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PRESENTATION

Editor

Presentation

Ross Sandler - *Deutsche Bank - Analyst*

Okay, great, we're going to get started. Thank you, everyone, for being here. My name's Ross Sandler. I run the Internet Equity Research Group here at Deutsche Bank. We're very excited to have Expedia and Mark Okerstrom here. So, thank you very much for attending.

QUESTIONS AND ANSWERS

Ross Sandler - *Deutsche Bank - Analyst*

Most of these presentations, we start off with just kind of high level, how things are going, type question. You guys, I think, if I remember a press release from a few weeks ago, talked about Labor Day same-day bookings being up, like, 30%, sounded like a very kind of healthy number. So, could you just give us an update on -- second quarter run rate was strong, sounds like summer went pretty well. Where do you see the overall consumer -- travel consumer right now in terms of macro?

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

Sure. So, I think generally, what we saw really through 2014 so far has been a really healthy environment. Hotel companies are doing well. The airlines are doing well. When we look around the world, despite certain pockets of geopolitical unrest, generally it's a good time to be in travel, and we're very happy with the execution we're seeing at Expedia.

Ross Sandler - *Deutsche Bank - Analyst*

And if you look -- you guys are making not just my job very hard, but everybody in the room's job very hard these days.

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

I'm sorry.

Ross Sandler - *Deutsche Bank - Analyst*

Yes. If you look at -- there's a lot of moving pieces where you're a couple years past the replatforming. You've signed the Travelocity deal. Some things are zigging, some things are zagging. If we had to kind of normalize Expedia's business, not look at any particular quarter, but, like, on an annual basis, what do you think kind of the steady-state organic growth rate is with all these kinds of puts and takes in your business right now?

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

Yes. Listen, I don't want to get into giving too much guidance in terms of the steady-state, but really, just talking about the growth drivers of the business, you mentioned the technology replatforming. I think certainly that's a big chunk of it.

Our core business, if you will, the core leisure OTA business, you've got to get three things right to do well in that business. You've got to be great in marketing, specifically online marketing. You've got to have great websites that convert well, and you've got to have attractive supply. Over the course of the last couple of years, we have really stepped up our efforts and really build what we think is really best in class across those.

And that's really the core store for Brand Expedia. Hotels.com and Expedia have both annualized all of the replatforming efforts. We're annualizing the Expedia Traveler Preference rollout right now. And so, we've got healthy growth drivers in the core business, and then we augment that with Egencia, the fifth largest corporate travel business in the world, Trivago, which is just a fantastic global hotel meta search product, and then, of course, eLong in China.

Ross Sandler - *Deutsche Bank - Analyst*

And if we look at -- you mentioned ETP and growing supply in general. If you look at the last couple quarters, I think your supply growth rate is nearly 40% for the entire Company. Is that a precursor for what you expect to come in terms of the demand that you can generate? Is that a leading indicator of what makes you guys excited?

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

Yes. Well, I think hotel growth is certainly a lever for us. It's hard to correlate number of properties to room nights. Certainly the size of the property matters, and it also takes a while to ramp these hotels up and get them up to full run rate.

We haven't been as focused on hotel acquisition for the last couple of years, largely because we were rolling out the Expedia Traveler Preference program, and we had our teams focused largely on converting existing hotels onto the program. With that behind us, hotel addition is going to be another key leg to the story. We're ramping up our capabilities there. I don't think we're best in class there. I think we've got lots of room to go to be more effective at signing up and on-boarding new hotels.

But, the runway is long. If you look at TripAdvisor or Trivago, they've got listed 700,000 or 800,000 properties. Those are the properties that are already online. There's many that aren't yet online. We've got over 300,000, including the eLong properties. And from that standpoint, we feel like we're just getting started.

Ross Sandler - *Deutsche Bank - Analyst*

And if you look at -- so, post- the replatforming, you guys started to see kind of a big re-acceleration in the business. We're a couple years into that. And not only has that impacted unit growth and bookings, but your ability to kind of, like, do things quicker and innovate faster. Are we midway through the point of kind of optimizing the conversion rates, or do you feel like there's still a fair amount of low-hanging fruit in front of you? And maybe as that relates to mobile, like how has the replatforming helped your innovation in mobile?

