarter of 2019.

In addition to the above segment and product revenue discussion, our revenue by business model is as follows:

	Three months ended March 31,		% Change
	2020	2019	
(\$ in millions)			
<u>Revenue by Business Model</u>			
Merchant	\$ 1,340	\$ 1,435	(7)%
Agency	562	842	(33)%
Advertising, media and other	307	332	(7)%
Total revenue	<u>\$ 2,209</u>	<u>\$ 2,609</u>	(15)%

Merchant revenue decreased for the three months ended March 31, 2020, compared to the same period in 2019, primarily due to the decrease in merchant hotel revenue driven by a decrease in room nights stayed, partially offset by an increase in Vrbo merchant alternative accommodations revenue.

Agency revenue decreased for the three months ended March 31, 2020, compared to the same period in 2019, primarily due to the decline in agency air and hotel as well as Vrbo agency alternative accommodations revenue.

Advertising, media and other decreased for the three months ended March 31, 2020, compared to the same period in 2019, primarily due to declines in advertising revenue, partially offset by the inorganic impact of the Bodybuilding.com acquisition.

Cost of Revenue

	Three months ended March 31,		% Change
	2020	2019	
(\$ in millions)			
Direct costs	\$ 468	\$ 335	40%
Personnel and overhead	161	155	3%
Total cost of revenue	<u>\$ 629</u>	<u>\$ 490</u>	28%
% of revenue	28.5%	18.8%	

Cost of revenue primarily consists of direct costs to support our customer operations, including our customer support and telesales as well as fees to air ticket fulfillment vendors; credit card processing, including merchant fees, fraud and chargebacks; and other costs, primarily including data center and cloud costs to support our websites, supplier operations, destination supply, certain transactional level taxes, costs related to Bodybuilding.com as well as related personnel and overhead costs, including stock-based compensation.

Cost of revenue increased \$139 million during the three months ended March 31, 2020, compared to the same period in 2019, primarily due to an increase in bad debt expense related to future collection risk from the impact of COVID-19, an inorganic impact related to the Bodybuilding.com acquisition and higher cloud expenses.

Selling and Marketing

	Three months ended March 31,		% Change
	2020	2019	
	(\$ in millions)		
Direct costs	\$ 959	\$ 1,261	(24)%
Indirect costs	251	260	(3)%
Total selling and marketing	\$ 1,210	\$ 1,521	(20)%
% of revenue	54.8%	58.3%	

Selling and marketing expense primarily relates to direct costs, including traffic generation costs from search engines and internet portals, television, radio and print spending, private label and affiliate program commissions, public relations and other costs. The remainder of the expense relates to indirect costs, including personnel and related overhead in our various brands and global supply organization, as well as stock-based compensation costs.

Selling and marketing expenses decreased \$311 million during the three months ended March 31, 2020, compared to the same period in 2019, primarily due to a \$302 million decrease in direct costs, including a significant reduction in marketing spend in March 2020 related to the impact on travel demand from COVID-19.

Technology and Content

	Three months ended March 31,		% Change
	2020	2019	
	(\$ in millions)		
Personnel and overhead	\$ 219	\$ 228	(4)%
Other	89	69	29 %
Total technology and content	\$ 308	\$ 297	4 %
% of revenue	13.9%	11.4%	

Technology and content expense includes product development and content expense, as well as information technology costs to support our infrastructure, back-office applications and overall monitoring and security of our networks, and is principally comprised of personnel and overhead, including stock-based compensation, as well as other costs including cloud expense and licensing and maintenance expense.

Technology and content expense increased \$11 million during the three months ended March 31, 2020, compared to the same period in 2019, primarily due to higher cloud expenses as well as higher licensing and maintenance expense.

General and Administrative

	Three months ended March 31,		% Change
	2020	2019	
	(\$ in millions)		
Personnel and overhead	\$ 133	\$ 138	(3)%
Professional fees and other	54	46	17 %
Total general and administrative	\$ 187	\$ 184	2 %
% of revenue	8.5%	7.0%	

General and administrative expense consists primarily of personnel-related costs, including our executive leadership, finance, legal and human resource functions and related stock-based compensation as well as fees for external professional services including legal, tax and accounting.

General and administrative expense increased \$3 million during the three months ended March 31, 2020, compared to the same period in 2019, mainly driven by higher business taxes, partially offset lower stock-based compensation.

Depreciation and Amortization

	Three months ended March 31,		% Change
	2020	2019	
	(\$ in millions)		
Depreciation	\$ 185	\$ 176	5 %
Amortization of intangible assets	44	52	(16)%
Total depreciation and amortization	\$ 229	\$ 228	— %

Depreciation increased \$9 million during the three months ended March 31, 2020, compared to the same period in 2019, due to depreciation related to our new headquarters and higher internal-use software and website development depreciation, partially offset by lower data center depreciation. Amortization of intangible assets decreased \$8 million during the three months ended March 31, 2020, compared to the same period in 2019 primarily due to the completion of amortization related to certain intangible assets.

Impairment of Goodwill and Intangible Assets

During three months ended March 31, 2020, as a result of the significant negative impact related to the COVID-19, which has had a severe effect on the entire global travel industry, we concluded that sufficient indicators existed to require us to perform an interim quantitative assessment of goodwill and long-lived assets. As a result, we recognized goodwill impairment charges of \$765 million and intangible asset impairment charges of \$121 million. See Note 3 – Fair Value Measurements in the notes to the consolidated financial statements for further information.

Legal Reserves, Occupancy Tax and Other

	Three months ended March 31,		% Change
	2020	2019	
	(\$ in millions)		
Legal reserves, occupancy tax and other	\$ (21)	\$ 10	N/A
% of revenue	(0.9)%	0.4%	

Legal reserves, occupancy tax and other consists of changes in our reserves for court decisions and the potential and final settlement of issues related to hotel occupancy and other taxes, expenses recognized related to monies paid in advance of occupancy and other tax proceedings (“pay-to-play”) as well as certain other legal reserves.

During the three months ended March 31, 2020, we recorded a \$25 million gain in relation to a legal settlement, which was partially offset by changes in our reserve related to hotel occupancy and other taxes. The amount for the three months ended March 31, 2019 primarily related to changes in our reserve related to hotel occupancy and other taxes.

Restructuring and Related Reorganization Charges

In late February 2020, we committed to restructuring actions intended to simplify our businesses and improve operational efficiencies, which have resulted in headcount reductions. As a result, we recognized \$75 million in restructuring and related reorganization charges during the three months ended March 31, 2020. Based on current plans, which are subject to change, we expect total reorganization charges in the remainder of 2020 in the range of \$60 million to \$115 million. These costs could be higher or lower should we make additional decisions in future periods that impact our reorganization efforts.

We also engaged in certain smaller scale restructure actions in 2019 to centralize and migrate certain operational functions and systems, for which we recognized \$10 million in restructuring and related reorganization charges during the three months ended March 31, 2019, which were primarily related to severance and benefits.

Operating Loss

	Three months ended March 31,		% Change
	2020	2019	
	(\$ in millions)		
Operating loss	\$ (1,294)	\$ (131)	888%
% of revenue	(58.6)%	(5.0)%	

Operating loss increased for the three months ended March 31, 2020, compared to the same period in 2019, primarily due to the goodwill and intangible asset impairment charges mentioned above as well as declining revenue in the current year resulting from the COVID-19 pandemic.

Adjusted EBITDA by Segment

	Three months ended March 31,		% Change
	2020	2019	
	(\$ in millions)		
Retail	\$ 22	\$ 195	(88)%
B2B	26	72	(65)%
trivago	(1)	24	N/A
Unallocated overhead costs (Corporate) ⁽¹⁾	(123)	(115)	7 %
Total Adjusted EBITDA ⁽²⁾	\$ (76)	\$ 176	N/A

(1) Includes immaterial operating results of Bodybuilding.com subsequent to our acquisition on July 26, 2019.

(2) Adjusted EBITDA is a non-GAAP measure. See "Definition and Reconciliation of Adjusted EBITDA" below for more information.

Adjusted EBITDA is our primary segment operating metric. See Note 10 – Segment Information in the notes to the consolidated financial statements for additional information on intersegment transactions, unallocated overhead costs and for a reconciliation of Adjusted EBITDA by segment to net income (loss) attributable to Expedia Group, Inc. for the periods presented above.

Our Retail, B2B and trivago segment Adjusted EBITDA all declined during the three months ended March 31, 2020, compared to the same period in 2019, resulting from impacts of the COVID-19 pandemic as revenue decreased for the current year period, partially offset by a decline in direct sales and marketing expense.

Unallocated overhead costs increased \$8 million during the three months ended March 31, 2020, compared to the same period in 2019, primarily due to higher general and administrative expenses.

Interest Income and Expense

	Three months ended March 31,		% Change
	2020	2019	
	(\$ in millions)		
Interest income	\$ 10	\$ 11	(11)%
Interest expense	(50)	(41)	22 %

Interest income decreased for the three months ended March 31, 2020, compared to the same period in 2019, as a result of lower rates of return, partially offset by higher invested balances. Interest expense increased for the three months ended March 31, 2020, compared to the same period in 2019, as a result of additional interest on the \$1.25 billion senior unsecured notes issued in September 2019.

Other, Net

Other, net is comprised of the following:

	Three months ended March 31,	
	2020	2019
	(\$ in millions)	
Foreign exchange rate gains (losses), net	\$ 45	\$ (14)
Gains (losses) on minority equity investments, net	(188)	22
Other	(2)	12
Total other, net	\$ (145)	\$ 20

During the three months ended March 31, 2020, (gains) losses on minority equity investments, net included a \$113 million impairment loss related to a minority investment as well as \$75 million of mark-to-market losses related to our publicly traded marketable equity investment, Despegar. Gains recorded during the three months ended March 31, 2019 primarily relate to Despegar. See Note 3 – Fair Value Measurements in the notes to the consolidated financial statements for further information.

Provision for Income Taxes

	Three months ended March 31,		% Change
	2020	2019	
	(\$ in millions)		
Provision for income taxes	\$ (82)	\$ (41)	100%
Effective tax rate	5.6%	29.2%	

Ordinarily, our interim provision for income taxes is determined using an estimate of our annual effective tax rate (“estimated annual effective tax rate method”), and we record any changes affecting the estimated annual effective tax rate in the interim period in which the change occurs, including discrete tax items. Due to the COVID-19 pandemic and difficulty forecasting the fiscal year 2020 mix of income by jurisdiction, we determined the estimated annual effective rate method would not provide a reliable estimate of the Company’s overall annual effective tax rate. As such, we have calculated the tax provision using the actual effective rate for the three months ended March 31, 2020.

