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CORPORATE PARTICIPANTS

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PRESENTATION

Unidentified Analyst

Alan Pickerill, CFO of Expedia; Mark Okerstrom, CEO of Expedia, relatively new CEO of Expedia. So congratulations to both of you.

Mark D. Okerstrom - *Expedia, Inc. - CEO, President & Director*

Thank you.

Unidentified Analyst

And great to have you here. You're always a fixture here. You've been kind enough to come every year. I know you're running between here and The Phocuswright Conference in Florida, so thank you.

QUESTIONS AND ANSWERS

Unidentified Analyst

So I guess the first thing is, what the heck is happening to online travel these days? You want to just swing at that? Or should I get more specific?

Mark D. Okerstrom - *Expedia, Inc. - CEO, President & Director*

I can swing at that.

Unidentified Analyst

Let's try it.

Mark D. Okerstrom - *Expedia, Inc. - CEO, President & Director*

I was going to ask you, you speak to more people than I do.

Unidentified Analyst

Well, say, there's just 3 things. And I brought this up with Glenn Fogel yesterday. So it seems to me like there's this -- I don't know if it's massive, material or incremental experimentation in terms of marketing channels. Whether there's a need to switch within performance marketing, away from performance marketing to brand advertising. So one, as an OTA -- as one of the largest OTAs, is there a need to materially change your marketing strategy? Secondly, this big thing called alternative accommodations and this Airbnb thing, like, is that -- alternative accommodations, is that just a threat or opportunity? And I'll get more specific on that. And third, are we just seeing the impact of the maturity of the industry? I mean, there's 3 major risks to major online platforms: it's government, it's competition and it's maturity. And online travel's the most penetrated of all categories. I mean, when was the last time somebody walked into an offline travel agency? So well, I want to ask you about maturity. So maybe we'll just go through those 3 questions. First one is, do you need to change materially marketing -- do OTAs and do you need to change your marketing strategy?

Mark D. Okerstrom - *Expedia, Inc. - CEO, President & Director*

Yes. Short answer for us is no. I think that we still see a huge value for the performance marketing channels, including metasearch channels like trivago, like TripAdvisor, plus just the normal Google channel. They continue to be a great way for us as we're signing up new properties to actually drive demand to those properties, a great source of new customers for us. We are always testing them, to be honest though. We've got machine learning-driven algorithms that are really trying to answer the question of how can I get the most for as cheap as possible. So that continues to go on. But we don't see the need for a dramatic shift from our perspective. To the contrary, I think we have spoken about the fact that we are going to go on, really, be offensive in terms of our pace of new property acquisition. And as we do that, variable marketing channels are going to be a very key part of that overall investment profile.

Unidentified Analyst

Okay. I want to get to that. But overall, no major change required, just more spend. And I'm sure if there was a great new marketing channel, we'll be the last to know because you have competitors, you wouldn't want to disclose that. But generally, it sounds like things are good to go in terms of the marketing.

Mark D. Okerstrom - *Expedia, Inc. - CEO, President & Director*

Things are good to go. But listen, the trivago channel, in particular, has been incredibly volatile. They've been making changes to their marketplace. I think if you just talked to Glenn, you know that one other big advertiser in the ecosystem is making changes to how they're approaching it. So it's definitely dynamic and volatile, but we don't see the need for a sea change in our approach.

Unidentified Analyst

So what -- I guess the risk was that you had these top-of-funnel companies, Google, trivago, TripAdvisor coming down the funnel and increasingly incorporating bookings functionality and kind of taking away a little bit of the value that you have, which is somebody searching for a hotel in Manhattan. You can -- there's a lot of ways you can add value to that search when somebody's searching for the Westin hotel. Why they would, I don't know. But if they were to search for the Westin hotel, that's...

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

Arne Sorenson here?

Unidentified Analyst

Yes, but if they -- so you don't feel like you have to respond to that -- the funnel collapse, if there is a funnel collapse?

