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PRESENTATION

Doug Anmuth - *JPMorgan - Analyst*

All right. We can go ahead and get started. Thanks everybody for being here this afternoon. I'm Doug Anmuth Internet Analyst at JPMorgan. It's our pleasure to have at here Mark Okerstrom, CFO and EVP of Operations at Expedia. So Mark has been CFO since September of 2011, added the operations component, I think last year summer, I believe.

Mark Okerstrom - *Expedia, Inc. - CFO & EVP Operations*

Yes. That's right.

Doug Anmuth - *JPMorgan - Analyst*

So he is running the e-commerce platform group, that includes centralized tech, payments risk, and then global customers operations as well. So thank you, Mark, for being here.

Mark Okerstrom - *Expedia, Inc. - CFO & EVP Operations*

Great to be here.

Doug Anmuth - *JPMorgan - Analyst*

So let's start off a high level, so a company Expedia has been very busy and the performance is very strong. You're growing hotel room nice, the fastest pace and at least a few years. You're adding a number of brands to the portfolio, like Travelocity Wotif, hopefully soon Orbitz as well. How are you balancing everything that's going on at the Company and how do you think about the top three priorities going forward?

Mark Okerstrom - *Expedia, Inc. - CFO & EVP Operations*

Yes, sure. So we are off to a great start this year. Q1 was a good quarter. We were happy to reiterate our guidance, which, excluding eLong was 10% to 15% adjusted EBITDA growth. That was amidst of an incremental headwind from foreign exchange about 200 basis points. I did want to just reiterate though and clarify some of the guidance that I gave on the call, which was I did say again excluding eLong that we expected the vast majority of our adjusted EBITDA dollar growth to come in the back half of the year. Not sure, if the message got through, but at Expedia, vast majority means somewhere between 70% and 90%. So I just wanted to clarify that; again, all of that's excluding eLong. We did mention as well eLong had losses about $33 million in the quarter. And again, just as a reminder, what I said was that we expected losses to be that much if not more on a go-forward basis. So, just wanted to clarify that, again just reiterating really what I said before.

So, again, off to a great start and we are expecting a nice year this year and really the priorities for us have not changed from some of the things that you've been hearing, myself and Dara speak about for a very long period of time, which is firstly and foremostly across Expedia is just execute on the basics. This is a game of inches. You got to be great on the supply side, you got to be great on the website platforms, you got to be great at online marketing. We've got tens of thousands of people working for us around the world that are just focused on exactly that.

In terms of just incremental things, again, we are incrementally focused on the supply side of the business this year. We added 14,000 new properties in Q1, which was about twice as many properties as we had added in Q4, and again this is just us executing on the formula of having great online marketing, great platforms, and great supply. And once we get that all working, we can be more aggressive in adding new properties, which is exactly what we're doing. We continue to be very focused on mobile, one in four of our transactions are done on a mobile device. It is a basic part of the business. It's a core part of what we do and we're very focused on it. And we continue to be very focused on our geographic footprint.

We announced last quarter a partnership and minority investment in Despegar, which gives us more access to the Latin American market. Again, the Wotif what if transaction, which we announced gives us more access to the Asia-Pacific region and then organically, we continue to expand as well. So I would say priorities for us this year kind of more of the same.

Doug Anmuth - *JPMorgan - Analyst*

Okay, great. So on hotel room nights, so Expedia 28% on an organic basis, outpaced price line in 1Q and other differences in terms of how these are accounted or reported exactly, but what are the most important drivers in your view of that growth? How meaningful are your loyalty programs across brands and I mean Hotels.com in particular?

