THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

EXPE - EXPEDIA, INC. AT CITI ENTERTAINMENT, MEDIA AND TELECOMMUNICATIONS CONFERENCE

EVENT DATE/TIME: JANUARY 05, 2012 / 10:00PM GMT

THOMSON REUTERS

CORPORATE PARTICIPANTS

Dara Khosrowshahi *Expedia - President, CEO*

Mark Okerstrom *Expedia - EVP, CFO*

CONFERENCE CALL PARTICIPANTS

Mark Mahaney *Citigroup - Analyst*

PRESENTATION

Dara Khosrowshahi - *Expedia - President, CEO*

Thank you very much. So, we're very excited to be going on a new venture as Expedia. As many of you know we recently completed the spinoff of TripAdvisor. TripAdvisor was, I think, one of the great all-time deals in the internet space and an incredible Company in the travel media space. We completed the spinoff to our shareholders late in December and now the former Expedia shareholder holds half a share of new Expedia which is a pure play, global, transactional Company, and half a share of TripAdvisor which is the leading online travel media Company.

As far as Expedia goes, we're very excited about the opportunities for Expedia. $3 billion in revenue, 600 plus of EBITDA. Very strong free cash flow generation and for us really the focus is driving conversion as a result of investments that we made in technology over the past couple of years and starting to reap the rewards of those investments, continuing to grow our business globally in international markets which are 42% of our revenue, driving that to 50% plus of our revenue, building in some of the new channels that are appearing -- the mobile channel, the social channel, the flash sales channel, which we think are going to boost our base growth rate, all combined with smart allocation of capital.

I think we've demonstrated to shareholders through the TripAdvisor acquisition and the spinoff that we're here to create value for shareholders in addition to the growth of our business. So, we will continue to allocate capital smartly and if you put all of those together we think we've got a pretty strong opportunity to create value on a go forward basis and that's what we're here to do.

QUESTIONS AND ANSWERS

Mark Mahaney - *Citigroup - Analyst*

As you've thought about and if you've experienced the online travel business over the last six, seven years now with Expedia, and you look at the state of the online travel agency business today and you think about where you are in terms of international penetration, relationships with travel suppliers, relationships with GDSs -- where does Expedia look now versus three, five years ago?

Dara Khosrowshahi - *Expedia - President, CEO*

I think we're in a substantially improved position versus where we were three to five years ago. Three to five years ago we were facing a very significant technology problem in that we had a technology stack that was old and was getting decreasing returns of scale. It was a stack that had been built 10 to 15 years ago based on technology that was kind of top technology then with really didn't have the kind of flexibility that we need on a go forward basis, so we decided to invest, to double-down on technology and to invest very, very aggressively in that infrastructure and you're starting to see some of the returns of that technology investment in Hotels.com, et cetera, accelerating in a way that you haven't seen in the past. So, the product is based on a much better technology platform and I think the future is much better then.

The second area that we think we're much improved on is international. International has always been a significant opportunity for us. Three to five years ago it was around 20% of our revenue. Now it's 42% of our revenue. It is profitable on a portfolio basis and is growing faster than the domestic basis even though domestic is growing nicely as well. So, it's a bigger business. It's a profitable business. It's a higher percentage of our portfolio and as a result for example with positions in China, et cetera, where we think we're much better positioned there to grow on a go forward basis. So, I think if you put those two factors together along with a macro environment that is mixed but decent, I think you've got a good environment along with the strong balance sheet to create value over the next couple of years.

Mark Mahaney - *Citigroup - Analyst*

Major things you want to do to improve satisfaction with leisure travelers, with consumers?

Dara Khosrowshahi - *Expedia - President, CEO*

I think frankly it is many, many small things. If you look at our site right now we think that it is relatively cluttered. It is not nearly as simple to use as it should be and we don't particularly answer consumers' question -- the consumer questions well. I think the goal of this platform, the refactoring of the platform is to be able to drive innovation, AB testing, at rates that were previously impossible to which will result in much higher conversion factors for consumers going forward. That's for the average consumer. We do believe that we can also add to that data from other consumer behaviors to help consumers make choices.