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

Yes. Good question. I think when we replatformed the business, you certainly do get a step-up that sort of puts you on a different level. That said, the conversion veins that are left are, I would say, deep and many. Being a global player, we have a huge amount of traffic that we can test against, and it allows us to perceive very small differences in conversion from product features. And so far, we haven't hit an end to that vein.

And if you take Brand Expedia, for example, we started with hotel. We then rolled out air. We then rolled out packages. We've just launched car. Those are all seeing positive conversion benefits that really do continue, and the next chapter for us is actually looking at improving conversion rates and revenue per visitor really by being much better at cross-selling products across.

And the other rich vein of conversion still left for us is the conversion benefits you get from just having broader and better hotel supply, and that's something, as we mentioned, we're still working on. So, still a fair bit to go, I would say.

Ross Sandler - *Deutsche Bank - Analyst*

And then, one of the benefits of a more powerful and updated technology back-end was things like the Travelocity deal came about, and, I mean, just a huge positive windfall for you guys. So, if we talk about the Travelocity deal for a sec, in one sense, I mean, this has been a great deal for you guys. In another sense, these guys are now competing with you because they're seeing more efficiency in their business and they're cranking up customer acquisitions. So, what's kind of the end game? Is it just kind of let all these brands compete with each other, or is it going to be further consolidate the whole thing, soup to nuts? How do you see Travelocity evolving as we get into next year and the years beyond?

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

Yes. Well, I think Travelocity is, as you call out, a good testament to the capabilities of our platform and the fact that we could bring what has been a real industry leader onto our Brand Expedia platform in such a short period of time.

I think with respect to what to expect from Travelocity, going forward, I think they are certainly now much more able to participate in variable channels. That said, they are participating with a fraction of the economics that Expedia and Hotels.com are participating with. So, really, the strategy there for Travelocity is to put themselves in a position where they can really compete much more effectively with the secondary or tertiary players that are on the marketplace.

Even in the US, there's still significant fragmentation. You just have to do a Google search and you'll see it. And so, Travelocity and the Travelocity marketing team is really working on marching up the rankings in those variable channels, better converting their offline direct type-in traffic, and I think there's still a lot of room for them to go in terms of optimizing that. We don't see, from what we can tell, anyways, a bit cannibalization impact with respect to our core brands. Again, we think it's more in terms of share that's coming from the secondary and tertiary players.

Ross Sandler - *Deutsche Bank - Analyst*

So, Travelocity could potentially grow, albeit not as healthy as Brand Expedia or Hotels.com, but if we look in the future years, there's enough share there among the smaller players that you can even grow the business?

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

Yes, certainly we believe so. I mean, if you look at the overall travel industry, even just in the US, even though Expedia, Inc. is large, and the largest player in the online travel space in the US, we're still single digits in terms of our overall percentage of hotel bookings in the US. So, I think there's lots of room for multiple brands to grow, both just the overall travel industry, also the shift from offline to online, and then there's still a fair bit of fragmentation. So, I think there's still room to go.

Ross Sandler - *Deutsche Bank - Analyst*

So, if we look at, like, the marketing channels, the variable marketing channels you just talked about, seeing more participation from different players there, if we start with Trip, I guess Dara came out and said some fairly bold statements about not participating in the booking path in this most recent conference call. You guys were a fairly big advocate of the Kayak booking path when they were still an independent company.

So, what is it about TripAdvisor or about what's being proposed that's different? And is this something that Expedia's religiously against, given where the market is in mobile? Or what are the reasons why you guys aren't jumping at the opportunity?

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

Sure. Well, we have always had a very large what we would call private label business, a business that provides our inventory, also our customer service and back-end platforms to affiliates. Largely that's a business that we use to power smaller or regional players, and really the economics of that business befit the sort of service that it's providing.

I think that's a different situation than powering someone like TripAdvisor. TripAdvisor is a large-scale player. And as a reminder around the world, we have at peak times 10,000 call center agents and thousands of market managers that are out negotiating with hotels for better rates and inventory. And that's all part of a business that powers, at least on the strategic basis, our big brands.

So, the implementation of the TripAdvisor Instant Book product right now, given the strategic importance and the loud voice and strength of TripAdvisor's brand, is something that we're not interested in participating largely for strategic reasons.