Mark Okerstrom - *Expedia, Inc. - CFO & EVP Operations*

So the big driver of the room night growth has really just been, honestly, just core execution. We saw strong growth in all major brands in all major regions. It's just great execution, again on online marketing, website conversion, adding new properties, the loyalty programs we've got. We've got the Expedia+ rewards program on on-brand Expediates in the US. We're expanding into different countries now around the world. And then of course the Hotels.com rewards program, which has been a great, great part of that business. This is a program where you book 10 room nights, you get one free. The free night is basically wherever you want to stay and is basically for the average value of the bookings that you made in the prior 10 room night. And that's been a huge tailwind for this business in terms of getting a lot of unmanaged business travelers to book on Hotels.com as opposed to having to stay with a Marriott or stay with a Hilton. Now they have choice. You know, we continue to drive more and more business through that loyalty program and the great thing with those loyalty members is that they come back to Hotels.com either via the app or directly or at least through cheaper channels like email. They generally gives us a higher share of wallet and it's a great for walled garden of loyal members that continue to be catalysts for the Hotels.com business.

Doug Anmuth - *JPMorgan - Analyst*

Okay. And then maybe you can comment on just how big of a factor take rates are? You've been somewhat vocal, it's like in this industry people don't really like to talk about price that much and you've been a little more vocal just on lowering take rates. So it seems like a pretty strategic move to gain share, if you can provide some more color there and how that's helping?

Mark Okerstrom - *Expedia, Inc. - CFO & EVP Operations*

Sure. So we started on a journey really in 2013 with the introduction of our program called the Expedia Traveler Preference Program whereby we re-contracted with our hotels and had them give our consumers the choice of whether or not they book by agency, which is pay at the hotel or merchant payouts in advance. And when we started rolling out that program, we started on a journey of essentially re-basing or restructuring the way that we were doing business with our hotel partners.

In the old days when Expedia really got into the hotel business in the early 2000s, you had traditional travel agents, which were charging [co-let in the teens] and you had wholesalers that we're charging up in the 35%, 40% and you know Expedia through Travelscape again in the early 2000s came in with sort of on a middle type price. Well, you know, over time, we've been working to essentially get ourselves away from that model, away from a model where versus the traditional travel agent or in many cases, other regional travel agents, we were at some sort of a premium and getting down to a world where instead of one size fits all, we go to a low sort of base rate market standard commission. We are not a price leader, but we do want to make sure that we're market competitive and then we give the opportunity to our hotel partners to pay more to get more. And in the case of the Expedia Traveler Preference Program, that really was you can do business with us via just direct agency hotel at margin x or if you want to pay a little bit more and get access to Expedia Traveler Preference Program, you want to run a targeted promotion to travelers in Japan, you want to be part of the packages product, we will give you the opportunity to pay a little bit more again to get more.

We are probably 2.5 years through this journey. We've been -- have been a little bit more vocal about it recently. It has been a headwind on a revenue per room night, but it has been a catalyst to our ability to sign up more and more properties to get better rates and availability for our consumers. Again, we're not a price leader, we are not leading with price. What we are doing though is just making our platform more attractive to our hotel partners and we do think it's going to -- can be a great thing for the business in the long term.

Doug Anmuth - *JPMorgan - Analyst*

So just to clarify there. Is that more of a mix shift issue within the agency merchant or would you say on a more like-for-like basis, for example within agency or within merchants that take rates are coming down?

Mark Okerstrom - *Expedia, Inc. - CFO & EVP Operations*

Well, it's been more, I would say in terms of the impact on our financials, more on a like-for-like basis, which is again restructuring the way that we do business. We may end up with the same margin in the end, but we're just being more flexible in the way that we're charging that margin, the way that we're getting to that margin.

Doug Anmuth - *JPMorgan - Analyst*

Okay. Lets -- I did want to hit more thing on loyalty programs. The economics you are using to work for you guys, but some of your peers out there argue that they don't really work well. I'm curious why you think that is, why they work for you and not others? And are there any stats you can share just around, kind of booking frequency or a multiple of spend for example versus the average?