Mark D. Okerstrom - *Expedia, Inc. - CEO, President & Director*

Well, yes, you have to respond to it. But the question is, how do you respond to it? And our response is build a bloody amazing product. I mean, the best product is a product where, whether you're on voice, whether you're on mobile, whether you're on desktop, you get superfast search results, which show you everything. All the alternative accommodations, all of the properties in every destination you could possibly want to go to. With a click of a button, book it. If you want to change it, click of a button, change it. If you end up with a problem because problems happen in travel, it's messy, there's someone you can phone or a chat bot you can text. That's our solution to it. And when I talk about this change from going global to being locally relevant on a global basis, that's what I'm talking about. I'm talking about in every country we choose to operate, making sure that we've got all the properties and all the alternative accommodations, that we can service all of this stuff in a self-serve methodology. It's not -- for us, it's not a question of where do we spend our marketing money. It's more of a question of how we build the absolute best products. And I think, to your question on penetration, my God, we are not even close to being fully penetrated in the opportunity, if you look at things that way.

Unidentified Analyst

Okay, I'm going to come back to that. And then have ROIs, are they still -- they've been under pressure, I think, for years. Is the -- are they still under pressure? Is the rate at which ROI's coming down, is that increasing? Or is it still about the same?

Mark D. Okerstrom - *Expedia, Inc. - CEO, President & Director*

Yes. So we have never really called out intra-channel ROI pressure as a key factor influencing our business. What we have seen over time is that between traditional paid search linking, new links, New York hotels versus metasearch, this particular hotel at this price on these days, we've seen a channel shift. And generally, metasearch is a channel where the repeat rates are generally lower, and ROIs can also be lower than they can be if you're very performant in traditional destination-linked Google searches. So as we've seen that mix, in the industry generally, there could be pressure on ROIs. But we haven't seen big changes to the intra-channel ROIs. And generally for us, any pressure you've seen on our direct sales and marketing as a percentage of total hotel revenue, for example, has been driven by 2 factors: Us taking our hotel margins down, our structural base hotel margins down. And us ultimately being much more effective in metasearch channels and performance marketing channels when we're entering new markets. But not really intra-channel ROI pressure that we've seen.

Unidentified Analyst

Okay. And then in the alternative accommodations, I think one of the changes recently -- and I think you did this because -- well, explain why you're heavy-ing up on marketing behind alternative -- behind HomeAway and just talk about that overall opportunity and why -- is this a clear positive for the company, the ability to layer in inventory? And yes, is it more opportunity than risk?

Mark D. Okerstrom - *Expedia, Inc. - CEO, President & Director*

Again, I would just say it's an offensive move. The HomeAway product is a product that wins. The inventory is incredibly attractive. The user interface that we built on the traveler side is getting great traction, and conversion rates continue to climb. The hosts/property managers, owners are getting increased reasons to put transactions on the platform. So when we spend marketing, more of it's happening on the platform. So when you've got something that works, you've got to show it to more people, and that's where we are investing behind it. And then separately, again, this is a business that's still in the early stages, although it's much more advanced now than it was a year ago in terms of becoming an e-commerce -- true e-commerce player with variable economics, which then allows them to be much more aggressive in performance marketing channels because they can bid variably, because they're going to get variable revenue. And towards the back half of this year, we will be largely complete with the implementation of the tech stack to enable them to do that. And so it'll be a bigger part of the story in 2018.

Unidentified Analyst

You've reached kind of critical mass, I guess, in terms of -- let me rephrase that, in terms of the percentage that were instantly bookable. And therefore, you could do -- your attribution -- you had enough, I don't know, bulk -- liquidity for your attribution models. And now then you start increasing the spend on variable marketing.

Mark D. Okerstrom - *Expedia, Inc. - CEO, President & Director*

Well, it's -- you've got to get transaction to happen online, period. And even the 24-hour quote hold, we can do attribution there. It's better on Instant Booking, definitely. The conversion rates are generally better. But it's just got to be online. And now that we've got 1.5 million online bookable properties, and we've got real liquidity in the market, we are able to attribute transactions to traffic and that's the essential component.

Unidentified Analyst

And then just broadly on this maturity risks. So I know you touched on that earlier. What's the data point that investors should look at to say, this growth rates -- premium growth rates, 10% to 20% growth rates, should be sustainable for the next 3 to 5 years?