Ross Sandler - *Deutsche Bank - Analyst*

I mean, and there's been some grumblings of Google potentially doing the same thing. We've looked at iterations, or I guess beta versions of a Google booking path. But, if that seems to be the direction that Google and TripAdvisor are both going, at least within mobile, where does that leave you guys? Is it just allocate more resources to TV or to affiliate and display and other variable channels?

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

Well, I think let me just start with saying that Expedia, Inc. is a collection and portfolio of brands, most of which don't have any real significant concentration in Google or TripAdvisor. Even if you look at Hotels.com and Brand Expedia, they've built up a very diversified set of traffic.

Now, that said, TripAdvisor and Google have been great customer acquisition channels for us. To the extent they stop being customer acquisition channels and want to go to more of a private label relationship, again, that's -- I'd probably think of Google in a similar way to the way I think about TripAdvisor, which is that's not an arrangement right now, given the product that TripAdvisor has, and if Google did the same thing, not a product that we would be that interested in participating.

And would that result in us allocating marketing dollars away from those channels? Yes, potentially. I think we're very analytical in the way we approach it. Again, we've got a diversified set of marketing channels, and I think that could be a consequence.

Ross Sandler - *Deutsche Bank - Analyst*

And one of your buffers, or your offsets to that is Trivago. So, can we talk about Trivago for a few minutes? So, that's been a huge home run for you guys. It's continuing to grow in all markets. Is there any reason structurally why a hotel dedicated meta search engine doesn't, over the long run, carry margins higher than an air-dedicated meta search engine? How do you see that evolving?

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

Yes. Well, I think that, firstly, the economics in hotel are just dramatically different from the economics in air. The unit economics are better in hotel at a base level. The range of intermediaries in the hotel space is much broader than they are in the air space. And so, fundamentally, the hotel meta search business is something that can structurally be significantly more profitable than an air-centric player. I think you only need to look at TripAdvisor for an example of how very interesting these media businesses can be.

So, I think we look at Trivago as a very interesting long-term opportunity for us, and what we see is great execution by the management team. We see a track record of strength in their core markets and a good track record of entering new markets like they have in the US and Canada and Australia in the last year and a half or so very well, and we think that can be a very nicely growing and high margin business.

Ross Sandler - *Deutsche Bank - Analyst*

How is the Trivago, I guess, decisions on, like, which countries and which markets to go into, how is that being kind of -- how is that evolving at the strategic level when you guys are looking out, like, all right, let's see where we want to be in 2016, we need to be in these different countries. How do you decide how much to invest, and what's the kind of return profile on moving Trivago more aggressively in a new country?

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

So, at an overall basis, on an overall basis, I would just say it's a very analytical process. Trivago is now up to, I think on latest count, about 47 different countries around the world. They are in all various stages of maturity, and it's very much a test-and-learn process. You spend a little bit on marketing. You invest in the product. You see if you start getting the monetization that you would expect to see, and where you see that, you spend more against it.

So, in that respect, we don't spend a lot of time thinking about 2016 with Trivago. We spend a fair bit of time making sure that we've got -- and that team make sure that they've got a footprint and test running in every major market we think could be interesting for them, and we really let the numbers guide the investment decisions.

Ross Sandler - *Deutsche Bank - Analyst*

So, we've all seen [your] TV commercials, love them. And what's interesting is you kind of have multiple brands at Expedia doing pretty aggressive TV campaigns. So, how does, I guess at the C-suite level, how are you guys managing the fact that there's hundreds of millions of dollars being spent on TV brands that are competing with each other in some markets? Is there benefits to having that type of scale and having those multiple brands?

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

There are, but I would say that generally those benefits are more in terms of just sharing best practices, managing in many cases ad spend, purchasing together, just kind of the normal kind of back-office type soft synergies.

And aside from them, those types of benefits, we really allow the brands to operate very independently. And the President of Hotels.com is very much making their marketing allocation decisions. To the extent they don't see the returns in television advertising, that will get de-prioritized, same with Brand Expedia, same with Hotwire and our various other brands. So, it's largely managed independently, and we do coordinate on the back end, to some extent.

