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EDITED TRANSCRIPT

EXPE - Expedia Group Inc at JPMorgan Global Technology, Media and Communications Conference

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PRESENTATION

Douglas Till Anmuth - *JP Morgan Chase & Co, Research Division - MD*

All right. We're going to get started. My name is Doug Anmuth, I'm the Internet Analyst at JPMorgan. It's our pleasure to have Alan Pickerill, EVP and CFO at Expedia. So Expedia is one of the largest global travel platforms with more than 200 travel booking sites, operating in more than 70 countries, provides access to more than 1 million accommodations, including -- well, 1 million accommodations, 1.8 million alternative accommodations, I should clarify that. So Alan has been EVP and CFO since September of 2017, previously headed up IR and was Treasurer as well. So thank you, Alan.

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

Yes. It's my pleasure.

QUESTIONS AND ANSWERS

Douglas Till Anmuth - *JP Morgan Chase & Co, Research Division - MD*

So let's start of kind of higher level. We've seen a shift in online travel over the past couple of years as we kind of see OTAs and meta companies, even vacation rental companies, taking a more holistic approach to this sector. So many of these companies are diversifying, offering a wider range of services for travelers. How does this shift play into the strengths of Expedia and how are you are positioned in online travel?

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

Yes. I mean I think it is interesting that you hear more and more from all of the players in the space looking at not just the hotel booking or not just the alternative accommodation, but in fact, what are the components of the entire trip and how can we participate in that? How can we serve the customer in that way? And for us, we think -- we've been on that track for a long time. I mean we -- our brand Expedia is actually the only global, truly full-service, online travel agency in the world, where we've been booking airline tickets, we've been booking hotel rooms, car rentals, cruises, activities.

We have big activities business. We don't talk about it all that much because it's -- in the grand scheme of everything that we do, it's a smaller piece of the pie, but we have a big activities business. And by virtue of having that, you can create these products that we do think are attractive for consumers over time.

And there's a couple of things there. One is that if you have a consumer that's booking a whole trip and they -- oftentimes, they'll start with their airline ticket. They want to get that locked in, a little bit more of a commodity product. They can get that, kind of, locked down, see how much they spent on that, and then decide on other things like "Okay, what kind of hotel do we want to stay in?" That requires more back-and-forth with the other people and the traveling party.

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But if we can provide that party -- first of all, we know already something about that consumer because we know where they're going. We may know how many people are in their party and how long they're going to be there, and so we can offer them discounted hotel rooms that they can essentially attach to that airline ticket. And it is quite an attractive value proposition, not to mention just the fact that they can pay with one credit card. They have one customer service number to call when they have inclement weather or other changes they want to make.

As I said, they can book their activities, their ground transportation. And then if they've -- if we've enticed them into being an app customer, which is increasingly the case, they also have their itinerary essentially in one location. They've got cards that come up, it starts with your -- could start with your ground transportation to the airport, your airline ticket where you're flying, your rental car tab comes up, then your hotel then your activities and so.

From a consumer experience standpoint, it's quite compelling. And we think -- listen, we are well positioned as a full-service player. All of the other folks that are talking about building these things out have a lot of ground to make. And one thing we know about these businesses is, they're -- they do require a reasonably heavy engineering load, and they require constant innovation, and there's an expense associated with building them out and maintaining them and getting suppliers to participate. So we feel like we're in a pretty good position from a -- from the standpoint of a multiproduct player.

Douglas Till Anmuth - *JP Morgan Chase & Co, Research Division - MD*

Okay. Great. Let's talk about some of your key strategic themes. So being customer-centric, locally relevant on a global basis and then also speeding up the pace of innovation and execution, can you just give us some examples across each of these of kind of key initiatives? What are the big focus areas for you now?

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

Yes. These were strategic focus areas that we implemented shortly after Mark took over as CEO and I took the spot as CFO. And it's -- they're fancy words and they are a nice way to think about what we're really trying to go after here, but they are kind of largely clear initiatives.

And in terms of the -- being locally relevant on a global basis, really, that's all about making sure that as you think about our business in a given country, let's say, it's a foreign country and let's say, we have been there for just a few years, it's about really looking at that country and saying "Okay. What is the gap today between what we offer, the products that we offer, and where it needs to be to be truly accepted as a true local player?"