Mark D. Okerstrom - *Expedia, Inc. - CEO, President & Director*

Well, I think there's a couple I would call out. I think one is just on the demand side, consumer overall spend side. It almost sounds cliché now, but it's true. $1.3 trillion industry, we're the largest with under $90 billion in bookings. There's just no ceiling we see on where we can grow. And we are in leisure. We are in corporate. We are in B2B. We're powering over 150,000 offline travel agents or 1.5 million corporate travelers. We're everywhere in the industry: air, car, cruise, every activities, everywhere. So we see that whole opportunity as one we can penetrate into. If you look just in the hotel segment, well, if you just back into some of the disclosure we said, which is on our Core OTA platforms, we've got 500,000 bookable properties right now that are instantly bookable. And that's a combination of hotel and alternative accommodation. Back up the 95,000 HomeAway properties, think about our hotel count, pure traditional hotel count as being in the 300,000s. Compare that with how many hotel properties our larger competitor has, how many that exist in the travel ecosystem.

Unidentified Analyst

Like 1 million, like that?

Mark D. Okerstrom - *Expedia, Inc. - CEO, President & Director*

Yes. And there's people staying in these hotels right now. Like, we don't have to create demand. It's happening. We just need to bring the hotels and the consumers that are looking for them onto a platform. And that's what we're doing.

Unidentified Analyst

I want to ask you about the management style. So we had the CEO transition. I think we wrote something like this will be a seamless transition. He's been there for a while. It's couldn't be more seamless, and don't expect any major surprises. And then...

Mark D. Okerstrom - *Expedia, Inc. - CEO, President & Director*

Yes, is there a question in that?

Unidentified Analyst

And then it seems like you've started to get super aggressive. All of a sudden, Mark Okerstrom becomes CEO, and it's like, "Damn, I'm going to go..."

Mark D. Okerstrom - *Expedia, Inc. - CEO, President & Director*

Let's be wild.

Unidentified Analyst

Yes. So it seems like -- I mean, it was a little bit surprising. So maybe it's just the cadence of timing. Maybe you really felt like you had the critical mass in terms of HomeAway. So it was time to heavy up on the marketing spend behind it. And maybe -- I don't know -- then all of a sudden there's a new cloud investment. So just -- it seemed a little surprising. But it -- tell us why it isn't surprising.

Mark D. Okerstrom - *Expedia, Inc. - CEO, President & Director*

Well, I would say that, one, is there's just so much noise around this industry and our Q3 results that you've really got to extract down to what is happening to really get a sense of it. And I'll do that in a second. Two is I will tell you that Dara and I were completely strategically aligned on where we were going to go. And it is maybe surprising to you that if I was in that chair and Dara was here, actually don't think that much would be different in terms of what we're actually going to do next year. We were on this path together. Now I'm being maybe an inch more aggressive in terms of just getting it out and vocalizing it and telling people and our employees clearly what we're going to do. But if there's a management style difference, it's really around that, just in being probably a bit more clearer about priorities and where we're going to go. But I actually think the outcome of where we would've invested, I think, would've been largely the same. In terms of the investments we're making, again, take away the storms and trivago performance for a second, because that was -- creating some noise around the third quarter. There really are 3 major places. One is this movement to the cloud, and Alan mentioned on the call that we were going to spend more than 50% more in '18 versus '17. And that's north of $150 million. To give you a sense of it though, we have hardware. We have gear in our data centers right now worth between $600 million and $800 million. And that stuff needs to be replaced every 3 to 5 years. And because our business is growing at 10% to 20% on the top line, it's got to grow as well. And what the cloud does is allows us to take that, which represents duplicate infrastructure for disaster recovery. It represents peak, peak, peak capacity and basically put just what you need into an environment where you pay for what you needed. Plus it reduces latency, plus, plus, plus. So it's absolutely the right decision to make. It's a free cash flow positive decision to make, and we'll be free cash flow positive like in year pretty soon here. And it's just the right business decision. Optically, it looks terrible on the P&L. We recognize that. But it's absolutely the right business decision to make. Two, is we've said that, that cloud investment is also going to impact HomeAway. And really, as we got through 2018 planning, the team said, "Listen, we want to go much more aggressive with the cloud than we were thinking, because we absolutely see the benefits of doing that. We don't want to build extra capacity into our data centers." Just a reminder, as HomeAway scales up in their online bookings, their compute requirements scale up pretty significantly as well. Because now they've got real search and transactional volume. And so they want to move much more aggressively to cloud. That's approaching $30 million of investment. And that got to the point where we said, "You know what, we might have to make some short-term decisions to hit the $350 million. So let's just come off that. We'll call the cloud as a separate." So I think HomeAway largely the cloud soon. But we also said, "Listen, we do want to have the flexibility to make long-term decisions for them as well," given what we see there now, which is better traction, more opportunity than we thought was quite frankly possible at the time we did the deal. And then the third big investment area is us really ramping up our hotel acquisition efforts. And this has been, honestly, a 5-year journey of us launching an agency hotel product, reducing our overall entry-level agency hotel margins, building up the capability to add a hotel and get marketing campaigns live around the world. This is just an end-to-end manufacturing process. We've gone from 4 or 5 years ago, adding 15,000 to 20,000 properties a year. This year, it's north of 80,000. And next year, we're going to step it up even more aggressively because we've built the capability to do it. So that's the story.