Ross Sandler - *Deutsche Bank - Analyst*

And so, if we can shift gears to mobile for a sec, so part of what's a huge benefit of doing all these years of TV is we're in this massive platform transition. Your guy's brands are fairly well known in the markets that you're in, and your download statistics, or the percent of transactions that are in mobile would probably speak to the output of a lot of that marketing that you've done over the years and that brand awareness.

So, do you feel like you're indexing very well versus the competitive set in mobile? How do you see the unit economics in your business changing as mobile goes from -- I think you're at just over 20% for the collective brands -- to 50% in the next several years?

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

Yes. Generally I would say that the shift to mobile is a good thing for us over the long-term. Obviously the app environment is very attractive from a marketing efficiency standpoint in terms of getting that app download and getting subsequent transactions without having to pay incremental variable marketing. So, we think that's very interesting to us. I think there's certainly a feeling that there's at least a portion of the SmartPhone bookings that are incremental to what an OTA used to see. This would be drive-up, last-minute booking activity.

So, I think, over the long-term, I think those are a couple of factors that say, hey, this is a great thing. I think a third thing is that any time we've seen a big technology shift in the travel market, generally the OTAs, the ones particularly that have invested heavily in technology, have been able to use that as a opportunity to grab share.

So, we think all in all, mobile over the long-term's going to be a great thing. I would say that we have been strong in app. That's the place where we've invested our money. I would say that there's room for improvement for us in mobile Web. I think there's more we can do in mobile search, and there's more we can do just in the mobile Web experience, both in Brand Expedia and Hotels.com. We're certainly focused on doing better there. So, I would give us a B-plus, and I think there's lots of opportunity to come.

Ross Sandler - *Deutsche Bank - Analyst*

Great. Could we just circulate the mic, and if anybody has any questions -- I'm going to continue to ask, but please feel free to chime in. If we shift over to China for a sec, so it's interesting, most Western companies that have tried to go into China have gotten taken to the woodshed. You guys have been pretty successful. You own not 100%, but a consolidated portion of eLong. Tencent's in there as well. And then, you look at Priceline, which has done a partnership approach with Ctrip.

How do you see the China opportunity evolving long-term, and how do you see Expedia's ownership in eLong evolving long-term? And how do you kind of plan to extract the most value out of that ownership?

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

Yes. Well, listen, I think on a long-term basis, China is very, very important to us, both the domestic market but also, again, we're building a global network here, and China, from the demand side and on the supply side, is a very important piece of that.

Right now I would say that the competitive environment remains pretty dynamic. I think if you looked at [Chunar's] results that they just reported, you can see they're spending pretty darned aggressively. So, we're very happy to have a strong local management team and happy to have a position in eLong and a partnership with Tencent to help us navigate that.

But, we certainly don't feel like we have the Chinese market locked up. We think Ctrip and Chunar are doing a great job. The competitive environment remains dynamic. Are we in a good position? Yes, but things change very, very quickly in China. But, we're happy to live in that dynamic environment just given the long-term opportunity that it presents for us.

Ross Sandler - *Deutsche Bank - Analyst*

Sure. Question in the crowd? Anyone? Okay, I'll keep going. If we look specifically at just a few numbers, not to get too in the weeds, but you guys had very strong room night growth in the second quarter. If I look back a year ago, that was -- you had the Easter dynamic, and then you had Hotwire and a few other things going on, TripAdvisor transition.

As we get into kind of a normal comp environment, I would guess, 3Q looks like that, 4Q certainly. How do you see the steady-state of room night growth and revenue per room night growth? Those numbers have both been kind of moving around quite a bit of late based on these comps. So, what do you see is that dynamic playing out?

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

Well, I think firstly on room night growth, I don't want to guide to what we expect. I would just say, again, we have lapped over the replatforming efforts of Brand Expedia and Hotels.com, and we continue to see healthy growth rates. Obviously Travelocity is a nice drop on top of that to help us. So, I think look at what's happened in the past and tease apart the organic rates, and I think that's as good an indicator as any in terms of what to expect.

Listen, in terms of revenue per room night, we did have actually a better revenue per room night story in Q2 than certainly what we'd seen in Q1, as well as Q4.

Three major drivers, of which one of them wasn't a factor for us in Q2, and it had been historically. Those drivers were essentially margin reductions, or margin actions, as we make sure that we're competitive in the local market conditions, and as we go sign up new hotels in different parts of the world, we're actually charging market commissions as opposed to a big premium to that. That's something we're continuing to do, and I think that's something to expect in the future, and that was a factor in Q2. It was in Q1 and Q4, and for a number of quarters.