So, when you go into a hotel info site now it will tell you this hotel was purchased, 48 consumers bought this hotel over the past ten hours, indications of what hotels are the fastest moving versus what hotels aren't the fastest moving. So, to the extent that we can improve the base consumer experience and use consumer data to help consumers make better experience along with personalization, we think there's a long, long way to go as far as the consumer experience goes. I think all that being said, another interesting factor for us is we've gone from a single platform Company -- we used to think about -- Well, how do you speak to consumers over the PC? -- to a significant multi-platform Company.

We've got to have a consistent experience that is consistent yet different based on how you work with us. So, now if you relate to us over an iPhone and you're in an airport and you're taking a flight and that flight is cancelled, we have to know that it's cancelled and offer you easy choices. We want you to be able to relate to us over an iPad or through a Groupon, et cetera. There are many, many more platforms that consumers can interact with us on and I think we've got to be consistent and give them a great experience over these multiple platforms. Those are not investments that smaller companies -- supplier, direct, et cetera -- we think can make the way that we're making right now.

Mark Mahaney - *Citigroup - Analyst*

I want to switch over and talk about infrastructure as you brought up platforms. You did go through this pretty significant investment cycle with Hotels.com. You talked about how you came out of that cycle. Where are we in terms of coming out of the platform investment cycle into Expedia.com?

Dara Khosrowshahi - *Expedia - President, CEO*

On Hotels.com, just for people who don't know, we launched that platform in Q2 of --

---

Mark Okerstrom - *Expedia - EVP, CFO*

Q1.

Dara Khosrowshahi - *Expedia - President, CEO*

Q1 2010. And really there's a delay. When you launch a platform the consumer doesn't care that there's a new platform underneath the website. The difference becomes an acceleration of the new feature sets that you bring out and especially the feature sets that work. So, usually there's a two quarter delay before you really see the business pick up and that's something that you saw with Hotels.com which went from a 10% to 12%

growth bookings growth to 40% plus bookings growth once it took off. With Expedia, we launched the Expedia hotels platform really in Q3 of 2011.

So, I think that you will start -- we are seeing improvements there. You'll start to see material improvements as we progress this year in 2012. The Expedia air path is going to be flipped over in Q1 of this year. The Expedia package path is going to be flipped over in the second half of this year. I think that by the second half of this year towards the end of this year if we are successful as we were with Hotels.com you're going to see a real response on a volume basis and also hopefully on a margin basis from the Expedia business.

Mark Mahaney - *Citigroup - Analyst*

I'm sorry, you said the air path, the packaging path, and the hotel path?

Dara Khosrowshahi - *Expedia - President, CEO*

The hotel path has already been switched. That's on the new platform and now we're in iteration mode. Air is coming out quite soon. Package is coming out mid to late this year.

Mark Mahaney - *Citigroup - Analyst*

And is it pretty clear to you that what worked for you in Hotels.com will work for you, those platform improvements, easily migrate over to Expedia.com?

Dara Khosrowshahi - *Expedia - President, CEO*

Logically there should be no difference. It's worked for us on Hotels.com, it's worked for us for Venere in a smaller way, our private label business, EAN, is also responding to these technology improvements. So, it's not that we've only seen it at hotels. We've seen it multiple times and when we look at Expedia we have the benefit of knowing what worked on Hotels.com and what didn't work on Hotels.com and we see similar patterns as to problems -- consumer problems on Expedia that we saw in Hotels.com and we think those patterns are completely fixable.

Mark Mahaney - *Citigroup - Analyst*

Can you be specific about what sort of -- how would we as consumers see those changes? What are the changes on the site that worked at Hotels.com, a couple of examples?