For the three months ended March 31, 2020, the effective tax rate was a 5.6% benefit on a pre-tax loss, compared to a 29.2% benefit on a pre-tax loss for the three months ended March 31, 2019. The change in the effective tax rate was primarily driven by the mix of income across jurisdictions, nondeductible impairment charges and a valuation allowance principally related to unrealized capital losses in the first quarter of 2020.

We are subject to taxation in the United States and various other state and foreign jurisdictions. We are under examination by the Internal Revenue Service (“IRS”) for our 2011 to 2013 tax years. During the fourth quarter of 2019, the IRS issued final adjustments related to transfer pricing with our foreign subsidiaries for our 2011 to 2013 audit cycle. The proposed adjustments would increase our U.S. taxable income by \$696 million, which would result in federal tax of approximately \$244 million subject to interest. We do not agree with the proposed adjustments and are formally protesting the IRS position. Subsequent years remain open to examination by the IRS. We do not anticipate a significant impact to our gross unrecognized tax benefits within the next 12 months related to these years.

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act, which, along with earlier issued IRS guidance, provides for deferral of certain taxes. The CARES Act, among other things, also contains numerous other provisions which may benefit the Company. We continue to assess the effect of the CARES Act and ongoing government guidance related to COVID-19 that may be issued.

Definition and Reconciliation of Adjusted EBITDA

We report Adjusted EBITDA as a supplemental measure to U.S. generally accepted accounting principles (“GAAP”). Adjusted EBITDA is among the primary metrics by which management evaluates the performance of the business and on which internal budgets are based. Management believes that investors should have access to the same set of tools that management uses to analyze our results. This non-GAAP measure should be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for or superior to GAAP. Adjusted EBITDA has certain limitations in that it does not take into account the impact of certain expenses to our consolidated statements of operations. We endeavor to compensate for the limitation of the non-GAAP measure presented by also providing the most directly comparable GAAP measure and a description of the reconciling items and adjustments to derive the non-GAAP measure.

Adjusted EBITDA also excludes certain items related to transactional tax matters, which may ultimately be settled in cash, and we urge investors to review the detailed disclosure regarding these matters included above, in the Legal Proceedings section, as well as the notes to the financial statements. The non-GAAP financial measure used by the Company may be calculated differently from, and therefore may not be comparable to, similarly titled measures used by other companies.

Adjusted EBITDA is defined as net income (loss) attributable to Expedia Group adjusted for (1) net income (loss) attributable to non-controlling interests; (2) provision for income taxes; (3) total other expenses, net; (4) stock-based compensation expense, including compensation expense related to certain subsidiary equity plans; (5) acquisition-related impacts, including (i) amortization of intangible assets and goodwill and intangible asset impairment, (ii) gains (losses) recognized on changes in the value of contingent consideration arrangements, if any, and (iii) upfront consideration paid to settle employee compensation plans of the acquiree, if any; (6) certain other items, including restructuring; (7) items included in legal reserves, occupancy tax and other; (8) that portion of gains (losses) on revenue hedging activities that are included in other, net that relate to revenue recognized in the period; and (9) depreciation.

The above items are excluded from our Adjusted EBITDA measure because these items are noncash in nature, or because the amount and timing of these items is unpredictable, not driven by core operating results and renders comparisons with prior periods and competitors less meaningful. We believe Adjusted EBITDA is a useful measure for analysts and investors to evaluate our future on-going performance as this measure allows a more meaningful comparison of our performance and projected cash earnings with our historical results from prior periods and to the results of our competitors. Moreover, our management uses this measure internally to evaluate the performance of our business as a whole and our individual business segments. In addition, we believe that by excluding certain items, such as stock-based compensation and acquisition-related impacts, Adjusted EBITDA corresponds more closely to the cash operating income generated from our business and allows investors to gain an understanding of the factors and trends affecting the ongoing cash earnings capabilities of our business, from which capital investments are made and debt is serviced.

The reconciliation of net loss attributable to Expedia Group, Inc. to Adjusted EBITDA is as follows:

	Three months ended March 31,	
	2020	2019
	(In millions)	
Net loss attributable to Expedia Group, Inc.	\$ (1,301)	\$ (103)
Net income (loss) attributable to non-controlling interests	(96)	3
Provision for income taxes	(82)	(41)
Total other expense, net	185	10
Operating loss	(1,294)	(131)
Gain (loss) on revenue hedges related to revenue recognized	(6)	3
Restructuring and related reorganization charges	75	10
Legal reserves, occupancy tax and other	(21)	10
Stock-based compensation	55	56
Depreciation and amortization	229	228
Impairment of goodwill	765	—
Impairment of intangible assets	121	—
Adjusted EBITDA	\$ (76)	\$ 176

Financial Position, Liquidity and Capital Resources

Our principal sources of liquidity are typically cash flows generated from operations, cash available under our revolving credit facility as well as our cash and cash equivalents and short-term investment balances, which were \$4.1 billion and \$3.8 billion at March 31, 2020 and December 31, 2019. As of March 31, 2020, the total cash and cash equivalents and short-term investments held outside the United States was \$888 million (\$656 million in wholly-owned foreign subsidiaries and \$232 million in majority-owned subsidiaries).

Managing our balance sheet prudently and maintaining appropriate liquidity are high priorities during the current COVID-19 pandemic. In order to best position the Company to navigate our temporary working capital changes and depressed revenue, we have taken a number of actions to bolster our liquidity and preserve financial flexibility, including:

- *Suspension of Share Repurchases.* We have not repurchased any shares since our last earnings call on February 13, 2020, and have suspended future share repurchases.

- *Suspension of Quarterly Dividends.* We do not expect to declare quarterly dividends on our common stock, at least until the current economic and operating environment improves.
- *Credit Facility Draw.* On March 18, 2020, we increased our cash on hand by borrowing \$1.9 billion under our \$2 billion revolving credit facility. The revolving credit facility bore interest based on the Company's credit ratings with the applicable interest rate on drawn amounts at LIBOR plus 112.5 basis points, or 2.01%, and the commitment fee on undrawn amounts at 15 basis points as of March 31, 2020. The proceeds from the draw are available to be used for general corporate purposes, including working capital. This existing revolving credit facility was subsequently amended in May 2020 as discussed below.
- *Private Equity Investment.* On April 23, 2020, we entered into an investment agreement with AP Fort Holdings, L.P., an affiliate of Apollo Global Management, Inc., and an investment agreement with SLP Fort Aggregator II, L.P. and SLP V Fort Holdings II, L.P., affiliates of Silver Lake Group, L.L.C., to raise approximately \$1.2 billion in gross proceeds in a private placement of shares of a newly created series of preferred stock and warrants to purchase our common stock. The transaction was completed on May 5, 2020.
- *Senior Notes Issuance.* On May 5, 2020, we privately placed \$2 billion of unsecured 6.250% senior notes that are due in May 2025 (the "6.25% Notes") and \$750 million of unsecured 7.000% senior notes due May 2025 (the "7.0% Notes", and, together with the 6.25% Notes, the "6.25% and 7.0% Notes"). The 7.0% notes have certain redemption provisions starting with the second anniversary of the issuance. The 6.25% and 7.0 % Notes were issued at a price of 100% of the aggregate principal amount. Interest is payable semi-annually in arrears in May and November of each year, beginning November 1, 2020. We expect to use the net proceeds of this offering for general corporate purposes, which may include, but are not limited to, the repayment or redemption of our 5.95% senior notes due 2020.
- *Credit Facility Amendment.* In connection with the issuance of the Notes and private placement transaction, on May 4, 2020, we executed a restatement agreement, which amends and restates our existing revolving credit facility (as amended and restated, the "Amended Credit Facility") to, among other things, provide additional flexibility under pliable covenant provisions.

Our credit ratings are periodically reviewed by rating agencies. As of March 31, 2020, Moody's rating was Baa3 with an outlook of "negative," S&P's rating was BBB with an outlook of "watch negative" and Fitch's rating was BBB- with an outlook of "negative." Subsequent to quarter end, S&P downgraded its ratings to BBB- with an outlook of "negative." The recent rating agency downgrades were in connection with the severe disruption to global travel caused by the COVID-19 pandemic. Changes in our operating results, cash flows, financial position, capital structure, financial policy or capital allocations to share repurchase, dividends, investments and acquisitions could impact the ratings assigned by the various rating agencies. Should our credit ratings be adjusted downward, we may incur higher costs to borrow and/or limited access to capital markets and interest rates on the 6.25% and 7.0% Notes issued in May 2020 will increase, which could have a material impact on our financial condition and results of operations.

As of March 31, 2020, we were in compliance with the covenants and conditions in our revolving credit facility and outstanding debt, which was comprised of \$750 million in registered senior unsecured notes due in August 2020 that bear interest at 5.95%, \$500 million in registered senior unsecured notes due in August 2024 that bear interest at 4.5%, Euro 650 million of registered senior unsecured notes due in June 2022 that bear interest at 2.5%, \$750 million of registered senior unsecured notes due in February 2026 that bear interest at 5.0%, \$1 billion of registered senior unsecured notes due in February 2028 that bear interest at 3.8% and \$1.25 billion in registered senior unsecured notes due in February 2030 that bear interest at 3.25%.

Under the merchant model, we receive cash from travelers at the time of booking and we record these amounts on our consolidated balance sheets as deferred merchant bookings. We pay our airline suppliers related to these merchant model bookings generally within a few weeks after completing the transaction. For most other merchant bookings, which is primarily our merchant lodging business, we generally pay after the travelers' use and, in some cases, subsequent billing from the hotel suppliers. Therefore, generally we receive cash from the traveler prior to paying our supplier, and this operating cycle represents a working capital source of cash to us. Typically, the seasonal fluctuations in our merchant hotel bookings have affected the timing of our annual cash flows. Generally, during the first half of the year, hotel bookings have traditionally exceeded stays, resulting in much higher cash flow related to working capital. During the second half of the year, this pattern typically reverses and cash flows are typically negative. With the impacts of the COVID-19 pandemic, including the high degree of cancellations and customer refunds and the lower new bookings in the merchant business model, these seasonal influences and the working capital source of cash to us has been significantly disrupted resulting in the Company temporarily experiencing unfavorable working capital trends and material negative cash flow. This is expected to continue until cancellations stabilize and travel demand begins to recover from current levels, at which time we expect merchant bookings and cash flow to increase.

Prior to COVID-19, we embarked on an ambitious cost reduction initiative to simplify the organization and increase efficiency. In response to COVID-19, Expedia Group has taken several additional actions to further reduce costs to help mitigate the financial impact from COVID-19 and continue to improve our long-term cost structure. In addition, certain capital expenditures have been deferred, including temporarily halting construction on several real estate projects, and we continue to evaluate opportunities to defer other capital expenditures that are not critical to our operations. After temporarily halting construction on our new headquarters during initial quarantine orders, we recently restarted construction. We expect to spend approximately \$900 million in total for the project. Of the total, approximately \$680 million was spent between 2016 and 2019, and approximately \$80 million was spent during the first quarter of 2020. Due to the delays related to COVID-19, we now expect the project to be complete in the first half of 2021.