The second factors are the loyalty programs and competitive discounting. Again, that's something that's been pretty consistent and something to expect in the future.

And again, the third factor has been mix shift, and it hasn't been -- it wasn't a factor for us in Q2 largely because the Travelocity business essentially offset the mix shift that we had seen to eLong. So, I think for a guide on that, again, we -- I would say that look to the history. And I think when you look at the history, you've seen a gap between ADR growth and revenue per room night in and around that 300 to 600 basis point in terms of GAAP, and I think for go-forward basis, I think that's a decent range to be looking at.

Ross Sandler - *Deutsche Bank - Analyst*

Okay. And you guys just raised a bunch of money. I think the industry has gone through some interesting changes, it seemed like, around mid 2012 maybe with the Kayak and Trivago acquisitions, and now we're seeing a more acquisitive environment, not just OTAs in meta but smaller kind of tangential things you can tack on. You just have announced the Wotif acquisition. It seems like a lot of second-tier OTAs are kind of hitting a wall and might be up for sale. So, how do you view the M&A environment, and how do you view the use of this capital that you've just raised?

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

Sure. Well, so we did just raise some money, and really the real drive there is we just see very attractive debt capital markets. And I think you can never get the timing perfect, but it seemed like a good time, and it's really more of an opportunistic play. We don't need the money. We've got a very healthy balance sheet. But, with the Wotif transaction coming down the pipe, we thought it was a good time.

With respect to our future M&A activity, I guess I would just say just look to our history as an indication of what we've done in the past. I think we've always looked for businesses that we can either bolt in and add additional scale to our business. I think the Wotif transaction was certainly that. We've always been interested in the corporate travel space, and that's a business where you can really add a book of business on top of an existing platform.

We've always looked for businesses that have interesting edges in emerging channels, something special. I think Mobiata gave us a huge leg-up in mobile. Obviously Trivago had a huge and growing presence in the hotel meta search player market. So, I think we're going to continue to be on the lookout for those types of opportunities. And I think with the Travelocity integration behind us and the Wotif transaction coming into place, I think our eyes are open to regional plays like you suggest, but I think we'll be pretty selective in those.

Ross Sandler - *Deutsche Bank - Analyst*

If we look at just the business models and how they've evolved with regard to both you and your larger competitor, if we date back to, like, when the TripAdvisor spin happened, you guys kind of gave out the guiders on leverage on these lines and de-leverage on these lines. So, sales and marketing was kind of a flat to de-levering line. Everything else was levering, and that's broadly what's played out ex-quarters here and there where there was acquisitions.

But, if we kind of look out -- years out, no timeframe on this, but for both you and Priceline, do you just believe that this increased intensity around customer acquisition, marketing, online and offline, is just here to stay and just kind of the new new, and that that will be a source of de-leverage into the out year while these other lines lever? Is that kind of how to think about it?

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

Well, we look at our sales and marketing de-leverage a little bit differently than that. We're not necessarily in a position where we're paying more to get the same. We're generally in a position where we're in variable channels paying more to get more. And that's because our conversion rates have been going up, and so we've been able to bid for higher positions in all the variable channels and largely keep our efficiencies in check and just get more volume. And really, the de-leverage we've seen in many of our mature markets has really just been our ability to spend more and get more.

And that's been a part of our sales and marketing de-leverage, but the other piece of it is that we're -- call it number one in the US for Brand Expedia and Hotels.com, and we've still got a long way to go in a lot of other markets around the world, including fairly mature markets in Europe, where we think we've got a product advantage in many of these markets, or at least product parity versus incumbents. And we're going to invest against that.

So, we're very happy to de-leverage on sales and market just given the long-term opportunity. We're focused on driving adjusted EBITDA, EPS and free cash flow growth and not so focused on adjusted EBITDA margins. And we think that the sales and marketing de-leverages is all for good reasons.

Ross Sandler - *Deutsche Bank - Analyst*

Yes. And you just mentioned Europe, which partly is into the ETP program. So, if you look at your hotel supply, I think when you guys initially had launched ETP and it kind of came out of test phase, a lot of what was happening initially was going back to existing supply and redoing the agreements so that you could have -- pay Expedia, pay at hotel. But, we're now beyond that re-up phase, and now we're into the net new phase.