Mark Okerstrom - *Expedia, Inc. - CFO & EVP Operations*

Well, it's hard for me to comment on specifically why it's not working for others. I'll tell you why it works for us is that, for us, customer loyalty starts firstly and foremostly with having a great product, having great websites, great apps, great hotel inventory, in the case of Hotels.com, great all other inventory in the case of Expedia, loyalty programs that seek to your counteract a poor product or generally a failure. Again I don't know specifically who you're referring to, but for us, it starts with having a great product.

In terms of some of the things we see again, we do see that on a before and after cohort basis. You know, like-for-like customers who become part of the Hotels.com rewards program generally spend more with Hotels.com than they did before. They generally come back to us directly or at least through cheaper marketing channels, and overall, it's a great thing for the business.

Doug Anmuth - *JPMorgan - Analyst*

Okay. So you touched on Wotif and then Despegar earlier. I just want to go back and talk about some of these emerging and high growth markets, how do you think you're positioned in APAC and LatAm? And then maybe if you could compare your position in those markets, now to how Europe was perhaps seven or 10 years ago, as that market was really starting to emerge online, what are the key differences?

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Mark Okerstrom - *Expedia, Inc. - CFO & EVP Operations*

Well, from a market standpoint, I'll start with the second question first, which is, do you think the Asian markets is hard to look at them collectively because they're very different markets. I think if you look at something like Southeast Asia, for example, it looks like Europe in the early to mid-2000s, I think it's in the early days. We however are just a very different Company, now operating in Southeast Asia than we were in Europe back in those same period of time. I mean back in those days, we were multiple different technology platforms. We didn't have global websites. We didn't have global online marketing. We had regionally organized brands, and therefore, it was very hard for us to be able to operate in a multi-language environment, and that's what you need to be really good at. It was something that our biggest competitor was great at, and continues to be great at, to be honest. And we're in a position where we can be great at it now.

And so in terms of where we're at on that journey in Asia and Latin America, I think it's early innings. I think it's very early innings. We are doing this in a measured pace. We're adding new properties, we're adding new points of sale, we're not making a bunch of huge massive bets because we do believe that over a long period of time, we can continue to gain share in that market and build a really big business both in Asia as well as Latin America and rest of the world.

Doug Anmuth - *JPMorgan - Analyst*

And maybe if you can just drill down a little bit on Despegar and when you had obviously made the investment, but what does that get you in terms of partnership and everything?

Mark Okerstrom - *Expedia, Inc. - CFO & EVP Operations*

Right. Well, we did make an investment in Despegar, was under 20%, so just to give you a sense of the impact on our financials, you won't really see it. We entered into at that time a broader cooperation agreement with respect to a hotel we have been working with the Despegar team, who is a great team by the way, and they built a fantastic brand presence in Latin America. They're really number one in all major regions. We've had a relationship power in a lot of their hotel inventory for a very long period of time and we simply just expanded that relationship. We also do have the opportunity, and we'll be working on integrating some of their inventory for display on the Expedia brand. So it's really is a win-win where you've got a global leader partnering up with a regional leader. We think they can help us and we think we can help them.

Doug Anmuth - *JPMorgan - Analyst*

Okay. Let's talk about trivago a little bit. So growth there has been very good. Should we think about this business as being run more as a separate kind of distinct entity or more for the benefit of driving the core Expedia brands in your view?

Mark Okerstrom - *Expedia, Inc. - CFO & EVP Operations*

Well, it's definitely a separate entity from both the standpoint of how we operate the business and also from the standpoint of how you all should think about it fitting into the Expediant portfolio. Again, we own, call it 63%-ish and the founders of which there are three exceptional managers and exceptional executives own the rest and they continue to operate that business based out of Dusseldorf. We're fortunate that as our big brands Expedia, Hotels.com, now Travelocity, soon Wotif from a marketing perspective, you know have improved their conversion. trivago has been a great channel for them. It's a great marketing channel with good conversion characteristics and as a result we've been able to grow with trivago, gain share in the trivago channel and then as trivago has grown into some places like the US where we are particularly strong, catalyzed more growth domestically and then also gives an opportunity to expand more aggressively in the place like Europe where we've been traditionally, a little bit less known.