Our cash flows are as follows:

	Three months ended March 31,		
	2020	2019	\$ Change
	(In millions)		
Cash provided by (used in):			
Operating activities	\$ (784)	\$ 2,149	\$ (2,933)
Investing activities	32	(706)	738
Financing activities	1,517	21	1,496
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash and cash equivalents	(141)	(11)	(130)

For the three months ended March 31, 2020, net cash used in operating activities was \$784 million compared to cash provided by operations of \$2,149 million for the three months ended March 31, 2019 with the change due to a significant use of cash for working capital changes in the current year compared to a prior year cash benefit from working capital driven by the COVID-19 pandemic. Merchant accounts payable was a larger driver of the use of working capital due to a significant decrease in stayed room nights in the current quarter. In our typical seasonal pattern, we usually generate strong cash flow in the first quarter from new merchant bookings. The significant increase in refunds that we experienced related to travel impacted by COVID-19 led to materially negative cash flow in March 2020, offsetting the increase in merchant bookings earlier in the quarter. We expect the impact from COVID-19 on travel to continue to impact our cash balance and overall liquidity position until cancellations stabilize and travel demand begins to recover from current levels.

For the three months ended March 31, 2020 cash provided by investing activities was \$32 million compared to cash used in investing activities of \$706 million for the three months ended March 31, 2019. The change was due to net sales and maturities of investments of \$300 million during the current year period compared to net purchases of investments of \$438 million in the prior year.

For the three months ended March 31, 2020, cash provided by financing activities primarily included \$1.9 billion of proceeds from our revolving credit facility draw as well as \$86 million of proceeds from the exercise of options and employee stock purchase plans, partially offset by cash paid to acquire shares of \$410 million, including the repurchased shares under the authorization discussed below, and cash dividend payments of \$48 million. For the three months ended March 31, 2019, cash provided by financing activities primarily included \$91 million of proceeds from the exercise of options and employee stock purchase plans, partially offset by cash dividend payments of \$47 million and treasury stock activity related to the vesting of equity instruments of \$25 million.

During the three months ended March 31, 2020, we repurchased, through open market transactions, 3.4 million shares under share authorizations for a total cost of \$370 million, excluding transaction costs. As previously noted, we have since halted future share repurchases. As of March 31, 2020, there were approximately 23.3 million shares remaining under our authorizations. There is no fixed termination date for the repurchases. We did not repurchase any shares through open market transactions during the three months ended March 31, 2019.

During the first three months of 2020 and 2019, the Executive Committee, acting on behalf of the Board of Directors, declared and we paid the following dividends:

Declaration Date	Dividend Per Share	Record Date	Total Amount (in millions)	Payment Date
Three Months Ended March 31, 2020				
February 13, 2020	\$ 0.34	March 10, 2020	\$ 48	March 26, 2020
Three Months Ended March 31, 2019				
February 6, 2019	0.32	March 7, 2019	47	March 27, 2019

The Company does not expect to make future quarterly dividend payments on our common stock, at least until the current economic and operating environment improves. Future declarations of dividends are subject to final determination by our Board of Directors.

Foreign exchange rate changes resulted in a decrease of our cash and restricted cash balances denominated in foreign currency during the three months ended March 31, 2020 of \$141 million reflecting a net depreciation in foreign currencies relative to the U.S. dollar during the period. Foreign exchange rate changes resulted in a decrease of our cash and restricted cash balances denominated in foreign currency during the three months ended March 31, 2019 of \$11 million.

In our opinion, our liquidity position provides sufficient capital resources to meet our foreseeable cash needs. There can be no assurance, however, that the cost or availability of future borrowings, including refinancings, if any, will be available on terms acceptable to us.

Summarized Financial Information for Guarantors and the Issuer of Guaranteed Securities

Summarized financial information of Expedia Group, Inc. (the “Parent”) and our subsidiaries that are guarantors of our debt facility and instruments (the “Guarantor Subsidiaries”) is shown below on a combined basis as the “Obligor Group.” The debt facility and instruments are guaranteed by certain of our wholly-owned domestic subsidiaries and rank equally in right of payment with all of our existing and future unsecured and unsubordinated obligations. The guarantees are full, unconditional, joint and several with the exception of certain customary automatic subsidiary release provisions. In this summarized financial information of the Obligor Group, all intercompany balances and transactions between the Parent and Guarantor Subsidiaries have been eliminated and all information excludes subsidiaries that are not issuers or guarantors of our debt facility and instruments, including earnings from and investments in these entities.

	December 31, 2019	March 31, 2020
	(In millions)	
Combined Balance Sheets Information:		
Current Assets ⁽¹⁾	\$ 6,185	\$ 6,291
Non-Current Assets	10,320	9,783
Current Liabilities	9,486	8,366
Non-Current Liabilities	4,710	6,609
	Year Ended December 31, 2019	Three Months Ended March 31, 2020
Combined Statements of Operations Information:		
Revenue	\$ 9,463	\$ 1,782
Operating income (loss) ⁽²⁾	420	(1,031)
Net income (loss)	195	(1,044)
Net income (loss) attributable to Obligor	198	(1,043)

(1) Current assets include intercompany receivables with non-guarantors of \$1.0 billion as of December 31, 2019 and \$640 million as of March 31, 2020.

(2) Operating income (loss) includes intercompany expenses with non-guarantors of 1.2 billion for the year ended December 31, 2019 and \$313 million for the three months ended March 31, 2020.

Contractual Obligations, Commercial Commitments and Off-balance Sheet Arrangements

There have been no material changes outside the normal course of business to our contractual obligations and commercial

commitments since December 31, 2019. Other than our contractual obligations and commercial commitments, we did not have any off-balance sheet arrangements as of March 31, 2020 or December 31, 2019.

Part I. Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market Risk Management

There have been no material changes in our market risk during the three months ended March 31, 2020. For additional information, see Item 7A, Quantitative and Qualitative Disclosures About Market Risk, in Part II of our Annual Report on Form 10-K for the year ended December 31, 2019.

Part I. Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures.

As required by Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), our management, including our Chairman and Senior Executive, Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act). Based upon that evaluation, our Chairman and Senior Executive, Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective.

Changes in internal control over financial reporting.

There were no changes to our internal control over financial reporting that occurred during the quarter ended March 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. Item 1. Legal Proceedings

In the ordinary course of business, Expedia Group and its subsidiaries are parties to legal proceedings and claims involving property, tax, personal injury, contract, alleged infringement of third-party intellectual property rights and other claims. A discussion of certain legal proceedings can be found in the section titled “Legal Proceedings,” of our Annual Report on Form 10-K for the year ended December 31, 2019. The following are developments regarding, as applicable, such legal proceedings and/or new legal proceedings:

Litigation Relating to Occupancy and Other Taxes

City of San Antonio, Texas Litigation. On May 11, 2020, the United States Fifth Circuit Court of Appeals affirmed the district court’s award to the defendant online travel companies of over \$2 million in appeal bond costs against the city.

Pine Bluff, Arkansas Litigation. The prosecuting attorney for the Arkansas Sixth Judicial District filed a complaint in intervention, purportedly on behalf of the State of Arkansas, which the trial court granted, over the defendant online travel companies’ objections, in an order dated February 19, 2020. Defendants filed a motion to dismiss the complaint in intervention on March 20, 2020, which the court denied on May 11, 2020, and the intervenor filed a motion for partial summary judgment on liability on March 26, 2020, which remains pending.

State of Mississippi Litigation. On March 5, 2020, the parties filed cross motions for summary judgment on damages issues; a hearing on those motions is currently scheduled for June 17, 2020. A trial on damages issues is currently scheduled for October 2020.

State of Louisiana/City of New Orleans Litigation. On April 22, 2020, the trial court granted Calcasieu Parish Sales and Use Tax Department’s motion for leave to intervene.

Palm Beach, Florida Litigation. On March 25, 2020, the Florida Fourth District Court of Appeals affirmed the trial court’s decision that defendants are not subject to tax. On April 23, 2020, the plaintiff filed a motion for rehearing, rehearing en banc and certification of the Appeals Court’s decision as to the other defendants but did not challenge the decision as to the HomeAway entities. As a result, the decision is final and the case is over for HomeAway.

Miami Dade County, Florida Litigation. The parties reached a settlement agreement and, on April 7, 2020, the plaintiff filed a notice of voluntary dismissal without prejudice, thereby ending the proceeding.

Non-Tax Litigation and Other Legal Proceedings

Putative Class Action Litigation

Buckeye Tree Lodge Lawsuit. Plaintiffs filed a motion for summary judgment on January 21, 2020. Expedia filed a cross motion for summary judgment on February 19, 2020. The court has scheduled a hearing on those motions for June 25, 2020. The June 2020 trial date has been vacated.

Cases against HomeAway.com, Inc. On April 21, 2020, the district court denied plaintiffs’ motion for class certification. On May 1, 2020, plaintiffs filed a motion for reconsideration from that decision. On May 5, 2020, plaintiffs filed a petition for permission to appeal to the Fifth Circuit.

Other Legal Proceedings

New York City Litigation. On February 14, 2020, the court stayed the proceedings to allow the parties to explore settlement discussions.

Helms-Burton Litigation. The Expedia Defendants’ motions to dismiss are pending in the *Echevarria* (No. 1:19-cv-22620-FAM), *Trinidad, Del Valle* and *Glen* cases. All deadlines in both *Echevarria* cases and the *Trinidad* case are stayed until May 25, 2020. The *Mata* action has been administratively adjourned until the parties agree to recommence the action and related jurisdictional discovery.

In re Expedia Group, Inc. Stockholders Litigation. On April 13, 2020, the court granted the Special Litigation Committee’s motion for an extension and extended the stay until September 11, 2020.

Competition and Consumer Matters

Over the last several years, the online travel industry has become the subject of investigations by various national competition authorities (“NCAs”), particularly in Europe. Expedia Group companies are or have been involved in

investigations predominately related to whether certain parity clauses in contracts between Expedia Group entities and accommodation providers, sometimes also referred to as “most favored nation” or “MFN” provisions, are anti-competitive.

In Europe, investigations or inquiries into contractual parity provisions between hotels and online travel companies, including Expedia Group companies, were initiated in 2012, 2013 and 2014 by NCAs in Austria, Belgium, Czech Republic, Denmark, France, Germany, Greece, Hungary, Ireland, Italy, Poland, Sweden and Switzerland. While the ultimate outcome of some of these investigations or inquiries remains uncertain, and the Expedia Group companies’ circumstances are distinguishable from other online travel companies subject to similar investigations and inquiries, we note in this context that on April 21, 2015, the French, Italian and Swedish NCAs, working in close cooperation with the European Commission, announced that they had accepted formal commitments offered by Booking.com to resolve and close the investigations against Booking.com in France, Italy and Sweden by Booking.com removing and/or modifying certain rate, conditions and availability parity provisions in its contracts with accommodation providers in France, Italy and Sweden as of July 1, 2015, among other commitments. Booking.com voluntarily extended the geographic scope of these commitments to accommodation providers throughout Europe as of the same date.