And so it could be things around supply where we don't have all of the supply. It could be around payment types, maybe we don't have all the payment types that locals like to use when they're booking travel. There is an element that's localization, and it's not just translational, although that's an important part of it, but it's also things like, do you know the language that people in that country use, not language as in the foreign language but like their vernacular for where they're going to go on their local holidays?

And so we're looking at these. We're -- we've got these gap analysis in place and we're just saying, let's just -- over a relatively short period of time, let's just close that gap and make sure that when customers come onto our site, not only can they find a great hotel for a travel product in a big city, which has been our historical sweet spot, but let's make sure that they can find a good place to stay out on the local beach or wherever you go for your local travel.

In terms of speeding up the pace of innovation and execution, there's a few things there. I mean cloud is an obvious example. We're on this multiyear journey to migrate into the cloud that has allowed us to deploy code faster. It allows us to test faster. We've moved a lot of our marketing algorithms into the cloud and so that's allowed us to train our algorithms faster. We can scale up, compute power when we need it and scale it back down when we don't need it. That's one example. I would say we are also just looking at how can we find opportunities to reduce duplication in the products and services that we create.

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And what that means is that we're looking at this much more as an Expedia Group effort. The business historically was run much more like a portfolio play. Yes, it's on the same family. But a little friendly competition between all the brands, kind of a marketplace of ideas, let the best idea win, some of that, we still employ but what we're really doing is saying how do we take Expedia Group, take all the assets and the technology that we have to bear and really try to compete in this global marketplace.

And so that's a key part of what we're doing. We're in the early stages of that. I mentioned it briefly on the earnings call as well, but that's an area where we think we can free up resources to work on some of the more strategic areas.

And then as far as customer-centricity, I would just say this: we have a history of focusing very heavily on traffic and conversion.

Traffic and conversion. How can we get more traffic and how can we convert that into travel booking? And what we're doing increasingly is saying hey, there's a person behind that travel booking, and that person has certain things that they are interested in. They've got certain patterns of booking travel. They've got certain family members they travel with or friends they travel with, and how can we create products and services that increase the overall value proposition for the consumer and also increase the value proposition for the travel partner in a way that we're increasingly creating network effects for wanting to participate in the Expedia Travel platform? And we think if we just had more of an eye towards that customer focus, we'll make a lot of ground there

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Douglas Till Anmuth - *JP Morgan Chase & Co, Research Division - MD*

Okay. Great. Let's hit on one of those a little deeper, just about being locally relevant. So you added a good amount of supply last year, in particular, very important initiative. As you're kind of a year into that ramp, can you just talk about how that's supply is performing? And then kind of how to think about expansion going forward?

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

Yes. The -- we have been quite aggressive. And just over the years, the amount of supply that we're adding to the platform that consumers can choose from has been just getting bigger and bigger every year. And last year, we added, call it, in the neighborhood of about 200,000 properties. That -- plus or minus, that pace continues. We're kind of adding, call it, between -- quarter-to-quarter, we're adding between, call it, 40,000 and 50,000 properties every single quarter. Q1 was no exception where we added over 40,000 properties in that way.

We monitor things like what kind of revenue are we generating from these properties? How much -- how many bookings are we sending to them? Typically, what we've seen historically is that they are more and more productive the longer they've been in the system.

So first year, what we've seen so far for the supply we added in '18, it was good results in '18. We would expect that to continue in 2019. It's not all entirely incremental. Obviously, some of this is allowing consumers to choose among a bigger portfolio of properties, but a lot of it can be incremental because when you're building up supply in a destination where you historically just have not had that much, then you know people are staying in those hotels, people are going to those destinations, so you can, kind of, create some incremental demand.

Douglas Till Anmuth - *JP Morgan Chase & Co, Research Division - MD*

Okay. Great. Let's shift gears talk a little bit about alternative accommodation. So you recently rebranded your alternative efforts behind Vrbo. So what goes into the rebranding and consolidating behind a single brand? How long will that process take? And is alternative being run any differently now or is it just kind of a rebranding, repackaged type of offering?

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

Yes. That part is really more focused just on kind of your -- what do you want to be your champion brand as you move forward. And just for those that don't know, what was the -- our segment formerly known as HomeAway is now called Vrbo. And what we did there -- and they have a number of other brands that have been acquired even prior to us acquiring HomeAway back in 2015. They -- HomeAway had acquired a number of these brands. And so the Vrbo-specific decision is around some testing that we did, where we ran creative advertising in the U.S. using each brand and just tested them against each other. And Vrbo did tremendously better than HomeAway did in the U.S. market. And for better or for worse, for the time being, the Vrbo segment as a whole business is still highly skewed towards a North American business.