Doug Anmuth - *JPMorgan - Analyst*

Okay. And then, just sticking with trivago, you have to sustain the heavy marketing spend on that asset over time. I mean how do you think that business scales?

Mark Okerstrom - *Expedia, Inc. - CFO & EVP Operations*

Well, I guess I would think about a little bit differently, which is, will we have the ability to continue to spend as aggressively we are and still see the good returns that we're seeing. You know trivago is a business that we have actually really good visibility into the return on the marketing spend that we're making now. The returns don't necessarily line up tidily with the calendar year, which is how you know we give guidance and how we report. The rest assured, those are others are very positive ROI investments for us and you know we know the model works.

If you look at trivago in its mature markets of Western Europe, for example, you see high growth nice margin business that scales and grows very nicely and can do so year after year after year. And you know we just happen to be in a position where we're ramping up the US right now. They continue to be able to spend more and more into the US market and still see returns. They're expanding quite nicely in Canada and Australia. There are seeing contraction in some parts of Latin America. And as long as we see positive ROI investments for them, we're going to continue to make those investments. Again, this is business we don't have to dig deep holes and you saw last year delivered $4 million in adjusted EBITDA. I mean, not a huge number, but they're not a loss-making business. So I think to the extend we continue to find those investments we're going to continue to drive the top line there.

Doug Anmuth - *JPMorgan - Analyst*

All right. Let's shift gears a little bit and just talk more about the bottom line. So I know that you're more focused on absolute profit dollars and free cash flow dollars. But even with the strong growth, we haven't necessarily seen consolidated margins expand. Now eLong clearly a way is here as you --

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Mark Okerstrom - *Expedia, Inc. - CFO & EVP Operations*

It does. Yes.

Doug Anmuth - *JPMorgan - Analyst*

Pointed out significantly. But how do you think about that ability to expand margins over time?

Mark Okerstrom - *Expedia, Inc. - CFO & EVP Operations*

Well, I think it will be a decision that will have the opportunity to look at it, the difference between expanding EBITDA margins or not. If you take away all of acquisition noise that we've had for the last 12 months-ish and you'll see on a go-forward basis, the difference between EBITDA margin expansion or not is definitely told in the sales and marketing line item. The financial strategy and the financial model of this business is keep fixed costs, overhead costs contained to a reasonable growth rate at the same time as keeping the competitive modes that, that platform enables you to operate under and grow variable profit as fast as you can. It's a simple model.

And sometimes that equation means that EBITDA margins contract and sometimes it means if you don't have the ROI positive investments, they may expand. But ultimately, it's not something that we're solving for, I think it's something that is certainly a possible. I mean we spend well over $2 billion a year, just about $3 billion a year in sales and marketing on an adjusted EBITDA base last year of $1 billion. It's not hard for us to expand EBITDA margins. If we take a short-term view, we've just got very -- we've got a long-term view, we want to deliver good consistent, robust growth over a long period of time. And right now, we're not resorting to adjusted EBITDA margin expansion to do that.

Doug Anmuth - *JPMorgan - Analyst*

Okay. We'll start taking questions in a minute, so, think of those. But let's go back to Asia and then just China in particular, so eLong, the EBITDA loss is figured to be well over $100 million this year. How you do think about the sustainability for this kind of figure and kind of your appetite for that if you will?

Mark Okerstrom - *Expedia, Inc. - CFO & EVP Operations*

Well, we're again, happy to have a majority position in the number two online travel agency in China. It's a separately traded, well capitalized business, we're fortunate to have a partner in Tencent and Tencent owns15% of eLong. We're very encouraged with a lot of the things that we've been seeing at eLong. China is an app driven world and apps have some great marketing characteristics. We're seeing eLong's mobile business exceeding 65% of their total business, mobiles growing triple digits, their supply base continues to be unparalleled. We continue to see healthy pieces of that business. At the same time, it's in a highly competitive market where you have competitors offering consumers incentives that exceed the amount of revenue that they make on those transactions.