With effect from August 1, 2015, Expedia Group companies waived certain rate, conditions and availability parity clauses in agreements with European hotel partners for a period of five years. While the Expedia Group companies maintain that their parity clauses have always been lawful and in compliance with competition law, these waivers were nevertheless implemented as a positive step towards facilitating the closure of the open investigations into such clauses on a harmonized pan-European basis. Following the implementation of the Expedia Group companies’ waivers, nearly all NCAs in Europe have announced either the closure of their investigation or inquiries involving Expedia Group companies or a decision not to open an investigation or inquiry involving Expedia Group companies. Below are descriptions of additional rate parity-related matters of note in Europe.

The German Federal Cartel Office (“FCO”) has required another online travel company, Hotel Reservation Service (“HRS”), to remove certain clauses from its contracts with hotels. HRS’ appeal of this decision was rejected by the Higher Regional Court Düsseldorf on January 9, 2015. On December 23, 2015, the FCO announced that it had also required Booking.com by way of an infringement decision to remove certain clauses from its contracts with German hotels. Booking.com has appealed the decision and the appeal was heard by the Higher Regional Court Düsseldorf on February 8, 2017. On June 4, 2019, the Higher Regional Court Düsseldorf issued its judgment in this matter and ruled that certain parity clauses are in compliance with applicable German and European competition rules and the FCO’s prohibition order against Booking.com was annulled. The decision is not yet final as the FCO has applied to the German Federal Supreme Court to admit an appeal from the decision. The FCO’s case against the Expedia Group companies’ contractual parity provisions with accommodation providers in Germany remains open but is still at a preliminary stage with no formal allegations of wrong doing having been communicated to the Expedia Group companies to date.

The Italian competition authority’s case closure decision against Booking.com and Expedia Group companies has subsequently been appealed by two Italian hotel trade associations, i.e. Federalberghi and AICA. The Federalberghi appeal remains at an early stage and no hearing date has been fixed; the AICA appeal was cancelled for lack of interest of the AICA on December 12, 2019.

On November 6, 2015, the Swiss competition authority announced that it had issued a final decision finding certain parity terms existing in previous versions of agreements between Swiss hotels and each of certain Expedia Group companies, Booking.com and HRS to be prohibited under Swiss law. The decision explicitly notes that the Expedia Group companies’ current contract terms with Swiss hotels are not subject to this prohibition. The Swiss competition authority imposed no fines or other sanctions against the Expedia Group companies and did not find an abuse of a dominant market position by the Expedia Group companies.

On December 10, 2019, the French Competition Authority dismissed all antitrust complaints filed by hotel unions and Accor against Expedia Group companies regarding MFNs and other alleged business practices.

The Directorate General for Competition, Consumer Affairs and Repression of Fraud (the “DGCCRF”), a directorate of the French Ministry of Economy and Finance with authority over unfair trading practices, brought a lawsuit in France against Expedia Group companies objecting to certain parity clauses in contracts between Expedia Group companies and French hotels. In May 2015, the French court ruled that certain of the parity provisions in certain contracts that were the subject of the lawsuit were not in compliance with French commercial law but imposed no fine and no injunction. The DGCCRF appealed the decision and, on June 21, 2017, the Paris Court of Appeal published a judgment overturning the decision. The court annulled parity clauses contained in the agreements at issue, ordered the Expedia Group companies to amend their contracts, and imposed a fine. The Expedia Group companies have appealed the decision. That appeal remains pending.

Hotelverband Deutschland (“IHA”) e.V. (a German hotel association) brought proceedings before the Cologne regional court against Expedia, Inc., Expedia.com GmbH and Expedia Lodging Partner Services Sàrl. IHA applied for a ‘cease and

desist' order against these companies in relation to the enforcement of certain rate and availability parity clauses contained in contracts with hotels in Germany. On or around February 16, 2017, the court dismissed IHA's action and declared the claimant liable for the Expedia Group defendants' statutory costs. IHA appealed the decision and, on December 4, 2017, the Court of Appeals rejected IHA's appeal. The Court of Appeals expressly confirmed that Expedia Group's MFNs are in compliance both with European and German competition law. While IHA had indicated an intention to appeal the decision to the Federal Supreme Court, it has not lodged an appeal within the applicable deadline, with the consequence that the Court of Appeals judgment has now become final.

A working group of 10 European NCAs (Belgium, Czech Republic, Denmark, France, Hungary, Ireland, Italy, Netherlands, Sweden and the United Kingdom) and the European Commission has been established by the European Competition Network ("ECN") at the end of 2015 to monitor the functioning of the online hotel booking sector, following amendments made by a number of online travel companies (including Booking.com and Expedia Group companies) in relation to certain parity provisions in their contracts with hotels. The working group issued questionnaires to online travel agencies including Expedia Group companies, metasearch sites and hotels in 2016. The underlying results of the ECN monitoring exercise were published on April 6, 2017.

Legislative bodies in France (July 2015), Austria (December 2016), Italy (August 2017) and Belgium (August 2018) have also adopted new domestic anti-parity clause legislation. Expedia Group believes each of these pieces of legislation violates both EU and national legal principles and therefore, Expedia Group companies have challenged these laws at the European Commission. A motion requesting the Swiss government to take action on narrow price parity has been adopted in the Swiss parliament. The Swiss government is now required to draft legislation implementing the motion. The Company is unable to predict whether and with what content legislation will ultimately be adopted and, if so, when this might be the case. It is not yet clear how any adopted domestic anti-parity clause legislations and/or any possible future legislation in this area may affect Expedia Group's business.

Outside of Europe, a number of NCAs have also opened investigations or inquired about contractual parity provisions in contracts between hotels and online travel companies in their respective territories, including Expedia Group companies. A Brazilian hotel sector association -- Forum de Operadores Hoteleiros do Brasil -- filed a complaint with the Brazilian Administrative Council for Economic Defence ("CADE") against a number of online travel companies, including Booking.com, Decolar.com and Expedia Group companies, on July 27, 2016 with respect to parity provisions in contracts between hotels and online travel companies. On September 13, 2016, the Expedia Group companies submitted a response to the complaint to CADE. On March 27, 2018, the Expedia Group companies resolved CADE's concerns based on a settlement implementing waivers substantially similar to those provided to accommodation providers in Europe. In late 2016, Expedia Group companies resolved the concerns of the Australia and New Zealand NCAs based on implementation of the waivers substantially similar to those provided to accommodation providers in Europe (on September 1, 2016 in Australia and on October 28, 2016 in New Zealand). On and with effect from March 22, 2019, Expedia Group voluntarily and unilaterally waived certain additional rate parity provisions in agreements with Australian hotel partners. The ACCC confirmed it has ceased its investigation into Expedia Group companies' conduct in relation to such rate parity provisions in around November 2019. Expedia Group companies are in ongoing discussions with a limited number of NCAs in other countries in relation to their contracts with hotels. In April 2019, the Japan Fair Trade Commission ("JFTC") launched an investigation into certain practices of a number of online travel companies, including Expedia Group companies. Expedia Group is cooperating with the JFTC in this investigation. The Hong Kong Competition Commission ("HKCC") is conducting an investigation into certain terms and conditions in contracts entered into between online travel companies (including Expedia Group companies) and hotels. Expedia Group has agreed to a set of voluntary commitments with the HKCC to waive certain rate, conditions and availability parity clauses in certain agreements with Hong Kong hotel partners. The commitments have been published on the HKCC's public register. In February 2020, the Korean Fair Trade Commission ("KFTC") issued a request for information relating to hotel contracts entered into by Expedia Group companies. Expedia Group is cooperating with the KFTC. Expedia Group is currently unable to predict the impact the implementation of the waivers both in Europe and elsewhere will have on Expedia Group's business, on investigations or inquiries by NCAs in other countries, or on industry practice more generally.

In addition, regulatory authorities in Europe (including the UK Competition and Markets Authority, or "CMA"), Australia, and elsewhere have initiated legal proceedings and/or undertaken market studies, inquiries or investigations relating to online marketplaces and how information is presented to consumers using those marketplaces, including practices such as search results rankings and algorithms, discount claims, disclosure of charges, and availability and similar messaging.

On June 28, 2018, the CMA announced that it will be requiring hotel booking websites to take action to address concerns identified in the course of its ongoing investigation. After consulting with the CMA, on January 31, 2019, we agreed to offer certain voluntary undertakings with respect to the presentation of information on certain of our UK consumer-facing websites in order to address the CMA's concerns. On February 4, 2019, the CMA confirmed that, as a result of the undertakings offered, it has closed its investigation without any admission or finding of liability. The undertakings become effective on September 1,

2019. On October 21, 2019, the Italian Competition Authority announced that it had accepted Expedia's voluntary undertakings with respect to the presentation of information on its Italian website and closed the proceedings against Expedia without any admission or finding of liability. The undertakings became effective on September 1, 2019.

On August 23, 2018, the Australian Competition and Consumer Commission, or "ACCC", instituted proceedings in the Australian Federal Court against trivago. The ACCC alleged breaches of Australian Consumer Law, or "ACL," relating to trivago's advertisements in Australia concerning the hotel prices available on trivago's Australian site, trivago's strike-through pricing practice and other aspects of the way offers for accommodation were displayed on trivago's Australian website. The matter went to trial in September 2019 and, on January 20, 2020, the Australian Federal Court issued a judgment finding trivago had engaged in conduct in breach of the ACL. On March 4, 2020, trivago filed a notice of appeal of part of that judgment at the Australian Federal Court. The appeal is scheduled to be heard on July 20-21, 2020. The court has yet to set a date for a separate trial regarding penalties and other orders. We recorded the estimated probable loss associated with the proceedings as of December 31, 2019. An estimate for the reasonable possible loss or range of loss in excess of the amount reserved cannot be made.

We are cooperating with regulators in the investigations described above where applicable, but we are unable to predict what, if any, effect such actions will have on our business, industry practices or online commerce more generally. Other than described above, we have not accrued a reserve in connection with the market studies, investigations, inquiries or legal proceedings described above either because the likelihood of an unfavorable outcome is not probable, or the amount of any loss is not estimable.

Part II. Item 1A. Risk Factors

In addition to the below risk factor and the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A, “Risk Factors,” in our Annual Report on Form 10-K for the year ended December 31, 2019, and in our Current Report on Form 8-K, filed with the SEC on April 23, 2020, which could materially affect our business, financial condition or future results. These are not the only risks facing the Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

The COVID-19 pandemic has had, and is expected to continue to have, a material adverse impact on the travel industry and our business, financial performance and liquidity position.