So, is there a plan or a roadmap on how many net new supply relationships are coming in through ETP each year or whatever, and does that kind of weed you into these markets that you're talking about that are less penetrated?

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

Yes. Listen, we don't have a target, per se. A couple things I'll tell you, though. One is that, as you mentioned, we were pretty focused throughout 2013 in rolling out ETP to existing hotels, and that was a big dedication of resources. We've said on our last couple of quarterly calls, we are now diverting those resources towards acquisition, and I think that there's lots of room to go there. And I think there's opportunity for us to invest more, to beef up those teams and accelerate our pace of acquisition.

Listen, whether those new hotels are on ETP, whether they're on merchant-only, whether they're just agency or hotel collect properties, we're just happy to have them on the platform. And I think that ETP gave us a menu of options that allowed us to be more attractive to our supply partners, more attractive to consumers and remove friction.

There's always going to be a preference on our part to having people on ETP, but whether they sign up directly on that or they sign up on hotel collect only or Expedia Collect Merchant first, and then they -- we test them into ETP, we're okay with that. I think that just the net takeaway is that we've really opened up the aperture for people to get into our platform, and we're going to accelerate the join rate for new hotels.

Ross Sandler - *Deutsche Bank - Analyst*

Do you think if you look -- oh, question here, sorry.

Unidentified Participant

Just to follow up on that point, have you guys seen a positive impact on conversion rates as a function of the increased inventory on the site?

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

Yes, we have. I mean, we have seen that consumers have been responding in terms of better conversion rates. We've also seen it's been better for hotel suppliers. Suppliers that have signed up have generally seen an acceleration in their growth, driven in part by these conversion uplifts, but they've also seen average booking values increase, as well. So, net-net, it's been a great thing on both sides of the platform.

Ross Sandler - *Deutsche Bank - Analyst*

Do you feel like -- it seems like, from a hotelier or a hotel chain perspective, a lot of these folks are starting to get a lot more sophisticated with their rate management and yield management software, and it's still kind of TBD as far as how that might impact the OTA channel. Do you think you're a net beneficiary of that increased transparency or sophistication on behalf of how hotels are handling their own use capacity? Just thoughts on that?

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

Well, we've found that the more sophisticated the hotel partner is, the better they're able to utilize our channel. We provide a tremendous amount of reach to hotels, and even a hotel, call it a Marriott property, for example, that's at full occupancy, they can still benefit from taking a room that would have been cobbled together with two three-night stays and a single night stay and actually putting a Japanese traveler into that who's going to spend way more in the restaurant than the prior customer would have. So, the more sophisticated hotels get generally, that's been a good thing for our platform.

The other thing I would say is that, when you have a very large platform and reach like we have, that's very targetable like ours is, and that's growing very quickly, come what may, hotel partners will want to be a part of that, and it's very hard for them to not be a part of that, because their peers are.

Ross Sandler - *Deutsche Bank - Analyst*

Yes. And on this topic, one of the things that's happening in the industry is not only are some of these hoteliers getting more sophisticated, but as the consumer behavior kind of transitions to mobile, there's some discussion out there about mobile being broadly a kind of logged-in experience, where -- whether you're either on your e-mail or you're on a Facebook, on Google or TripAdvisor, that potentially hotels can offer different rates to a logged-in user than they could through rate parity and through OTA channels. Do you view that as a risk to OTAs in general, the ability to kind of surface different prices in the logged-in experience?

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

Well, I think it possibly could be for some players. That said, we are fortunate to be a merchant player. So, we have the ability to do promotional activity and coupon activity. We've got hoteliers that are very interested in products that we're offering, allowing them to offer discounts to closed user groups.

So, I think for us specifically, we think that more fragmentation in pricing could actually be a good thing for us. And I think, given the sophistication of our analytics teams, we're looking very closely at how we take good advantage of that.

Ross Sandler - *Deutsche Bank - Analyst*

Yes, okay. Think we're going to wrap up. On behalf of Deutsche Bank, thank you to Expedia and to Mark for making it to the conference.

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

Great to be here. Thanks.