We also did, in that process, then decided to test that Vrbo brand in international markets, just as regards consumer receptiveness to that brand. And we had very good test results in terms of the brand itself as well as just the word and how you say the word and how it can be accepted in different countries where English, I mean, is not the first language. And so that was the decision there.

And so Vrbo -- just to be crystal clear, Vrbo has been entirely a North American brand for now. So we will, over time, put money behind it. We'll launch it in international markets. At the same time, the business has already been and has for a while been undertaking some efforts to get onto a single global platform, undertaking some efforts to rationalize some of these other brands, the smaller brands in other countries. And that effort will continue. We haven't set a specific timeframe on all that, and you've got to kind of go through it methodically, but we think that it's right to have that champion brand and put most of the time and money behind it.

Douglas Till Anmuth - *JP Morgan Chase & Co, Research Division - MD*

Okay. Let's continue there. We've seen a good amount of desale at Vrbo. And at the last earnings, you talked about how slower booking trends would persist in the near term. So I know there's kind of a lot happening within Vrbo. Can you just go over some of the factors that are impacting growth? And then what gives you the confidence that the booking trends improve in the back half of the year?

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

Sure. Yes. So just -- and just for those maybe who aren't quite as familiar with the story, when we bought what was then HomeAway back in December of 2015, it was essentially a completely off-platform business. It was a lead-generation business, and all of the actual transactions happened off platform. And we spent the last 3 years really converting it from that type of a listings' business into a true travel e-commerce player.

And what that required was taking an existing book of business, getting it on platform. It required us to change the monetization structure and economic structures so that we had actual per-unit economics, which had not been the case historically and standing up a proper search engine marketing team with the right tools and people to actually go out and bid for traffic. That has gone very well. That transition over that 3-year period went very, very well. We've got a huge book of business on the platform now that was not before, and we're moving from there.

In the more recent past, the deceleration that you referenced has come from a few factors. One is we -- the tailwind if you want to call it that, from moving an off-platform business on platform is -- it gets smaller and smaller as you get more and more of it online. The -- we're comping over a lot of the ramp up of the search engine marketing component. So those yards are harder to come by and the comps are tougher. But the bigger factor, which we've talked about on the earnings call, is that the SEO, the Search Engine Optimization, of the free traffic is a pretty significant headwind for Vrbo in the past few quarters and probably looking forward for the next couple. And that is -- some is just coming from the fact that all businesses in all verticals at some point face the reality that Google wants to monetize traffic, and they're going to figure out their way to take their share of economics. And so we've seen that historically in our other brands. TripAdvisor has been through that, and Vrbo is also participating in that component.

Setting that aside, there are some self-inflicted components, which are related to what I mentioned, which is as you take a business that has built up some brands around the world and has built up some SEO juice, as they move onto a single global platform and as they rationalize some other brands, they lose some of that historical SEO juice. And so it creates -- it's somewhat self-inflicted, although it is -- I would not actually call it a self-inflicted wound in a certain way because it's something that's necessary to do to take the business forward over the course of the next 5 to 10

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years. So it's the right things to do to get on a single global platform and rationalize your brands. It's just to create some challenges in terms of the traffic.

So the team has a good playbook there. We have been through this before, as I said. They'll continue to work that as we move through the year. And as we said on our earnings call, we expect to see some improvement as we get into the back half of the year and exit the year at a better growth rate.

Douglas Till Anmuth - *JP Morgan Chase & Co, Research Division - MD*

Okay. Great. Let's stick with Vrbo. They talk about international and urban opportunities, you, kind of, mentioned a little bit of just expanding the brand internationally. But if you could dig a little bit deeper there, curious to hear what the strategy is, both international and urban. Kind of how do you compare these growth opportunities?

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

Yes. I mean I think that those are really the next legs of growth for Vrbo. We have not historically been strong in big city destinations. Vrbo and HomeAway's historical strength has been in hall home, vacation rental destinations, think beach, think ski resort, think those real obvious places where people often have second homes and are willing to monetize, wanting to monetize those homes in some way.

The -- so urban is an area we bought a couple of companies ApartmentJet and Pillow, which are tech companies. Small acquisitions we did in 2018, which are designed to help, motivate and accelerate the pace at which multifamily properties in urban destinations can come onto these platforms. And so that's one example. It's just one example of a lot of work that the team will need to do. And so that part will continue now.