The COVID-19 pandemic has severely restricted the level of economic activity around the world, and is having an unprecedented effect on the global travel industry. In response to the pandemic, the governments of many countries, states, cities and other geographic regions have implemented containment measures, such as imposing restrictions on travel and business operations and advising or requiring individuals to limit or forgo their time outside of their homes. Individuals’ ability to travel has been curtailed through border closures, mandated travel restrictions and limited operations of hotels and airlines, and may be further limited through additional voluntary or mandated closures of travel-related businesses.

The measures implemented to contain the COVID-19 pandemic have had, and are expected to continue to have, a significant negative effect on our business, financial condition, results of operations, cash flows and liquidity position. In particular, such measures have led to unprecedented levels of cancellations and limited new travel bookings. Moreover, we have modified our cancellation policies in light of the COVID-19 pandemic. For example, on near-term hotel bookings with non-refundable rates impacted by COVID-19, we have been providing refunds where hotels agree to make the booking refundable; otherwise, we have offered customers credit toward a future booking. We continue to adapt our cancellation policies as the situation evolves. The significant increase in refunds that we have been experiencing has led to materially negative cash flow, which we expect will lead to further declines in our cash balance and overall liquidity position until cancellations stabilize and travel demand begins to recover from current levels. Moreover, any additional measures or changes in laws or regulations, whether in the United States or other countries, that further impair the ability or desire of individuals to travel, including laws or regulations banning travel, requiring the closure of hotels or other travel-related businesses (such as restaurants) or otherwise restricting travel due to the risk of the spreading of COVID-19, may exacerbate the negative impact of the COVID-19 pandemic on our business, financial condition, results of operations, cash flows and liquidity position.

The duration and severity of the COVID-19 pandemic are uncertain and difficult to predict. The pandemic could continue to impede global economic activity for an extended period, even as restrictions are lifted, leading to decreased per capita income and disposable income, increased and sustained unemployment or a decline in consumer confidence, all of which could significantly reduce discretionary spending by individuals and businesses on travel. In turn, that could have a negative impact on demand for our services and could lead our partners, or us, to reduce prices or offer incentives to attract travelers. We also cannot predict the long-term effects of the COVID-19 pandemic on our partners and their business and operations or the ways that the pandemic may fundamentally alter the travel industry. The aforementioned circumstances could result in a material adverse impact on our business, financial condition, results of operations and cash flows, potentially for a prolonged period.

While we have undertaken certain actions to attempt to mitigate the effects of COVID-19 on our business, our cost-savings activities may lead to disruptions in our business, inability to enhance or preserve our brand awareness, reduced employee morale and productivity, increased attrition, and problems retaining existing and recruiting future employees, all of which could have a material adverse impact on our business, financial condition, results of operations and cash flows. For the reasons set forth above and other reasons that may come to light as the COVID-19 pandemic and containment measures expand, it is difficult to estimate with accuracy the impact to our future revenues, results of operations, cash flows, liquidity or financial condition, but such impacts have been and will continue to be significant and could continue to have a material adverse effect on our business, financial condition, results of operations, cash flows and liquidity position for the foreseeable future. In the near term, we do expect that the COVID-19 pandemic will impact our financial performance for the second quarter of 2020 more significantly than it impacted the first quarter of 2020 when the outbreak was initially limited to China and other Asian markets in January and February 2020.

Part II. Item 6. Exhibits

The exhibits listed below are filed as part of this Quarterly Report on Form 10-Q.

Exhibit No.	Exhibit Description	Filed Herewith	Incorporated by Reference		
			Form	SEC File No.	Exhibit Filing Date
3.1	Certificate of Designations with respect to Series A Preferred Stock		8-K	001-3749	3.1 5/5/2020
4.1	Investment Agreement by and between Expedia Group, Inc. and AP Fort Holdings, L.P., dated as of April 23, 2020		8-K	001-3749	4.1 4/23/2020
4.2	Investment Agreement by and between Expedia Group, Inc., SLP Fort Aggregator II, L.P. and SLP V Fort Holdings II, L.P., dated as of April 23, 2020		8-K	001-3749	4.2 4/23/2020
4.3	Indenture, dated as of May 5, 2020, among Expedia Group, Inc., the guarantors party thereto and U.S. Bank National Association relating to the 6.250% Notes		8-K	001-3749	4.1 5/5/2020
4.4	Indenture, dated as of May 5, 2020, among Expedia Group, Inc., the guarantors party thereto and U.S. Bank National Association relating to the 7.000% Notes		8-K	001-3749	4.2 5/5/2020
10.1	Amendment No. 1 to Second Amended and Restated Governance Agreement by and between Expedia Group, Inc. and Barry Diller, dated as of April 10, 2020		8-K	001-3749	10.1 4/10/2020
10.2	Restatement Agreement, dated as of May 4, 2020, among Expedia Group, Inc., the borrowing subsidiaries party thereto, the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent and London agent		8-K	001-3749	10.1 5/5/2020
10.3	Registration Rights Agreement, dated as of May 5, 2020, by and among Expedia Group, Inc., AP Fort Holdings, L.P., SLP Fort Aggregator II, L.P. and SLP V Fort Holdings II, L.P.		8-K	001-3749	10.2 5/5/2020
10.4*	Performance Stock Unit Agreement between Peter Kern and Expedia Group, Inc., dated as of February 28, 2020	X			
22	List of Guarantor Subsidiaries of Expedia Group, Inc.	X			
31.1	Certification of the Chairman and Senior Executive pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X			
31.2	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X			
31.3	Certification of the Chief Financial Officer pursuant Section 302 of the Sarbanes-Oxley Act of 2002	X			
32.1	Certification of the Chairman and Senior Executive pursuant Section 906 of the Sarbanes-Oxley Act of 2002	X			
32.2	Certification of the Chief Executive Officer pursuant Section 906 of the Sarbanes-Oxley Act of 2002	X			
32.3	Certification of the Chief Financial Officer pursuant Section 906 of the Sarbanes-Oxley Act of 2002	X			
101	The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, formatted in XBRL: (i) Consolidated Statements of Operations, (ii) Consolidated Statements of Comprehensive Income (Loss), (iii) Consolidated Balance Sheets, (iv) Consolidated Statements of Changes in Stockholders' Equity, (v) Consolidated Statements of Cash Flows, and (vi) Notes to Consolidated Financial Statements.	X			

* Indicates a management contract or compensatory plan or agreement.

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

May 20, 2020

Expedia Group, Inc.

By: _____ /s/ Eric Hart
Eric Hart
Chief Financial Officer

EXPEDIA GROUP, INC. PERFORMANCE STOCK UNIT AGREEMENT

THIS PERFORMANCE STOCK UNIT AGREEMENT, including the Performance Goal Schedule in Exhibit A attached hereto and any additional terms and conditions set forth in any appendix for the Participant's country ("**Exhibit A**," the "**Appendix**" and, collectively with the Performance Stock Unit Agreement, this "**Agreement**"), dated as of the Award Date, is concluded by and between Expedia Group, Inc., a U.S. Delaware corporation (the "**Corporation**"), and the undersigned employee of the Corporation, Affiliate or Subsidiary (the "**Participant**").

All capitalized terms used herein, to the extent not defined, shall have the meanings set forth in the Corporation's Fourth Amended and Restated 2005 Stock and Annual Incentive Plan (as amended from time to time, the "**Plan**"). Reference is made to the Summary of Award, which may be found on the Morgan Stanley *StockPlan Connect* website at www.stockplanconnect.com (or any successor system selected by the Corporation).

1. **Award, Vesting and Settlement of Performance Stock Units**

(a) Subject to the terms and conditions of the Summary of Award, this Agreement and the Plan, the Corporation hereby grants the Performance Stock Units ("**PSUs**") to the Participant pursuant to Section 7 of the Plan. The Summary of Award sets forth the target number of PSUs ("**Target PSUs**") granted to the Participant by the Corporation and the Award Date (among other information).

(b) Subject to the terms and conditions of the Summary of Award, this Agreement and the Plan, and the Participant's continuous employment by the Corporation or one of its Subsidiaries or Affiliates, or the Participant's continuous provision of services to the Corporation or one of its Subsidiaries or Affiliates, the PSUs shall vest as described in the Summary of Award based on the attainment of the Performance Goal outlined in Exhibit A. To the extent the Performance Goal has been achieved and the PSUs have vested, they shall no longer be subject to any restriction following such vesting (such period during which restrictions apply is the "**Restriction Period**").

(c) As soon as practicable after the completion of the applicable Performance Period (as defined in Exhibit A), the Committee shall determine the level of attainment of the Performance Goal. On the basis of such determination, the number of Earned PSUs (as defined in Exhibit A) will be calculated in accordance with the terms of Exhibit A, and such Earned PSUs will vest on the applicable Vesting Date set forth in Exhibit A. To the extent that the level of attainment of the Performance Goal is below Target Performance as outlined in Exhibit A, a portion of the Target PSUs will be forfeited, as set forth in Exhibit A. Further, vesting will cease upon the Participant's Termination of Employment, except as otherwise provided in Section 2 below.

(d) The vested PSUs shall be settled as soon as practicable after each Vesting Date (but, in no event later than March 15 of the calendar year following the end of the calendar year in which the applicable Vesting Date or such other vesting event under this Agreement occurs). Subject to Section 6 herein (pertaining to the withholding of taxes), for each PSU settled pursuant to this Section, the Corporation shall issue one Share for each vested PSU (either by delivering one or more certificates for such Shares or by entering such Shares in book entry form, as determined by the Committee in its discretion). Notwithstanding the foregoing, the Corporation shall be entitled to hold the Shares issuable upon settlement of PSUs that have vested until the Corporation or the agent selected by the Corporation to manage the Plan under which the PSUs have been issued (the "**Agent**") shall have received from the Participant a duly executed Form W-9 or W-8, or such other form required by the tax authorities, as applicable.

2. **Termination of Employment**

(a) Except as otherwise set forth in the Plan, in Sections 2(b) or 2(c) below or in any written employment or separation agreement entered into between the Participant and the Corporation, in the event of the Participant's Termination of Employment (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or providing services, or the terms of the Participant's employment or service agreement, if any), the Participant's right to receive the PSU Award and for it to vest under the Plan, if at all, will cease as of such date of Termination of Employment and any unvested PSUs will be forfeited effective as of such date. Upon such Termination of Employment, the Participant shall not be entitled by way of compensation for loss of office or otherwise howsoever to any sum or other benefit to compensate the Participant for the loss of any rights under this Agreement or the Plan.