Dara Khosrowshahi - *Expedia - President, CEO*

Some of it is competitive, obviously. Other folks can copy. But I'll give you simple examples. With Hotels.com previously when you decided that you're going to book a hotel, you would need to click six times in order to actually get the booking done. Every time you click it would ask for your name and it would give details and it will ask for your credit card number and billing and every single time you had to click. Every time you clicked there's an opportunity for your browser to crash, for your computer to crash, for something to go wrong with one of our servers to not work, et cetera. These are small numbers but a click gives an opportunity for failure. Now we've gone essentially to one click a la Amazon. It's very basic. And that improved conversion. Increasing the speed of the site, just the simple load speed of the site -- you hear about Google talking about their sites being incredibly fast. Increasing our search speeds we think has increased response.

The more important answer to this is there isn't one or two feature sets that is a magical feature set that's going to move the needle for the business. This is five, 10, 15 different feature sets, all of which add up on a standalone basis aren't materially but when you put 10 to 15 improvements together, that becomes material and to the extent that you can drive conversion, conversion then allows you to bid for more variable traffic. If you were showing up on number six in Google, you can show up number three in Google.

So, you get a multiplicative factor of higher conversion leading to higher traffic because you can buy more traffic and add to that greater global expansion as well and you put all three together you get the sense of where Hotels.com has gone from 10% to 12% growth rate to 40% plus growth rate.

Mark Mahaney - *Citigroup - Analyst*

Let's switch and talk a little bit about geographies. I think actually 42% of your revenues from outside the US, you actually have a pretty substantial position in Asia-Pacific but take apart Europe, Asia-Pacific and maybe Latin America, where do you think the markets look best and where do you think Expedia looks best?

Dara Khosrowshahi - *Expedia - President, CEO*

I think Asia-Pacific is a great area for us now. Asia-Pacific is a name. It's not really a place. The countries in Asia are very -- China is a completely different animal from Australia. But we're very happy about our position in Asia. Starting with China, we own 60% plus of eLong which is the number two online travel agency in China. Very, very focused on online hotels and that's an entity that has now gained share on Ctrip which is the number one player as far as room nights go seven quarters in a row. We are the online consumer of the consumers coming online in China. They're buying hotels and that's squarely where we're focused.

So, that business is accelerating. That's 9% of our room nights. And whereas many Western companies have not been successful in China, I think we've got a formula that's pretty successful. It's profitable and it's going to be, we think, a significant growth driver going forward. We've also entered into a joint venture with AirAsia in Asia. AirAsia is the preeminent LCC, we think the best low-cost carrier in Asia, especially strong in Southeast Asia where Expedia as an OTA has exclusive access to AirAsia content. It's as if you would have an OTA here in the US having exclusive content to Southwest. It's a big deal. And AirAsia also knows how business is done in Southeast Asia, what marketing channels work, what marketing channels don't work and there is no so-called Expedia of Asia.

So, we think we have a unique opportunity through AirAsia's content, through their local experience and the businesses that we've launched there to create a very interesting play -- Pan-Asia play as well. And then Hotels.com is kind of going standalone hotels in 15 different countries in Asia and doing very well. So, we like our position in Asia and then Europe and Latin America again are very significant opportunities, especially for Hotels.com and EAN with the technology investments that we make and are really proving out.

Mark Mahaney - *Citigroup - Analyst*

I'm sure you get asked this all the time, so let's talk about Booking.com and competition with them in Europe and, I don't know, throw one of the merchant versus agency models in there, wrap it all together.

Dara Khosrowshahi - *Expedia - President, CEO*

I'll let my CFO answer the hard question.

Mark Okerstrom - *Expedia - EVP, CFO*

I think Booking.com is a great competitor. I think they have shown that in the standalone hotel business, if you get the basics right, there is a huge amount of runway even on a business with a base the size that they have. They've done an excellent job. And they've done an excellent job in a market which is massive. This is a $1 trillion industry. So, we view what they've done as really an opportunity as opposed to a competitive threat to us because I think it's going to be a long time before we really hit a point where we're bumping up against them because we're both really a small part of the market.