Unidentified Analyst

And then the -- I assume the -- I think you answered my questions there. You spend more on cloud because the spend -- the amount that you've spent so far, you've clearly seen the benefits. This cloud thing is a good thing.

Mark D. Okerstrom - *Expedia, Inc. - CEO, President & Director*

It's a good thing.

Unidentified Analyst

And AWS is your vendor?

Mark D. Okerstrom - *Expedia, Inc. - CEO, President & Director*

They're our primary vendor right now. We're doing stuff with Google as well. And we're working with Amazon. (inaudible)

Unidentified Analyst

You'd be surprised if most large companies don't migrate to the cloud, just seeing the benefits that you have from a financial perspective?

Mark D. Okerstrom - *Expedia, Inc. - CEO, President & Director*

I think the question is, do large companies have the courage to do it? I think that we're doing it because it's absolutely the right decision from a free cash flow perspective, from a long-term perspective, from a performance perspective. But we're taking next year something that used to be invisible on the P&L to most -- on an adjusted EBITDA basis. And we're going to have $115 million of extra expense. And I think a lot of companies will not necessarily have the courage to do it, nor do I think a lot of big companies will want to just actually put the resources required against doing it.

Unidentified Analyst

Okay. And you said 3 investment priorities: cloud, Expedia, Away cloud, hotel acquisition efforts. I thought marketing -- stepped-up marketing, would that be not be the fourth? Or is it just smaller than those 3?

Mark D. Okerstrom - *Expedia, Inc. - CEO, President & Director*

It goes hand-in-hand. I think the -- when you're adding properties, you've got to step up in marketing as well. And not necessarily like spend a bunch more per transaction. But when you are adding a property, now you have the opportunity to spend more, and you get positive return on it. But it's usually less positive than your base transactions that are coming to you by your app, et cetera, in mature markets.

Unidentified Analyst

And those -- of those 4, just talk about the timing of ramping up the hotel acquisition efforts. Why now? Why not do that last year? Are they...

Mark D. Okerstrom - *Expedia, Inc. - CEO, President & Director*

Yes, well, we did. We're just doing it more. It's, again, it's a -- these are like manufacturing processes you've got to scale up, and you got to hit -- you hit these bottleneck points, and then you got to automate things. And so we're at the point now where we can do it. We have the capability to do it.

Unidentified Analyst

Okay. I'm going to ask 2 more questions, because there's a lot of people here. I want to make sure everybody gets a chance. So at the dinner last night, somebody -- the Internet dinner last night, somebody said, where did all the bookings go? It seems like they were talking about what's happening at Priceline and Expedia. And somebody said, maybe that the hotels, the chains, this place or whatever, are starting to take some of that share back and that's negatively impacting the OTAs. Do you want to comment on that?