(b) In the event of the Participant's Termination of Employment due to the Participant's death or Disability during a Performance Period, the Target PSUs allocated to such Performance Period shall immediately vest. In the event of the Participant's Termination of Employment due to the Participant's death or Disability at or after the end of a Performance Period, the Earned PSUs, as determined by the Committee for such Performance Period, shall immediately vest. Notwithstanding the foregoing, the value of the PSUs that vest pursuant to this Section 2(b), when combined with the aggregate value of other Awards held by the Participant under the Plan (if any) and subject to vesting upon the Participant's Termination of Employment due to death or Disability (the "**Aggregate Accelerated Award Value**"), may not exceed US \$1,000,000 (the "**Limit**"). If the Participant's Aggregate Accelerated Award Value would exceed the Limit, then the extent to which the PSUs vest upon the Participant's Termination of Employment due to the Participant's death or Disability shall be reduced to the extent necessary to ensure that the Limit is not exceeded, and on a proportionate basis with the Participant's other applicable Awards under the Plan (if any). For purposes of determining the Aggregate Accelerated Award Value: (i) the value of the PSUs shall be determined as the aggregate Fair Market Value of the Shares subject to the Target PSUs or the Earned PSUs, as applicable, that would vest under this Section 2(b) in the absence of the Limit, as of the date of the Participant's Termination of Employment, and (ii) the value of the Participant's other applicable Awards under the Plan (if any) shall be determined in the manner set forth in the Award Agreements for such other Awards. Any Shares that become issuable pursuant to this Section 2(b) will be delivered to Participant, or in the case of the Participant's death, to the personal representative of the Participant's estate or the person to whom the PSUs are transferred by will or the applicable laws of descent and distribution. Such settlement of the PSUs will be made pursuant to Section 1(d), or in the case of the Participant's death, within such longer period as may be permitted under Section 409A of the Code.

(c) In the event of the Participant's Termination of Employment (1) by the Corporation other than for Cause, death, or Disability, or (2) by the Participant for Good Reason (as defined in Section 2(d) below), any PSUs that are outstanding and unvested at the time of Termination of Employment but which would, but for the Termination of Employment, have vested during the 12 months following such termination, assuming solely for purposes of this Section 2(c) that each vesting tranche of the PSUs vested annually pro rata from the Award Date to the applicable Vesting Date, shall remain outstanding and shall vest, if at all, upon attainment of the Performance Goal outlined in Exhibit A. For example, if the Participant has a Termination of Employment under this Section 2(c) six months after the Award Date, 50% of the Target PSUs subject to the Tranche 1 Performance Period and 33.3% of the Target PSUs subject to the Tranche 2 Performance Period would remain outstanding and eligible to vest, subject to the achievement of the Performance Goal for each vesting tranche, as provided in Exhibit A. Any PSUs that vest pursuant to this Section 2(c) will be settled in accordance with Section 1(d).

(d) For purposes of Section 2(c), Good Reason shall mean the occurrence of any of the following without Participant's prior written consent: (A) the Corporation's material breach of any material provision of the Agreement, (B) the material reduction in the Participant's title (Executive Vice Chairman), duties or reporting responsibilities, excluding for this purpose any such reduction that is an isolated and

inadvertent action not taken in bad faith or that is authorized pursuant to the Agreement, or (C) Barry Diller no longer serving as Chairman and Senior Executive Officer of the Corporation (or comparable positions of board and executive leadership); provided that in no event shall Participant's resignation be for "Good Reason" unless (x) an event or circumstance set forth in clauses (A) through (C) shall have occurred and Participant provides the Corporation with written notice thereof within 30 days after Participant has knowledge of the occurrence or existence of such event or circumstance, which notice specifically identifies the event or circumstance that Participant believes constitutes Good Reason, (y) the Corporation fails to correct the circumstance or event so identified within 30 days after receipt of such notice, and (z) Participant resigns within 90 days after the date of delivery of the notice referred to in clause (x) above.

(e) For purposes of the PSU Award, the date of Termination of Employment will be the date the Participant is no longer actively providing services to the Corporation or any Subsidiary or Affiliate (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or providing services, or the terms of the Participant's employment or service agreement, if any). The Committee shall have the exclusive discretion to determine when the Participant is no longer actively employed or providing services for purposes of his or her PSU Award (including whether the Participant may still be considered to be providing services while on a leave of absence).

(f) Notwithstanding the provisions of Section 1(b), if any PSUs vest within two years prior to (i) the Participant's Termination of Employment for Cause, or (ii) the Participant's voluntary Termination of Employment within two years after any event or circumstance that would have been grounds for a Termination of Employment for Cause, the Corporation shall be entitled to recover from the Participant, at any time within two years following such vesting, and the Participant shall pay over to the Corporation on demand, an amount equal to the aggregate Fair Market Value of the Common Stock subject to such vesting.

3. Non-Transferability of the PSUs

Except as determined by the Committee, Awards under the Plan are not transferable except by will or by laws of descent and distribution.

4. Rights as a Stockholder

Except as otherwise specifically provided in this Agreement, during the Restriction Period, the Participant shall not be entitled to any voting rights, rights to dividends or any other rights of a stockholder with respect to the PSUs.

5. Adjustment in the Event of Change in Stock; Change in Control

Upon the occurrence of certain events relating to the Corporation's Common Stock contemplated by Section 3(d) of the Plan, the Committee shall make adjustments in accordance with such Section. Unless otherwise determined by the Committee, in the event of a Change in Control, the provisions of Section 10 of the Plan shall apply, provided that for this purpose the number of PSUs (if any) that may be eligible to vest at or following the Change in Control will be (a) the Target PSUs if the Change in Control occurs prior to the completion of fifty percent (50%) of the applicable Performance Period, or (b) the Earned PSUs, as calculated by the Committee as of the time of the Change in Control in accordance with Exhibit A, if the Change in Control occurs when at least fifty percent (50%) of the applicable Performance Period has been completed.

6. Taxes and Withholding

(a) The Participant acknowledges that, regardless of any action taken by the Corporation or, if different, the Subsidiary or Affiliate which employs the Participant or for which the Participant otherwise renders services (the "**Employer**"), the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to the Participant's participation in the Plan and legally applicable to the Participant (the "**Tax-Related Items**") is and remains the Participant's responsibility and may exceed the amount, if any, actually withheld by the Corporation or the Employer. The Participant further acknowledges that the Corporation and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the PSU Award, including, but not limited to, the grant and vesting of the PSUs, the receipt of cash or any dividends and the subsequent sale of the Shares issued at settlement of the PSUs; and (2) do not commit to and are under no obligation to structure the terms of the Award or any aspect of the PSUs to reduce or eliminate the Participant's liability for Tax-Related Items or achieve any particular tax result. Further, the Participant acknowledges that, if the Participant is subject to Tax-Related Items in more than one jurisdiction, the Corporation and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

(b) The Participant agrees to make, prior to any relevant taxable or tax withholding event, as applicable, adequate arrangements satisfactory to the Corporation, and/or the Employer (or former employer) to satisfy all Tax-Related Items. In this regard, the Participant authorizes the Corporation and/or Employer, or their respective agents, at their discretion, to satisfy any applicable withholding obligations with regard to all applicable Tax-Related Items by one or a combination of the following:

- i. withholding from the Participant's wages or other cash compensation paid to the Participant by the Corporation or the Employer; or
- ii. withholding from proceeds of the sale of Shares acquired upon settlement of the PSUs either through a voluntary sale or through a mandatory sale arranged by the Corporation (on the Participant's behalf pursuant to this authorization without further consent), or

iii. withholding in Shares to be issued upon settlement of the PSUs, provided, however, that if the Participant is a Section 16 officer of the Corporation under the Exchange Act, then the Corporation will withhold in Shares upon the relevant tax withholding event, unless the use of such withholding method is problematic under applicable tax or securities law or has materially adverse accounting consequences, in which case, the obligation for Tax-Related Items will be satisfied by method (1) above.

(c) The Corporation may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding rates or other applicable withholding rates in the Participant's country, including maximum rates applicable in the Participant's jurisdiction(s), in which case the Participant may receive a refund of any over-withheld amount in cash and will have no entitlement to the Common Stock equivalent. If the Participant does not receive a refund of any over-withheld amount from the Corporation or the Employer, the Participant may seek a refund from the applicable tax authorities. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, the Participant is deemed to have been issued the full number of Shares subject to the vested PSUs, notwithstanding that a number of the Shares is held back solely for the purpose of paying the Tax-Related Items.

(d) Finally, the Participant agrees to pay to the Corporation or the Employer any amount of Tax-Related Items that the Corporation or the Employer may be required to withhold as a result of the Participant's participation in the Plan that cannot be satisfied by the means previously described. The obligations of the Corporation under this Agreement shall be conditioned on compliance by the Participant with this Section 6. The Corporation may refuse to issue or deliver the Shares or the proceeds of the sale of Shares if the Participant fails to comply with his or her obligations in connection with the Tax-Related Items as described in this Section 6.

7. Other Restrictions

(a) The Participant acknowledges that the Participant is subject to the Corporation's policies regarding compliance with securities laws, including but not limited to its Securities Trading Policy (as in effect from time to time and any successor policies), and, pursuant to these policies, the Participant may be prohibited from selling Shares issued upon vesting of the PSUs other than during an open trading window.

(b) The Participant acknowledges that the Participant may be subject to the Corporation's Stock Ownership Policy and/or Incentive Compensation Clawback Policy (as such may be amended from time to time, or any successor policies thereto), applicable to certain senior executives of the Corporation, and the PSUs and this Agreement shall constitute good and valuable consideration for such acknowledgment and agreement. Further, the PSUs (and any shares of Common Stock issued under this Award or the aggregate Fair Market Value thereof) are subject to recoupment as may be required by applicable law, including, without limitation, the Dodd-Frank Wall Street Reform and Consumer Protection Act and any implementing regulations thereunder and any compensation recovery policy otherwise required by applicable law.

(c) The Participant acknowledges that he or she may be subject to insider trading restrictions and/or market abuse laws in applicable jurisdictions, including the United States and, if different, the Participant's country, the Agent's country and/or the country where Shares are listed, which may affect the Participant's ability to directly or indirectly, for him- or herself or for a third party, accept or otherwise acquire, or sell, attempt to sell or otherwise dispose of, Shares or rights to Shares (*e.g.*, the PSUs) under the Plan during such times as the Participant is considered to have "inside information" regarding the Corporation (as defined by the laws or regulations in the applicable jurisdiction) or the trade in Shares or the trade in rights to Shares under the Plan. Local insider trading laws and regulations may prohibit the cancellation or amendment of orders the Participant places before he or she possessed inside information. Furthermore, the Participant could be prohibited from (1) disclosing the inside information to any third party (other than on a "need to know" basis) and (2) "tipping" third parties or otherwise causing them to buy or sell

securities; including "third parties" who are fellow employees. Any restrictions under these laws or regulations are separate from and in addition to the restrictions imposed under the Corporation's Securities Trading Policy or other insider trading policy. The Participant further acknowledges that it is the Participant's responsibility to comply with any applicable restrictions and that the Participant should speak to a personal legal advisor on this matter.