And so, at some point, you've got to basically hold on and rely on the local team to execute amidst those, that environment and we'll see how it pans-out. But what I will tell you again is that it's an independently traded public company. We are fortunate to have the equity position that we have in it, and we do believe that that's an asset that is going to be worth something. And it's definitely not zero and it's definitely not negative and we hope it'll be worth a lot of money in the future, either strategically or through some other action.

Doug Anmuth - *JPMorgan - Analyst*

Okay. All right. I've got more, but let's open it up to the audience. So if anybody has a question, there's a mic in the middle or you can raise your hand, and we'll repeat it.

QUESTIONS AND ANSWERS

Unidentified Audience Member

(inaudible - microphone inaccessible)

Doug Anmuth - *JPMorgan - Analyst*

So the question is just to go further on eLong and the puts and takes.

Mark Okerstrom - *Expedia, Inc. - CFO & EVP Operations*

Yes, listen I would just say that we're not in a huge rush for any resolution. I think that again eLong is well capitalized. We're happy with the metrics that we're seeing. We wish that the environment was a little bit less hostile, but wishing doesn't get us very far. And you know we were not in a rush to do something. We've got runway ahead of us. Again, it's got sufficient cash reserves. We've got a great partner in Tencent and we'll see how things evolve.

Doug Anmuth - *JPMorgan - Analyst*

Are there questions out here? All right. So a year ago at this conference, so TripAdvisor made a lot of noise about Instant Book. We obviously talked to Steve about that this morning as well. It's pretty clear that you've laid a kind of traction there, is sort of slower initially at least than they expected, but endgame in Steve's view has not changed.

So how is Expedia currently thinking about Instant Book? Is this is more of a philosophical issue for you around training customers to book elsewhere, and not wanting to compete with a partner or are there modifications in the product or pricing or something that could make it more compelling?

Mark Okerstrom - *Expedia, Inc. - CFO & EVP Operations*

Well, I just say our thinking hasn't changed on this. We really like the TripAdvisor CPC model, it's a great marketing channel. Instant Book is not great marketing channel and therefore, we're not participating. I think that for that to change I think Instant Book would have to change and I have no insight as to whether or not that's going to happen or not.

Doug Anmuth - *JPMorgan - Analyst*

How would you want it be?

Mark Okerstrom - *Expedia, Inc. - CFO & EVP Operations*

Well, listen, I think that Stephen Kaufer is a product genius. He really is, and I would leave it to him to figure that out.

Doug Anmuth - *JPMorgan - Analyst*

He said he had new things coming.

Mark Okerstrom - *Expedia, Inc. - CFO & EVP Operations*

Listen, I think he probably will. Listen, I hope that they are, I do hope that they are successful in that product, this is an absolutely huge market. There is room for all of us here. It's just not a marketing channel that we're interested in and participating in.

Doug Anmuth - *JPMorgan - Analyst*

You've talked about testing bookings on trivago. So what's your appetite to do that?

Mark Okerstrom - *Expedia, Inc. - CFO & EVP Operations*

Well, I think it's going to be something we -- the trivago team ultimately tests and if it's a positive thing for both trivago and its advertisers. It's something that they will possibly rollout. But again the trivago is very committed to being eight hotel search provider. They are very committed to being a neutral party, they are not interested in owning the customer, except to own the search experience and to provide them with the most seamless handoff and to letting them do exactly what they want to do. And in that respect, I would expect that the implementation of whatever they do to be very consistent with that theme.

Doug Anmuth - *JPMorgan - Analyst*

Okay good. Are there questions? Go ahead.

Unidentified Audience Member

(inaudible - microphone inaccessible). If you come in at a low level, is there scope to prove yourself and take them up over time?