They have -- we have, we think, a little bit of an advantage play here in the sense that Hotels.com and Brand Expedia are strong in urban destinations. So the -- their strength actually could play into demand generation and putting people in those urban properties.

As far as international, I mean, again, it's -- the business is highly skewed towards North America. A lot of the things that have transpired since we bought the company have been related to transitioning the international business the same way the U.S. business has been transitioned but not so much on focused international growth. And so that will be another opportunity for us, and I think that is built into the relative growth rates that you probably see across the industry and that some of our competitors are -- have been and remain more active in some of these international markets. But I think we should have a good shot at growing that business internationally as well, and that's what we'll set out to do.

Douglas Till Anmuth - *JP Morgan Chase & Co, Research Division - MD*

Okay. Let's stick with International. You called out some weakness in the U.K. last quarter, while the rest of Europe was more stable. I know that Easter adds a little bit of noise early in the second quarter. Can you just talk about that? And I guess more broadly, how you characterize the current macro environment?

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

Everybody's trying to figure out the current macro. I think -- listen, a couple of things we've talked about is, as you mentioned, U.K. There are areas where you can -- we can see specific things. So U.K. is a great example of that. Q1 was weak in U.K., both for inbound and outbound travel. We believe it has to do with Brexit and that pending situation. It's been obviously kicked down the road, and so we'll see what happens in the next couple of months as we move forward and whether that kind of loosens up travel bookings in and out of the U.K.

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There has been some discussion just about some of the trends, like if you look at what the hotels are saying and what the hotel industry is saying about RevPAR. It looks like the RevPAR growth rates that you saw in 2018 are better than what is expected for 2019 by, call it, 100 basis points or something like that. So that does play into it.

But on the other hand, consumers are still getting on airplanes and staying in hotel rooms. I mean it's one of the beautiful things about being in this business is that the product that we sell is a product that consumers love to buy. And what we have historically found is that, that remains true regardless of economic conditions.

Now as economic conditions change, they might change their travel patterns a little bit. They might upgrade or downgrade the property they're saying in. They might move to the back of the plane or front of the plane depending on what's happening. But they still want to get out and travel, and we think that remains. And so from that standpoint, we think the environment's stable.

Douglas Till Anmuth - *JP Morgan Chase & Co, Research Division - MD*

Okay. We're going to open up to questions in a minute. So if you have one, I think there's a mic running around. There's one in front I know, but let me just ask another one before the mic comes around.

Alan, you mentioned cloud a little earlier, and you're kind of in your third year or so of migration to the cloud. Can you just talk about where you are in that process? How much more remains? And then if you could just help us understand some of the benefits that you're seeing so far and going forward and then also economic?

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

Yes. I mean the cloud migration has been good. It's a big project, as you might imagine, taking a business that's entirely in an on-premise data center and moving it into -- mostly into AWS. We are -- we have made good strides. We are highly focused on the hotel product this year and expect to have that essentially completely in the cloud by the end of the year. We've already scaled up a lot of the traffic there.

We are working on the other products and components, Air and others. We're not as far along with those as we are in hotel, but we're making good progress, and we expect that to continue. We have moved things like a lot of our marketing algorithms and work into the cloud. And the teams have -- to your question about benefits, the team has been very pleased with running the marketing algorithms in the cloud. We can train and test those algorithms way faster than we could in on-prem, and we can scale up the compute, scale it back down very quickly.

There's a bunch of operational benefits related to that around just how fast you can test and learn, how fast you can deploy new code. The relative latency of your products, all of that is expected to -- is already showing -- shown to be and is expected to continue to be beneficial relative to operating in an on-premise data center.

From an overall picture, the way to think about it is that we are -- there's a little bit of financial statement geography at play here where you're trading off a combination of CapEx, which you were spending to outfit your data centers, and the data points we had said were -- $180 million we spent on CapEx in the data center in 2016, and that went down to about $50 million in 2017.

Obviously, we still have the on-prem, so we are still doing some work there. There's operating expenses for the data centers. Those have not come down substantially for us yet because we haven't really made the full cutover, but those were kind of flat to down-ish.

But all in, we think it's a no-brainer from a product perspective and the financials spans a lot nicely as well.

Douglas Till Anmuth - *JP Morgan Chase & Co, Research Division - MD*

Okay. Questions, I think we have one up here in the front. Here, here, right here.