(d) Notwithstanding any other terms and conditions of the Plan or this Agreement, unless there is an available exemption from any registration, qualification or other legal requirement applicable to the Shares, the Corporation shall not be required to deliver any Shares issuable upon vesting of the PSUs prior to the completion of any registration or qualification of the Shares under any U.S. or non-U.S. local, state or federal securities, exchange control or other law, or under rulings or regulations of the Commission or of any other governmental regulatory body, or prior to obtaining any approval or other clearance from any local, state, federal or foreign governmental agency, which registration, qualification or approval the Corporation shall, in its absolute discretion, deem necessary or advisable. The Participant understands that the Corporation is under no obligation to register or qualify the Shares with the Commission or any state or non-U.S. securities commission or to seek approval or clearance from any governmental authority for the issuance or sale of the Shares. Further, the Participant agrees that the Corporation shall have unilateral authority to amend the Plan and the Agreement without the Participant's consent to the extent necessary to comply with securities or other laws applicable to issuance of Shares.

8. Nature of Award

In accepting the PSU Award, the Participant acknowledges that:

- (a) the Plan is established voluntarily by the Corporation, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Corporation at any time, to the extent permitted in the Plan;
- (b) the Award of the PSUs is exceptional, voluntary and occasional and does not create any contractual or other right to receive future awards of PSUs, benefits in lieu of PSUs or other Awards, even if PSUs have been awarded in the past;
- (c) all decisions with respect to future awards of PSUs or other Awards, if any, will be at the sole discretion of the Corporation;
- (d) the Award of the PSUs and the Participant's participation in the Plan will not create a right to employment or service or be interpreted as forming or amending an employment or service contract with the Corporation, the Employer or any other Subsidiary or Affiliate and shall not interfere with the ability of the Employer to terminate the Participant's employment or service relationship (if any);
- (e) the Participant is voluntarily participating in the Plan;
- (f) the Award of the PSUs and the Shares subject to the PSUs, and the income from and value of same, are not intended to replace any pension rights or compensation;
- (g) unless otherwise agreed in writing with the Corporation, the PSUs and the Shares subject to the PSUs, and the income from and value of same, are not granted as consideration for, or in connection with, the service the Participant may provide as a director of a Subsidiary or an Affiliate;
- (h) the Award of the PSUs and the Shares subject to the PSUs, and the income from and value of same, are not part of normal or expected compensation or salary for any purpose, including but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of

service payments, bonuses, holiday pay, long-service awards, pension or retirement or welfare benefits or similar mandatory payments;

- (i) no claim or entitlement to compensation or damages shall arise from forfeiture of the Award of the PSUs resulting from (i) the application of any recoupment as described in Section 7(b) herein or (ii) the Participant's Termination of Employment (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or providing services or the terms of the Participant's employment or service agreement, if any);
- (j) the future value of the Shares subject to the PSUs is unknown and cannot be predicted with certainty;
- (k) if the Participant vests in the PSUs and acquires Shares, the value of such Shares may increase or decrease in value; and
- (l) neither the Corporation, the Employer nor any other Subsidiary or Affiliate will be liable for any foreign exchange rate fluctuation between the Participant's local currency (if not the United States dollar) and the United States Dollar that may affect the value of the PSUs or of any amounts due to the Participant pursuant to the vesting of the PSUs or the subsequent sale of any Shares acquired upon vesting.

9. Notices

All notices and other communications under this Agreement shall be in writing and shall be given by hand delivery to the other party or by facsimile, overnight courier or registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Participant: at the last known address on record at the Corporation.

If to the Corporation:

Expedia Group, Inc.
1111 Expedia Group Way W
Seattle, WA 98111
U.S.A.
Attention: Chief Legal Officer and Secretary
Facsimile: +1(425) 679-7251

or to such other address or facsimile number as any party shall have furnished to the other in writing in accordance with this Section 9. Notice and communications shall be effective when actually received by the addressee. Notwithstanding the foregoing, the Participant consents to electronic delivery of documents required to be delivered by the Corporation under the securities laws.

10. Effect of Agreement

Except as otherwise provided hereunder, this Agreement shall be binding upon and shall inure to the benefit of any successor or successors of the Corporation.

11. Laws Applicable to Construction; Consent to Jurisdiction

The interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of Delaware without reference to principles of conflict of laws, as applied to contracts executed in and performed wholly within the State of Delaware. In addition to the terms and conditions set forth in this Agreement, the PSUs are subject to the terms and conditions of the Plan, which are hereby incorporated by reference.

Any and all disputes arising under or out of this Agreement, including without limitation any issues involving the enforcement or interpretation of any of the provisions of this Agreement, shall be resolved by the commencement of an appropriate action in the state or federal courts located within the State of Delaware, which shall be the exclusive jurisdiction for the resolution of any such disputes. The Participant hereby agrees and consents to the personal jurisdiction of said courts over the Participant for purposes of the resolution of any and all such disputes.

12. Severability

The invalidity or enforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

13. Conflicts and Interpretation

Applicable terms of the Plan are expressly incorporated by reference into this Agreement. In the event of any conflict between this Agreement and the Plan, the Plan shall control. In the event of any ambiguity in this Agreement, or any matters as to which this Agreement is silent, the Plan shall govern including, without limitation, the provisions thereof pursuant to which the Committee has the power, among others, to (1) interpret the Plan, (2) prescribe, amend and rescind rules and regulations relating to the Plan and (3) make all other determinations deemed necessary or advisable for the administration of the Plan.

In the event of any (x) conflict between any information posted on the Morgan Stanley Benefit Access System (or successor system) and this Agreement, the Plan and/or the books and records of the Corporation or (y) ambiguity in any information posted on the Morgan Stanley Benefit Access System (or successor system), this Agreement, the Plan and/or the books and records of the Corporation, as applicable, shall control.

14. Amendment; Waiver

The Corporation may modify, amend or waive the terms of the PSU Award, prospectively or retroactively, but no such modification, amendment or waiver shall impair the rights of the Participant without his or her consent, except as required by applicable law, Nasdaq or other applicable or stock exchange rules, tax rules or accounting rules. The waiver by either party of compliance with any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by such party of a provision of this Agreement.

15. Headings

The headings of paragraphs herein are included solely for convenience of reference and shall not affect the meaning or interpretation of any of the provisions of this Agreement.

16. Data Privacy

a. The Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of his or her personal data as described in this Agreement by and among, as applicable, the Corporation, the Employer and any other Subsidiaries and Affiliates (the "Group") for the purposes described in this Agreement and any other Award materials, including:

- (1) verifying the Participant's identity and implementing, administering and managing the Participant's participation in the Plan;***
- (2) administration and management of the Plan, including purchase, transfer, disposal or other transactions relating to any Shares acquired under the Plan and all purposes incidental thereto;***

- (3) the archival of documents and records in both electronic and physical form for record keeping purposes;*
- (4) conducting financial reporting and analysis related to the Plan's operations;*
- (5) complying with the Group's policies and procedures;*
- (6) preventing, detecting and investigating crime, including fraud and any form of financial crime, and analyzing and managing other commercial risks;*
- (7) compliance with any applicable rules, laws and regulations, codes of practice or guidelines, including, without limitation, compliance with laws and regulations (local and foreign) which may apply to the Plan, the Group, or to assist in law enforcement and investigations by relevant authorities; and*
- (8) subject to applicable law, any other purposes set out in this Agreement.*

b. The Participant understands and acknowledges that the Group holds, or may hold, certain personal data about him or her, including, but not limited to, his or her name, home address and telephone number, email address, date of birth, social insurance, passport or other identification number, salary, nationality, job title, any Shares or directorships held in the Corporation, details of all Awards or any other entitlements to Shares or equivalent benefits awarded, cancelled, purchased, exercised, vested, unvested or outstanding in the Participant's favor ("Data"), for the purpose of implementing, administering and managing the Plan.

c. The Participant understands, acknowledges and agrees that Data may be transferred to Morgan Stanley Smith Barney LLC and certain of its affiliated companies ("Morgan Stanley"), or such other stock plan service provider as may be selected by the Corporation in the future, which is assisting the Corporation with the implementation, administration and management of the Plan, that these recipients may be located in the United States, the Participant's country of residence or elsewhere, and that the recipient's country may have different data privacy laws and protections to those of the Participant's country. The Corporation and/or the Employer may also disclose Data to any third party in connection with any actual or prospective restructuring, sale or acquisition of the Corporation, any of its Affiliates or Subsidiaries, or the Employer, or any assets of the Group. In accordance with applicable law, the Corporation may also be required to disclose Data to relevant government regulators or authorities or law enforcement agencies. The Participant authorizes any such recipients (presently or in the future) to receive, collect, possess, use, retain, disclose and transfer Data, in electronic or other form, for the purposes of implementing, administering and managing the Participant's participation in the Plan, including any requisite transfer of such Data to the Agent or other third party with whom the Participant may elect to deposit any Shares acquired. The Participant understands that Data will be held only as long as is necessary to implement, administer and manage his or her participation in the Plan. The Participant understands that, if he or she resides outside the United States, he or she may, at any time, view Data, request information about the storage and processing of Data, request a list with the names and addresses of any potential recipients of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting his or her local human resources representative.

d. The Participant understands that he or she is providing the consents herein on a purely voluntary basis. If the Participant does not consent, or if the Participant later seeks to revoke his or her consent, the Participant's employment or other service with the Employer will not be affected; the only consequence of refusing or withdrawing the Participant's consent is that the Corporation would not be able to grant PSUs or other Awards to the Participant or administer or maintain such Awards. Therefore, the Participant understands that refusing or withdrawing his or her consent may affect his or her ability

to participate in the Plan. For more information on the consequences of refusal to consent or withdrawal of consent, the Participant may contact the local human resources representative.

e. Finally, the Participant agrees, upon request of the Corporation or the Employer, to provide a separate executed data privacy consent form (or any other agreements or consents that may be required by the Corporation and/or the Employer) that the Corporation and/or the Employer may deem necessary to be obtained from the Participant for the purpose of administering participation in the Plan in compliance with the data privacy laws in Participant's country, either now or in the future. The Participant understands and agrees that he or she will not be able to participate in the Plan if he or she fails to provide any such consent or agreement requested by the Corporation and/or the Employer.

(f) The Group processes the Participant's personal data in accordance with the Expedia Group Global Staff Privacy Notice and for legitimate purposes as described in this Section 16. Such processing activities include data transfer to third parties and countries or jurisdictions outside of where Participant is employed and as necessary for the provision of this Agreement and to comply with applicable laws and legal obligations. The Expedia Group Global Staff Privacy Notice, Expedia Group Record Retention Policy and other applicable Expedia Group policies are available on the Corporation's intranet portal.