Mark Okerstrom - *Expedia, Inc. - CFO & EVP Operations*

Right. So the question is how dynamic are really hotel commissions? You know listen, I would say that historically, they haven't been all that dynamic. I mean particularly in our marketplace, it's generally been more or less with the exception of custom contracts for the big, our big chain partners. The independent hotels it's been largely a one size fits all proposition, and we have been transitioning that over the course of the last three years as I mentioned around, you know really getting ourselves into a spot where you know pricing wasn't really a barrier.

If you want to advertise on us or you want to do it on one of our competitors or traditional travel agent that all kind of feels the same and yet, we would be in a position where we would charge more where we're actually delivering more value, unique things we can do like packages targeting Japanese travelers, opaque inventory and on Hotwire et cetera. And I think in that respect that the capabilities that we have to, I would say come up with more win-wins in terms of charging more for giving more and really aligning our incentives with or at least our economics with what our suppliers want to do on our platform.

I think we're very much in the early stages. And our hope is that we can become more intelligent. Our hope is that you know in 10 years from now Expedia looks a lot more like Google, than they do at traditional travel agent. And I think right now, we look more like a traditional travel agent and we're a technology company, we've got a long way to go.

Doug Anmuth - *JPMorgan - Analyst*

Are there questions out here? Let me ask one about Orbitz. So just to drill down there a little bit more. You've talked $75 million in synergies, so where do you expect that to come from and are there other areas in your view that could help drive you above that number?

Mark Okerstrom - *Expedia, Inc. - CFO & EVP Operations*

Well, so we did give the $75 million, it's a full-year run rate number. We didn't get into a lot of specifics on it. Largely it is early on and we haven't had the opportunity to do real detailed integration planning. What is in that number is certainly a healthy dose of corporate costs that we think will no longer be needed when it's one company. We do think there is a possible opportunity for us to help them on the technology front and possibly for them to help us. They've got some interesting loyalty technology, a lot of the business they've got that powers to big banks and lot of these big institutions, very, very interesting, and they've built a very strong position there. So we think there may be some opportunities there to leverage within the Expedia family.

And we do have great hotel inventory that we think can possibly be a lift for them as well. So you all of those buckets are encompassed in that -- at that $75 million. But again, it's early. And I think as we get further into this, once the antitrust approval goes through, which we're very optimistic, we ultimately, when we get all the questions of the DOJ answered and when they have had enough time to properly consider it. We will potentially have a little bit more information to share.

Doug Anmuth - *JPMorgan - Analyst*

Okay, great. Okay, let's stick with M&A theme, and you've been very active in the US and abroad. Do you think this trend continues for Expedia and then also for the broader OTA sector?

Mark Okerstrom - *Expedia, Inc. - CFO & EVP Operations*

Well, I'd just say that the M&A is certainly in the DNA of Expedia, right down from our Chairman, all the way through. That's my background, that's Dara's background. It's really what built Expedia. So we are a company that's always on the hunt for ways to put capital to work in a way that's going to create a lot of value and I think that's not going to change in the future. We are in a spot right now where we are able to do a lot of these acquisitions that we've either announced or completed largely on the back of the organic strength of the business.

I mean we've built a platform that we think is best-in-class that allows us to take other businesses and integrate them onto the platform and that creates a very interesting deal thesis for a deal guy. And so I think there are possible other opportunities like that out there. That said we got our hands very full at the moment. That said, we continue to be outside of the core OTA business. We continue to be on the hunt for any innovative, great management team led travel business. We continue to be on the lookout for great businesses that we put together with her Egencia corporate travel business. So again eyes are always open, but we do have our hands full right now.

Doug Anmuth - *JPMorgan - Analyst*

We're seeing many more alternatives to traditional hotel booking, right, in HomeAway, Airbnb, others. So do you view these booking channels as threats or opportunities for Expedia? And then maybe you can talk a little bit about the partnership with HomeAway, how that's going, how many listings are currently up and running, and how you're thinking about conversion there?