And what they've done exceptionally well is they have essentially engineering a product around optimizing in Google. Very good in online marketing. Very good -- their website is focused on taking consumers from anywhere in the world speaking a multitude of languages and showing them hotels from anywhere around the world in their language and the content that's relevant to them, taking the questions that they're asking Google and answering them better than anyone else in the market. We have obviously been watching what they've been doing and there's a bunch of things that you need to do right to get that right. One of them is online marketing. We've brought that in-house. We're getting a lot better at that. Two is you've got to have a global website. Remember, before we did the Hotels.com replatforming, we had a multitude of different websites. Now we've got one global website run by one team. So, check that. Three is you've got to have a great supply position. Again, prior to 2008 we didn't have the agency hotel business.

To your second point, we bought Venere, we've been integrating the agency product much more closely into our global platform. I think going forward the opportunity for us is really optimizing those pieces that we've built that really until call it a year ago we really haven't been in a position to do and I think you can see the early signs of what we're capable of with really just having online marketing starting to work and the website in the case of Hotels.com really functioning well and getting those conversion benefits and the opportunity going forward is going to be about getting all of those pieces, including supply, working much, much more better. And obviously agency is a portion of that. But agency versus merchant isn't necessarily something that we are concerned about as a Company. We're concerned about distributing hotel rooms. That's what our suppliers pay us for. Not the model we distribute under. We have consumers that don't like either and we're going to continue to test and be flexible in what we do based upon what our suppliers and what our consumers want.

Mark Mahaney - *Citigroup - Analyst*

Is there somebody in the -- is there an irrational pricer in the marketplace? Any of the OTAs acting irrationally?

Dara Khosrowshahi - *Expedia - President, CEO*

To some extent, to the extent that you are pricing irrationally, meaning pricing of very low levels in relation to suppliers, you're not going to be competitive on the marketing front. So, in order to price irrationally you have to be able to convert at substantially higher rates than the market would suggest. And the bigger players, ourselves and the Pricelines of the world not only can invest in technology in a way that the other players can't, but we have a much larger traffic position to test against than any other player and that allows us to -- suddenly you have more traffic than the other player when you test a new feature set, that allows you to know whether that feature set works in a week versus another player who might have to test that feature set for months. So, I think that this business is turning into a scale game. We are building a scale demand and supply machine. Booking.com has certainly built a scale supply and demand machine on a global basis. And I think the smaller players, whether irrational or rational, are at a bit of a disadvantage from their models.

Mark Mahaney - *Citigroup - Analyst*

You talked, just before then, when you talked about Priceline and their scale and Expedia's scale and managing Google. So, that always raises -- I think every year I do have to ask you what's the risk that Google goes deeper into the conversion funnel, post the ITA acquisition, a little bit of product tweaks here and there with their hotel product line, their air search finder -- what -- how big is the risk that Google really goes deep into this funnel?

Dara Khosrowshahi - *Expedia - President, CEO*

You've got to take what Google does seriously and they do have a dominant market position. And to some extent they've been flexing muscles that we think are inappropriate. Now, that said, Google has stated that they are going to be -- they're a pure play advertising Company. As long as they're a pure play advertising Company and we have opportunities to buy the demand that they're creating, we think we'll be more than fine.

If you look on the hotels side which is the vast majority of our revenue, HotelFinder is qualifying consumers in different ways but essentially is allowing ourselves, other OTA supplier directs to go and buy that traffic one way or the other and there are just different ways of buying that traffic. If you look at HotelFinder while search engine marketing and paid search, anyone can compete in paid search. The players who can compete in HotelFinder are the players who have inventory which is a smaller subset of the players out there.

So, we think actually when we look at what Google is testing on HotelFinder, we think that we can not only compete in that marketplace but we think we should go compete in that marketplace on a stronger basis than paid search because there's just going to be less competition there. On air, whereas Google clearly sets up that they're making all these changes to benefit the consumer, they're not including OTAs which we think is not beneficial to the consumer.

So, while economically what they're doing in air really is not going to have any kind of material effect on us, it does go counter to what they have said as far as being pro-consumer because at this point we think that their product is anti-consumer because it just doesn't give consumers the full choice and array that you find in OTA results. Their product from a pricing perspective doesn't display as many stairs as we do and we don't think that's a pro-consumer approach from their standpoint.

Mark Mahaney - *Citigroup - Analyst*

So far you haven't seen an impact on your core business from these two? You're just -- you just want to be appropriately skeptical about the potential for an impact?