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Unidentified Analyst

I had a question about alternative listings and how from the point of view of someone who's choosing to list on Vrbo versus Airbnb or other ones, how does it look to them?

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

Well, I think that for the most part, it should look like additional potential demand. And there are plenty of property managers, plenty of homeowners who, let's say they're already listed on Airbnb shouldn't really have a hesitation to participating in Vrbo.

Now the devil's in the details, and obviously, if you've got someone who's got a second home and they only want it rented out 6 weeks a year and they've already got a book of business, they might be less inclined to do that. But I think the opportunity is there for people to just get additional demand.

I think for our part, we have the additional benefit, as I said, of having all of this traffic, integrating it into Expedia and Hotels.com, and having all of this traffic seeing it there and on the Vrbo site, which I think is appealing. And then we are continuing to work on technology and tools where we can feed them data that maybe they can't get anywhere else. Like, we've got access as a company to essentially average room rate and yield trend data by market.

And so we can help our vacation rental partners not just understand maybe what other vacation rental players are doing in terms of their pricing but also what's happening with hotel pricing, which can be highly variable, as you know especially in search markets and things like that. So I think we'll have very good success over the long term signing up lots of supply to the Vrbo platform.

Douglas Till Anmuth - *JP Morgan Chase & Co, Research Division - MD*

Other questions? I think there's one in the back. Let me just ask another one while we're getting the mic there. Your -- let's talk about your relationship with suppliers. Your latest contact with Marriott, it sounds like the relationship is evolving. And you've talked about how you can work together with suppliers to grow the pie rather than kind of just shifting share. What are some of the ways you can do that? And how do you think about supplier relationships in general now?

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

Yes. I think -- listen, with very, very, very remote exceptions, we have constructive and productive relationships and conversations with our supply partners. Marriott is no exception. We have found a way in our agreement with them to expand our relationship. We are looking broadly with our supply partners, not just to have a very basic conversation about unit economics and how much do I get and how much do you get. But rather, what are the ways that we can work together to expand the pie so that we can add value to both companies? And we think there's a lot of opportunity there.

When you think about what we do, we really do have a way of doing that. We have -- we've got our regular OTAs and Brand Expedia at Hotels.com. They have products like Accelerator, and they've got advertising, and they have ways of driving traffic from certain locations to certain destinations, from certain demographics, et cetera, et cetera. We've got a big corporate travel business, and we can help fill airplanes and hotel rooms with what is most often premium traffic.

We've got deep discount sites like Hotwire where they can use that as a channel to, kind of, move distressed inventory if you want to call it that. And we've got a good distribution arm as well that we can partner with them on, too. So we think, for the most part, those constructive conversations can lead to good, healthy value-add. There are a few exceptions from time to time.

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Douglas Till Anmuth - *JP Morgan Chase & Co, Research Division - MD*

Okay, question in the back?

Unidentified Analyst

The strategy to consolidate the brands on the alternative accommodation sites seems to be a stark contrast to the strategy on the traditional hotel side of the business where you maintain a portfolio of half a dozen or more individual brands. So what's the distinction between those 2 sides of the business? Why on one side, it make sense to consolidate and rebrand; on the other side, it makes sense to operate independent brands?

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

Yes. Thanks for the question. I would just say that short and sweet answer is principally around the relative size of those brands and their relative positioning and what they, kind of, mean to the long term. Some people don't know this. It -- we didn't talk a lot about it, but we have had brands on the OTA side of the house that we have essentially folded into the other brands.

Venere is an example of a European brand that we bought many years ago and eventually folded into Hotels.com. There have been other brands like that, but some of the other brands on the OTA side are actually gigantic. And although their unit and top line growth profile's relatively subdued, they're highly profitable. And so I think it's an area where you have a book of business on those brands that you want to make sure you're giving proper care and feeding to.

And on the vacation rental side of the house, I think it's just less pronounced. And so you have more of an opportunity to maybe get more money and time and focus behind a couple of brands instead of a host of them.

Unidentified Analyst

I have 2 questions, if I may. Number one is, how do you think about online travel penetration? Is there further room to grow?

And secondly, as you grow supply in Europe and you expand your alternative accommodations business, how do you think about brand investments? Bookings has been very vocal about brand advertising. Where are you on that front?

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

Yes. So on the penetration, I mean we still think that there's a lot of runway here, and there's a couple of probably somewhat overly simplistic but illustrative ways to think about it. One is that we did just under $100 billion of gross bookings in 2018. The travel market is estimated to be $1.7 trillion.