Mark Okerstrom - *Expedia, Inc. - CFO & EVP Operations*

Well, listen, we view this as very much an opportunity. I think if you probably spoke to hostel owners, et cetera, they might say that they're being impacted by Airbnb and I think on the margin there will be some lodging types that are impacted. We can't see that impact on our business. But what does get us excited is that the vacation rental market has been traditionally on. There's a reasonably sized market. The market that Airbnb is creating, which I think is lot of it is incremental to that traditional market could be interesting. They have developed a platform and are training consumers and suppliers to interact on that platform in a way that accesses that market, makes it accessible online. And we think that's really interesting enough for us. We feel like we've got a ton of room left in our core business.

People continue to want to stay in hotels around the world, a lots of them and we haven't even become be at close to signing up all of the hotels, nor have we came close to even providing all of those consumers that are staying in our existing hotels with opportunities to transact. So we got a ton of room ahead of us. We hope that these alternative lodging providers are wildly successful and they create a market and that will broaden our horizons as a travel platform business. But until that becomes the next best thing for us, we're happy doing what we're doing, and what we're doing again is focusing on the core business.

But you mentioned as well the HomeAway partnership. We're also testing, we're testing it now, we've now got about 200,000 properties live with HomeAway. We are testing what are those times within a market, what are those destinations, what are those traveler types that can be opportunities for us to put one of our customers in a vacation rental property. One of those customers that may have actually just left us and gone somewhere else. And so because you can imagine a business that's got a very strong core business, that generates very healthy returns from a hotel booking, trying to sell consumers anything other than a hotel booking is a lot more science (inaudible) and we're running a tons of experiments around the world and how can we make this work.

Doug Anmuth - *JPMorgan - Analyst*

Okay. And -- go ahead.

Unidentified Audience Member

(inaudible - microphone inaccessible)

Mark Okerstrom - *Expedia, Inc. - CFO & EVP Operations*

So question 2015 Google friend or foe? Same answer as 2013, friend of me. We continue to see Google as a great marketing channel for us. You know, we continue to have success across all of our brands and in our geographies. It's a great source of leads as they've rolled out hotel price ads, that's been a product that we've been able to achieve some nice success. And that said, they are a dominant player in huge part of the top of the funnel. And as a result, we watch them very closely. We are encouraged that the EU is taking a look and just making sure that everything they do is consistent with healthy competitive behavior. So friend of me.

Doug Anmuth - *JPMorgan - Analyst*

So we've seen price line and trip push harder into adjacent areas, things like local attractions, restaurants, reservations. What's your view on these spaces do you need to play there and how would you potentially think about that from a build or buy perspective?

Mark Okerstrom - *Expedia, Inc. - CFO & EVP Operations*

Well, I think importantly and this goes for future acquisitions and expansion and our past acquisitions, we don't need to do anything. When we buy companies, it's because we see a great opportunity to create value here. These are offensive acquisitions, they are not defensive acquisitions. And so when we look at the future, I would just say that we already have a hugely diversified portfolio of assets.

We've got a great corporate travel business in Egencia, the fifth largest corporate travel business in the world going from five to one is a long road and an attractive road and we're going to go down that road. It continues to grow two to three times as fast as its biggest competitors. We think there's a lot of opportunity there. We've got a big activities business. We just put the activities on the brand Expedia app, again under penetrated. We had a long road there to really optimize that.

We bought a company called Auto Escape putting it together with CarRentals.com to create a global car platform, lots of runway ahead there. We've got a great air business in Brand Expedia, good package business. We've got -- we feel like we've got a lot of opportunity just in the core business that we don't have a need to expand beyond. And I'll tell you that we have a hard enough time convincing an air booker to book their rental car with us, getting them to make a hotel reservation, a couple weeks from now, I think it is one step further than our capabilities at this point.

Doug Anmuth - *JPMorgan - Analyst*

All right. Great. We are going to leave it there. Thank you Mark.

Mark Okerstrom - *Expedia, Inc. - CFO & EVP Operations*

Great. Thanks a lot.