Mark D. Okerstrom - *Expedia, Inc. - CEO, President & Director*

So we don't see it that way. And we -- generally, we continue to grow faster than the overall industry. And if you think about a big chunk of that industry being hotel direct bookings, we continue to grow very, very well. And we think we continue to gain share. Because ultimately, the product generally is more attractive. We've got more selection. Our rewards programs are very attractive. You can stay at every -- any hotel you want. So we don't really see it that way. But to the fundamental question of where are the bookings going, I guess the way that I would think about it is what metasearch did was, and does, is if you think about the really performant brands in any one given market, the reference brand, so in the U.S., it's Expedia, it's Hotels.com, it's Orbitz, it's Travelocity, there may be a few others that you know of, that are, like, really good at paid search, buying those New York hotels keywords for example. And what metasearch did was and what it does is you get a trivago, you get a TripAdvisor, who is bidding, maybe not getting that #1, 2 or 3 position but is sitting there. And what it does is allows the OTAs, the sophisticated OTAs to get a second bite of the apple. When they get a second bite of the apple, they go into trivago, where again, the competition is lower because you've got to have rates and you've got to have inventory to actually be in there. So you don't have a, in the olden days, Groupon, bidding on New York hotels, which they would do just to try to get traffic. It's a real rational market where it's -- the competition's limited. People can actually deliver on the purchase intent. It gave everyone a second bite in the apple. What that did then was allow the OTAs to actually accrue more of those transactions to them, because they're very good in that channel. So if metasearch disappears from that spot, what you tend to see then is you tend to see a dispersion of the bookings to fair share in wherever that market is. So that's -- someone wants to know where is the bookings going. If you see them move down, it's likely a dispersion of those bookings to fair share. But we don't see a big shift or tectonic shift from OTAs to hotels. And we have seen for us, as some of the hotels have gone direct and discounted more directly on their website, we have seen them drift down in our short order, because they're not offering competitive prices. And independent hotels and other hotels that are giving competitive prices take their share. So we've seen a bit of a share shift from some of the big chains that are doing that activity to independents. But we don't see a consumer shift here happening.

Unidentified Analyst

Do you think -- 2 last quick questions. Do you think metasearch base is out? Do you think there's a natural share that metasearch will account for?

Mark D. Okerstrom - *Expedia, Inc. - CEO, President & Director*

Yes, yes, absolutely.

Unidentified Analyst

And how far away are we from that? Or is it relatively close?

Mark D. Okerstrom - *Expedia, Inc. - CEO, President & Director*

It's too hard to say right now, because there's just too much volatility in the channel to really settle that out.

Unidentified Analyst

And then Airbnb, what impact is that having on your business maybe having on your business?

Mark D. Okerstrom - *Expedia, Inc. - CEO, President & Director*

Well, so -- yes, so far it's been positive in a number ways. I think one is it certainly created consumer awareness of the attractiveness of this alternative accommodations category. And it's training consumers to transact for that online. Back when we owned TripAdvisor, it was always a struggle because this stuff was not happening online, and owners and consumers just wanted the interactions to happen. So Airbnb really created this new category. And that's obviously opened up this new opportunity for us with HomeAway to just follow in that slipstream and do very well. I think secondly from a positive perspective, Airbnb and HomeAway have created essentially surge capacity. So Dreamforce, Pope visits, Super Bowl, surge capacity comes in. That means more hotel availability for us in places where it used to be sold out. And again, that's been a good thing for us. I think whether there are negative effects, God, there's got to be some. I mean, it's hard for me to rule out that there has to be some. But I think that's a short-term thing, if there are any, because we're adding all the alternative accommodations, and we will have everything. And the one that has everything ultimately will benefit.

Unidentified Analyst

Any questions from the audience? [Ashwin]?

Unidentified Analyst

Can you just talk about the ROI involved in your investment though? If you look out 2019, and we're here next year, are we talking about another 100 million (inaudible), or another 50 million in properties? And then if we look out 2 or 3 years, is whatever the cash flow that people are expecting now, is that higher by -- free cash flow, I should say, higher because we're getting a return on the investments we're going to make? Or is investments just things we need to do to stay competitive? Or is there a tangible financial return upon it?

Mark D. Okerstrom - *Expedia, Inc. - CEO, President & Director*

Well, there will absolutely be tangible financial returns. Whether or not they are tangible financial returns which exceed your expectations or disappoint you, I don't know because I don't have your model. But I will tell you that building market-leading positions in every country in which we choose to operate is absolutely the right decision for us. And that's what we're doing. We're adding new properties. And we know that when we've got all of the properties and destinations, we've actually got a superior product. I mean, Hotels.com with its stay 10 nights get 1 free, merchant plus agency, Brand Expedia that has everything, all products. And these are superior platforms. So it's absolutely the right business decision to do. And I can't give you specific guarantees on when returns will come, because quite frankly, we don't know. I mean, you know our style. We can deliver adjusted EBITDA growth like you've never seen before. But we choose, like, not to. We choose to invest in this business to try to get to kind of a higher sustainable adjusted EBITDA, free cash flow adjusted EPS growth over time. So again, it's hard for me to give you specifics. Do you want to talk about the cloud? Because I think it's worth -- I think the question is, are we going to see further growth in '19 and beyond?