Dara Khosrowshahi - *Expedia - President, CEO*

Yes. It's an immaterially impact. If you think about the air business, our economics in air are fairly low. So, variable channels -- the Google variable channels have not been particularly significant for us. So, there's -- economically there's no effect on Google Air and on hotels there's a lot of testing and learning going on and we're participating in every way with Google because it's a big channel and it's going to be a growing channel for us.

Mark Mahaney - *Citigroup - Analyst*

Let me ask two more questions and then leave plenty of time for Q&A. Corporate travel is still small for you but it's starting to build up. It's -- I forget, off the top of my head -- 10% of your bookings? Something like that?

Dara Khosrowshahi - *Expedia - President, CEO*

Yes.

Mark Mahaney - *Citigroup - Analyst*

And it sounds like -- it's actually been growing a little bit faster than your core business for some time. So, is that something for two to three years from now, is that a quarter of your bookings in profits?

Dara Khosrowshahi - *Expedia - President, CEO*

I don't want to give exact numbers but it is a business that we are investing aggressively in, both organically and are looking inorganically on an opportunistic basis. Really the play there is if you think about the corporate travel industry as being -- call it a third of the global hotel business, the average hotel will take 30% or 35% of their business will be corporate, another third will be groups, another third will be leisure. There isn't really any scale player in this market that can tap into those other pieces at the same time as they can tap into leisure. And so from a strategic basis, the Egencia business, our corporate travel business, really brings a whole lot of value to the portfolio to the extent that they can tap into that demand.

And the interesting thing about the corporate travel industry is that it's just dramatically lagging the leisure industry. It's really dominated by -- call it four big players, two of which could be close to 50% of the market. You've got Amex and you've got Carlson -- Egencia with call it $2.5 billion of gross bookings is number six versus number one and two are in $26 billion. There's a huge gap and those big players are essentially dinosaurs. They're all working to innovate and become much more technology driven but we are coming from a basis of being technology driven and Egencia for example will drive the bulk of its revenue from supplier revenues.

These offline players drive it from client fees, right? People making them calls. Amex will make a big amount of money by charging someone a fee for calling them. So, they aren't really incented to move into the online space and us moving online, being able to drive volume through into our hotel base enables us to just fundamentally change the profit pool of that industry. We think our clients are responding very well to the products we're providing and we think we're doing something dramatically different in the space that's not only different and strong within the corporate travel business but brings benefit to the overall Expedia portfolio.

Mark Okerstrom - *Expedia - EVP, CFO*

From a supplier standpoint, we have big scale and it's growing. Any supplier who works with us today knows that ten years from now we're going to be a lot larger. We bring global scope to a supplier which is not only do we bring them US customers, we're bringing them European customers, we're bringing them Chinese customers, and there will be more of them going forward. With corporate we not only bring in general lower yielding leisure customers, we're also bringing now a very high yielding corporate customer. So, it's a complete demand pool that we believe that scale will be unrivaled. No one else is going to have that kind of a demand pool to go to suppliers with.

Mark Mahaney - *Citigroup - Analyst*

Okay. One last question, a balance sheet question. Post the spin off, what's the latest -- what's the capital structure philosophy? This is a Company that was the first internet Company to declare a dividend. This was a Company that was very consistent in buying back stock. You've been -- creative in the wrong word. Aggressive is the wrong word. You've been constructive with your balance sheet from a public markets perspective. Does that change?

Mark Okerstrom - *Expedia - EVP, CFO*

A wise man said look at history as a predictor of behavior going forward, right?

Mark Mahaney - *Citigroup - Analyst*

Who was that?

Mark Okerstrom - *Expedia - EVP, CFO*

That philosophy -- a very wise man -- that philosophy isn't going to change, right? We have a very strong balance sheet. We are going to want flexibility around our balance sheet. We went through 2008 and 2009. We were worried about business problems. We weren't worried about whether we were going broke or not. We never want that to change. But this is a Company that is throwing off significant amounts of free cash flow. We will use our capital constructively which means we will make measured mergers and acquisitions. We will pay dividends and we'll have more to say to our shareholders about that on a go forward basis and over a long period of time we'll use the balance of our cash to shrink our capital base and we think that's a pretty good formula for building shareholder value over the long-term and we're not going to change our philosophy.