17. Choice of Language

The Participant acknowledges and represents that he or she is proficient in the English language or has consulted with an advisor who is sufficiently proficient in English as to allow the Participant to understand the terms of this Agreement and any other documents related to the Plan. If the Participant has received this Agreement and/or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version in any way, the English version will control.

18. Electronic Delivery and Acceptance

(a) The Corporation may, in its sole discretion, decide to deliver any documents related to the PSUs awarded under, and participation in, the Plan or future options that may be awarded under the Plan by electronic means or to request the Participant's consent to participate in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and, if requested, to agree to participate in the Plan through an online or electronic system established and maintained by the Agent or Corporation or a third party designated by the Corporation.

(b) Electronic acceptance of this Agreement pursuant to the Corporation's instructions to the Participant (including through an online acceptance process managed by the Agent or Corporation or another third party designated by the Corporation) shall constitute execution of the Agreement by the Participant.

19. Imposition of Other Requirements

The Corporation reserves the right to impose other requirements on the Participant's participation in the Plan, on the PSUs and on any Shares acquired under the Plan, to the extent the Corporation determines it is necessary or advisable for legal or administrative reasons, and to require the Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

20. Foreign Asset/Account Reporting Requirements, Exchange Controls.

The Participant's country may have certain foreign asset and/or account reporting requirements and exchange controls which may affect the Participant's ability to acquire or hold Shares under the Plan or cash received from participating in the Plan (including from any dividends received or sale proceeds arising from the sale of Shares) in a brokerage or bank account outside the Participant's country. The Participant understands that he or she may be required to report such accounts, assets or transactions to the tax or other

authorities in the Participant's country of residence. The Participant also may be required to repatriate sale proceeds or other funds received as a result of participation in the Plan to his or her country through a designated bank or broker and/or within a certain time after receipt. The Participant acknowledges that it is the Participant's responsibility to be aware of and compliant with all such requirements, and that the Participant should consult a personal legal and tax advisor, as applicable, to ensure the Participant's compliance.

21. No Advice Regarding Grant

The Corporation is not providing any tax, legal or financial advice, nor is the Corporation making any recommendations regarding participation in the Plan, or the Participant's acquisition or sale of the underlying Shares. The Participant understands and acknowledges that he or she should consult with his or her own personal tax, legal and financial advisors regarding the Participant's participation in the Plan before taking any action related to the Plan.

IN WITNESS WHEREOF, the Corporation's duly authorized representative and the Participant have each executed this Agreement.

EXPEDIA GROUP, INC.

/s/ Robert Dzielak

Name: _____ Robert Dzielak
Title: Chief Legal Officer and Secretary

PARTICIPANT

/s/ Peter Kern

Exhibit A

Performance Goal Schedule

1. Number of PSUs Eligible to Vest

The Target PSUs set forth in the Summary of Award shall be divided equally into two vesting tranches, such that fifty percent (50%) of the Target PSUs shall be eligible to vest based on attainment of the Performance Goal during the Tranche 1 Performance Period and fifty percent (50%) of the Target PSUs shall be eligible to vest based on attainment of the Performance Goal during the Tranche 2 Performance Period (as set forth in Section 2 of this Exhibit A). In the event that the aggregate Target PSUs is an odd number, an additional PSU shall be allocated to Tranche 2.

For each vesting tranche of the PSUs, the number of PSUs that is eligible to vest based on attainment of the Performance Goal shall be calculated as fifty percent (50%) of the Target PSUs *multiplied by* the Performance Attainment Factor (as set forth below) for the applicable Performance Period, rounded to the nearest whole share (such PSUs, the "**Earned PSUs**"). Subject to the terms of the Agreement, any Earned PSUs shall vest and become payable only if the Participant does not have a Termination of Employment prior to the applicable Vesting Date set forth in Section 6 of this Exhibit A.

The calculation of the Earned PSUs, the Performance Attainment Factor, and the Stock Price CAGR shall be determined by the Committee after the end of each Performance Period.

2. Performance Periods

The performance periods for each vesting tranche of the Target PSUs are as described below (each, a "**Performance Period**"):

Tranche 1 Performance Period: Award Date through December 31, 2021.

Tranche 2 Performance Period: Award Date through December 31, 2022.

Notwithstanding the above, if a Change in Control occurs when at least fifty percent (50%) of the applicable Performance Period has been completed, any ongoing Performance Period shall run from the Award Date through the date of the Change in Control. If a Change in Control occurs prior to the completion of fifty percent (50%) of the applicable Performance Period, the treatment of the PSUs is governed by Section 5 of the Agreement.

3. Performance Goal

The Performance Goal applicable to both vesting tranches of the PSUs is based on the Corporation's Stock Price CAGR (as defined below) during the applicable Performance Period, rounded to two decimal places, as set forth in the table below:

Performance Goal	Performance Attainment Factor
<u>Minimum Performance</u> - Stock Price CAGR less than 5.00%	0.00%
<u>Threshold Performance</u> - Stock Price CAGR equal to 5.00%	50.00%
<u>Target Performance</u> - Stock Price CAGR equal to 10.00%	100.00%
<u>Maximum Performance</u> - Stock Price CAGR greater than or equal to 15.00%	150.00%

If the Corporation's Stock Price CAGR for the applicable Performance Period is greater than Threshold Performance but less than Target Performance, the Performance Attainment Factor shall be interpolated on a straight-line basis between 50.00% and 100.00% based on the applicable Stock Price CAGR.

If the Corporation's Stock Price CAGR for the applicable Performance Period is greater than Target Performance but less than Maximum Performance, the Performance Attainment Factor shall be interpolated on a straight-line basis between 100.00% and 150.00% based on the applicable Stock Price CAGR.

Notwithstanding the foregoing, in no event shall the Participant be eligible to achieve a Performance Attainment Factor in excess of 150.00% as it relates to the determination of the number of PSUs eligible to vest pursuant to the calculation in Section 1 of this Exhibit A.

4. Performance Criteria

"**Beginning Stock Price**" shall mean closing price of the Corporation's Common Stock on the Award Date.

"**Ending Stock Price**" shall mean either (i) the average of the closing prices of the Corporation's Common Stock for the 30 trading days ending on the last trading day of the applicable Performance Period, or (ii) if a Change in Control occurs when at least fifty percent (50%) of the applicable Performance Period has been completed, then the per Share value of the consideration paid to the Corporation's stockholders in connection with the Change in Control.

"**Stock Price CAGR**" shall mean the compound annual growth rate (CAGR) of the Corporation's Common Stock, calculated as follows: (a) the quotient of the Ending Stock Price divided by the Beginning Stock Price, (b) raised to the power of a fraction, the numerator of which is one (1) and the denominator of which is the number of years (or partial years, as applicable) in the applicable Performance Period, and (c) subtracting one (1) from the final result of the calculation in (a) and (b).

5. Performance Goal Adjustments

The Committee has the authority to make an equitable and proportionate adjustment to the price of Corporation's Common Stock to the extent (if any) necessary to preserve the intended incentives of the PSUs and mitigate the impact of any stock split, stock dividend (excluding regular cash dividends), reverse stock split or other applicable Share Change (as defined in the Plan) occurring between the start of the 30 day period over which the Beginning Stock Price is measured and the end of the Performance Period.

6. Vesting Date for any Earned PSUs

Subject to the terms of the Agreement, any Earned PSUs shall vest on February 15th of the year immediately following the end of the applicable Performance Period (the "**Vesting Dates**") and the Participant must be employed by or providing services to the Corporation or one of its Subsidiaries or Affiliates on the applicable Vesting Date in order to receive the Shares payable upon the vesting of PSUs.

Vesting Date for Tranche 1 PSUs: February 15, 2022.

Vesting Date for Tranche 2 PSUs: February 15, 2023.

The following subsidiaries of Expedia Group, Inc. (the “Parent”) are Subsidiary Guarantors with respect to our debt facility and instruments:

<u>Guarantor</u>	<u>Jurisdiction of Formation</u>
BedandBreakfast.com, Inc.	United States – CO
CarRentals.com, Inc.	United States – NV
Cruise, LLC	United States - WA
EAN.com, LP	United States - DE
Egencia LLC	United States - NV
Expedia Group Commerce, Inc.	United States – DE
Expedia, Inc.	United States - WA
Expedia LX Partner Business, Inc.	United States – DE
Higher Power Nutrition Common Holdings, LLC	United States - DE
HomeAway Software, Inc.	United States - DE
HomeAway.com, Inc.	United States - DE
Hotels.com GP, LLC	United States - TX
Hotels.com, L.P.	United States - TX
Hotwire, Inc.	United States - DE
HRN 99 Holdings, LLC	United States - NY
Interactive Affiliate Network, LLC	United States - DE
LEMS I LLC	United States - DE
LEXE Marginco, LLC	United States - DE
LEXEB, LLC	United States - DE
Liberty Protein, Inc.	United States - DE
Neat Group Corporation	United States – DE
O Holdings Inc.	United States – DE
Orbitz Financial Corp.	United States – DE
Orbitz for Business, Inc.	United States – DE
Orbitz, Inc.	United States - DE
Orbitz, LLC	United States - DE
Orbitz Travel Insurance Services, LLC	United States - DE
Orbitz Worldwide, Inc.	United States - DE
Orbitz Worldwide, LLC	United States - DE
OWW Fulfillment Services, Inc.	United States – TN
Travelscape, LLC	United States - NV
Trip Network, Inc.	United States - DE
Vitalize, LLC	United States - DE
VRBO Holdings, Inc.	United States - DE
WWTE, Inc.	United States – NV

Certification

I, Barry Diller, Chairman and Senior Executive of Expedia Group, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Expedia Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 20, 2020

/s/ BARRY DILLER

Barry Diller

Chairman and Senior Executive

Certification

I, Peter M. Kern, Vice Chairman and Chief Executive Officer of Expedia Group, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Expedia Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 20, 2020

/s/ PETER M. KERN

Peter M. Kern

Vice Chairman and Chief Executive Officer

Certification

I, Eric Hart, Chief Financial Officer of Expedia Group, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Expedia Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 20, 2020

/s/ ERIC HART

Eric Hart

Chief Financial Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Barry Diller, Chairman and Senior Executive of Expedia Group, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to my knowledge:

1. the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2020 (the "Report") which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 20, 2020

/s/ BARRY DILLER

Barry Diller

Chairman and Senior Executive

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Peter M. Kern, Vice Chairman and Chief Executive Officer of Expedia Group, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to my knowledge:

1. the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2020 (the "Report") which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 20, 2020

/s/ PETER M. KERN

Peter M. Kern

Vice Chairman and Chief Executive Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Eric Hart, Chief Financial Officer of Expedia Group, Inc. (the “Company”), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to my knowledge:

1. the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2020 (the “Report”) which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 20, 2020

/s/ ERIC HART

Eric Hart

Chief Financial Officer