So we are -- even though we are among the largest online travel players, we're still only a mid-single-digit owner. And that's even skewed more by the fact that North America has been our primary market -- or our longest-standing market, I should say, not our primary market but our longest standing market, and so represents a higher percentage of this share than you see in any other region.

And even in the U.S., where, call it, low teens -- double-digit low teens share of the travel market. So we still think, from that standpoint, there's a lot of runway. You can cut it some other ways. The number of hotels we talked earlier about just the property acquisitions and additions that we've added to the portfolio but also what we aim to add over time, and we're still -- we still have long ways to go before we get all of those hotels on the platform, all of the vacation rentals.

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We can look at just what percentage share we have of room nights in a market like the U.S. And even though, as I said, it's our longest standing market, the share we have in certain destinations in the U.S. is much higher than it is on an average basis. So even in the U.S., we think there's plenty of opportunity. So we think there's plenty of opportunity for us to grow.

Total penetration. It varies by country. I think the Focuswire has it at -- Focusrite, sorry, has it at, call it, 50% penetration in the U.S., around that in Europe, a little bit lower than that in Asia-Pacific and lower in Lat Am, although that varies greatly by country as well, so still a lot of opportunity.

As far as the brand marketing question, I would just say that we are big believers in having a balanced approach to marketing. And often, when we launch into a new country or a country where we are just kind of starting to try to take ground, we will start with performance-based marketing. And we think that's a good place to start. It's an easy place to start. You can target -- in metasearch, you can target specific properties and advertise for specific properties. As you build up a destination, you can start to market for that destination.

And then what we like to do is layer in a little bit of brand marketing behind that. And the brand marketing is supportive, both in terms of consumers because consumers start to recognize the brand more, they've seen it on TV and so their click-through rates improve and their conversion rates improve.

It also helps with suppliers. If you're walking into a hotel that's actually never heard of Expedia, it's hard to believe, but there are some hotels that haven't, then you -- they -- having seen an advertisement on TV, they might be more likely to transact with you as well.

So we like a balanced approach. We like a healthy ecosystem where we're growing traffic and transactions, both in terms of direct typing and repeat as well as what we call prospecting customers in Google and metasearch and other places like that.

Douglas Till Anmuth - *JP Morgan Chase & Co, Research Division - MD*

All right. We're going to wrap up with a quick word association.

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

Okay. We'll see how I do on word association.

Douglas Till Anmuth - *JP Morgan Chase & Co, Research Division - MD*

I'll give you a word or thought, just give me the first thing that comes to mind. Performance marketing?

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

I'm not going to be very good at this, I like to think about everything. Performance marketing, important and a good place to prospect new customers.

Douglas Till Anmuth - *JP Morgan Chase & Co, Research Division - MD*

Cloud?

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

No-brainer.

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Douglas Till Anmuth - *JP Morgan Chase & Co, Research Division - MD*

Vrbo?

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

Ongoing leader in alternative accommodations.

Douglas Till Anmuth - *JP Morgan Chase & Co, Research Division - MD*

Google?

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

Partner and competitor.

Douglas Till Anmuth - *JP Morgan Chase & Co, Research Division - MD*

European macro?

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

Fine.

Douglas Till Anmuth - *JP Morgan Chase & Co, Research Division - MD*

Airbnb?

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

Vrbo.

Douglas Till Anmuth - *JP Morgan Chase & Co, Research Division - MD*

Good answer. China?

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

Tough.

Douglas Till Anmuth - *JP Morgan Chase & Co, Research Division - MD*

SEO?

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

Tough.

Douglas Till Anmuth - *JP Morgan Chase & Co, Research Division - MD*

Margins?

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

Which margins?

Douglas Till Anmuth - *JP Morgan Chase & Co, Research Division - MD*

EBITDA margins.

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

EBITDA margins, I can't answer that in one question -- in one word. I would just say, I should say, so I don't leave anybody hanging, we are trying to a very good job of growing this business globally, as I mentioned earlier in answer to that question. We have a tremendous opportunity in front of us. And so we owe it to our customers and our partners and our investors to have a balanced approach to growing the business in international markets, while at the same time, delivering healthy profits and profit growth. Optimizing for the specific EBITDA margin is not what we're focused on right now, but we are focused on a balanced equation between top line growth and delivering profits.

Douglas Till Anmuth - *JP Morgan Chase & Co, Research Division - MD*

All right. Understood. Thank you.

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

Thanks.

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