Mark Mahaney - *Citigroup - Analyst*

Okay. Let's see. We've got a mic coming around. Let's see if anybody has any questions. If not -- Joe? Here?

Unidentified Audience Member

Can you go back to Mark's question about the platform investment? Can you talk about the revenue side of it? Can you talk a little bit about the margin and cost side of the platform investments you've made and how that will map out to the income statement?

Mark Okerstrom - *Expedia - EVP, CFO*

Sure. So, there's a couple of big impacts of the platform investments. I think firstly and fore mostly, throughout 2011 we built up a significant amount of technology headcount and through 2012 we're going to be annualizing that headcount. So, if you think about 2011, we built that throughout the year. You sort of got an average of starting and ending costs. 2012 you've got full run rates. So, the deleverage that you've seen year to date 2011 will continue on a diminishing basis as the comps get easier for 2012. So, on the cost side, that's a big impact.

I think secondly is having an old platform can drive sales and marketing deleverage and that's because you aren't able to convert as well as your competitors which means you've essentially got to spend a higher percentage of revenue essentially to get your consumers. So, as we see benefits accrue from these platform investments, you could, if we decided to drop the sales and marketing benefit just to the bottom line, you could expect to see some leverage in that line item.

More likely what you'll see is what we do with Hotels.com and EAN and these other businesses that we've replatformed, as Dara said, we take that conversion benefit, we drive more traffic, more top line, and we get this multiplier effect. I would say that the platform investment, although it won't necessarily cause sales and marketing leverage, it will enable us to keep that much more closely in line with revenue, ignoring the mix effects of mixing into higher growth, lower efficiency markets.

Dara Khosrowshahi - *Expedia - President, CEO*

I think at some point to note though that we're making margin and investment decisions on a local by brand basis. So, if there's an opportunity for Hotels.com to grow profitability in Southeast Asia, we're going to step on the gas there and Mark's not going to come to me and say -- Oh, my God, that means we're going to have sales and marketing deleverage and our investors won't like that. We're making local decisions and to the extent that we're growing faster internationally on a profitable basis, that could delever the sales and marketing line on a portfolio basis and we think that's a very, very good thing and as owners you'd make the same exact decision.

Mark Okerstrom - *Expedia - EVP, CFO*

Right. If we can deleverage on sales and marketing and deliver you 20% earnings growth versus flat the last four years, we're not going to apologize and we don't think you'll ask us to.

Mark Mahaney - *Citigroup - Analyst*

Back on the left-hand?

Unidentified Audience Member

When you look at Expedia versus Priceline, it looks like their margins are 10 to 15 points greater than yours and expanding and they spend a whole lot less on CapEx. Can you kind of explain the disparity and whether that's something structural or that's a gap that you could close over time with better conversion, lower technology spending?

Dara Khosrowshahi - *Expedia - President, CEO*

I think it's partially structural and partially hopefully we'll close some of that Asia-Pacific. The structural element is that the majority of Priceline is a hotel only business. The hotel only business is much, much less capital intensive than the full service OTA type of business. When we look at Hotels.com and if we look at that P&L it just doesn't require nearly the capital of an Expedia P&L. So, there's a mix business -- there's a mix issue. The second issue which hopefully is temporary in nature is we have had to undergo pretty fundamental refactoring of our platform as a whole. It's essentially top to bottom. That is not something that we plan to do on a continuing basis and that's why Mark to the extent he's talking about margins on a go forward basis is expecting the fact that we do think that will be in a better position going forward on margins versus where we have been the last couple of years.

Mark Mahaney - *Citigroup - Analyst*

Any questions? Put you on the spot.

Unidentified Audience Member

Well, let me ask another one if I can, a slight derivative question. This relationship you've had with Groupon, how well that's working? I think you've commented relatively positively on it. I know it's early days but does that work?

Dara Khosrowshahi - *Expedia - President, CEO*

Yes. I think it's a very positive relationship and we're quite excited about it. Stepping back there, in addition to kind of the core business that we're driving conversion, global expansion, internet penetration in general, there are three new channels that we're pretty excited about. One is the mobile channel. The behavior for mobile users seems to be different than the behavior of PC users. It's mostly same day bookings, 60% to 70% are same day bookings and consumers who used to walk up to a hotel now are pulling out their smartphones, often getting mobile-only deals and booking through their mobile phones. That's a very interesting market that we're investing in and it's resulting in transactions today.

The second is a flash sale Groupon type model, a different way for consumers to buy, different consumer -- it's younger, it's more male. And usually booking on a local basis. Less people going from San Francisco to New York than saying -- Well, let me check this event out in Napa Valley. So, that business is growing nicely. Fairly immaterially as a percentage of our whole but we think that can expose us to a different segment of consumers that we're not bringing in through our typically retail cycle or retail channel.

The third area for us is social. What do we do with Facebook? Is that a new channel? How can we build out that new channel to be a transactional channel? Right now the focus there is build audience, build audience, and we'll worry about monetization three to five years from now. All of these channels are pretty exciting and we've got plays in all of them and we'll see on an opportunistic basis how they pan out.

Mark Mahaney - *Citigroup - Analyst*

What percentage of your bookings come via mobile devices?

Dara Khosrowshahi - *Expedia - President, CEO*

Single digit now but it's going to head into the double digits we think pretty soon.

Mark Mahaney - *Citigroup - Analyst*

And just for hotels, would it already be double digits?

Dara Khosrowshahi - *Expedia - President, CEO*

For certain of our brands, yes, but not overall.

Mark Mahaney - *Citigroup - Analyst*

Okay.

Unidentified Audience Member

Just a quick follow-up on that, just wanted to get your sense on conversions in mobile, what percentages, what is that speed, the velocity of conversion that you're seeing in mobile?

Dara Khosrowshahi - *Expedia - President, CEO*

What's the velocity of what?

Unidentified Audience Member

Of mobile conversion relative to the traditional platform? It's a small piece of -- you said single digits as a percent of transactions but from a conversion standpoint how much higher is that?

Dara Khosrowshahi - *Expedia - President, CEO*

In general conversion early on tended to be lower. Now conversions -- mobile conversions are comparable to desktop conversions and in some points higher. One other interesting factor in mobile is that while the behavior of the mobile user in the US and Europe is significantly different from the PC user, in Asia, it's actually pretty similar. So, in Asia it's actually for people who didn't have PCs. It's a way for internet penetration to accelerate in Asia and in the US and Europe it's a different kind of use case than you see on the PC.

Mark Mahaney - *Citigroup - Analyst*

One other one. Facebook, has that turned out to be a useful marketing tool for you?

Dara Khosrowshahi - *Expedia - President, CEO*

It's too soon to tell. We're -- right now it's essentially an area where we spend the money and we're not really looking for a return and we're experimenting. I think one thing that's interesting again for Facebook and other channels is that we're going from a period where the internet was basically parity pricing. Originally when the internet came through it was a discount channel. Then the internet became the channel and you saw parity pricing everywhere.

Now you're seeing a complete splintering of channels again. You've got the mobile channel where you do have different pricing than parity. You've got Facebook which I think is going to give the opportunity for differential pricing. Here's a sale that only goes to Facebook fans of Hotels.com. Much smaller groups where you can get differential pricing and the same thing with Groupon which is an entirely new way of consuming. So, we think that the explosion of channels creates opportunity for us and other players to create differentiation in a world that was largely parity and we think that opportunity can grow our business.

Mark Mahaney - *Citigroup - Analyst*

Any last questions? Henry? Did you want to step in on this? No? Okay. With that I'm going to bring the session to a close. I want to thank Mark and Dara and everybody for participating.

Dara Khosrowshahi - *Expedia - President, CEO*

Thank you.

Mark Okerstrom - *Expedia - EVP, CFO*

Thank you.