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

Yes, look, I think the way to look about the cloud investment is that there's a, let's call it, a semi-finite amount of compute that needs to move from our data center into the cloud. And we've done a good part of that in 2017. We expect to do a good part of that in 2018. How much we spend on that ramp is simply a factor of how effective we are at moving the compute into the cloud. So if we do a very good job in 2018 of moving compute into the cloud, and just for the sake of this discussion, we say at the end of 2018, "Okay, we've got it in the cloud." We will have spent more in '18. But at that point, it will become a more normalized grower that will grow along with the business. If we don't quite get it all into the cloud, then there'll be an additional chunk in 2019. And so that's really just a matter of timing and getting everything into the cloud before it becomes a much more normalized [effect]

Mark D. Okerstrom - *Expedia, Inc. - CEO, President & Director*

And you'd annualized in '19, which you did in '18 as well.

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

Yes.

Mark D. Okerstrom - *Expedia, Inc. - CEO, President & Director*

The important thing to note, though, about the cloud is that what we see once we get compute in the cloud is, one is, cloud providers are reducing costs. Like pricing is going down. And our engineers are getting much better at writing code that's efficient. And so our requirement for compute for a given application delivery is also getting better. So at steady-state, it looks like something that could be, like, very nicely leveraging. But it's going to take us a while to get there.

Unidentified Analyst

[Philippe]?

Unidentified Analyst

Can you compare the unit economics of a hotel night versus an alternative accommodation night? If you could walk us through how you look at it and maybe start from the top and work your way...

Mark D. Okerstrom - *Expedia, Inc. - CEO, President & Director*

Yes, so generally, it completely depends on the property. For HomeAway, their unit economics are excellent, much better than a typical hotel room night. Once you get into the urban sort of apartment-type stuff, generally, unit economics are a little bit worse, and mostly just because the price point that they're at. Generally, alternative accommodations, I like to think of them as being like 30% cheaper on a like-for-like basis. You get -- a studio apartment will be 30% cheaper than a hotel room, essentially, just rough rule of thumb. And then the commission rates, for us anyways, commission rates on alternative accommodations right now are a little bit lower. And so...

Unidentified Analyst

(inaudible)

Mark D. Okerstrom - *Expedia, Inc. - CEO, President & Director*

Yes. Well, you certainly -- on HomeAway, you make up for it on a higher ticket price. And then in the lower half of the market, this urban stuff, generally it ends up just being incremental bookings. So as long as you watch cannibalization really closely, who cares? It's just extra.

Unidentified Analyst

[Hardy]?

Unidentified Analyst

It's not very often that the 2 largest players (inaudible) like you are investing more (inaudible) marketing (inaudible) is it a coincidence or is there something happening that you (inaudible)

Mark D. Okerstrom - *Expedia, Inc. - CEO, President & Director*

Well, I'll speak for us. I -- for us, it really isn't a change in strategy, it's an evolution of what we've been building over the course of the last, really, 5 years. And we've developed the capability to go more on the offensive here, and we're going to do it largely because we've seen -- in pockets where we've done this, we've seen positive returns, and we know the team is going to execute on it. So I would say, from what I see right now, it's probably more coincidence. But I don't know if they're doing something because they think I'm going to do something. I'm not doing something because of what they're doing, except that I think that they did something amazing with just adding all the properties and getting them live on metasearch and being the place where you've got the most accommodations. And I want that for Expedia, and I want that for Hotels.com.

Unidentified Analyst

Last really quick question. [Alice], did you have one?

Unidentified Analyst

(inaudible) in 2019 once the headquarter's CapEx is gone, once (inaudible) is gone, could we go back to -- what kind of percent of sales will you say to close at (inaudible)

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

Yes, we don't have specific guidance on that today. I think you've identified some of the main factors. The investment in the headquarters will take place 2018, 2019. The -- one of the tailwinds we've had on free cash flow growth over time has been growth in our deferred merchant bookings associated with our merchant hotel business. That has much fluctuated a little bit as we've grown other products, like the agency product. But we still see growth in merchant as well, so that still provides a tailwind. The one caveat I would say is that we have some businesses that don't have that free cash flow characteristic. So they're building accounts receivable and kind of consuming cash as they grow. But all of this, in the end, should also lead to better EBITDA growth. So it's a long-winded way of saying I don't have a ratio for you. But I think we should have an attractive EBITDA to free cash flow conversion over time.

Mark D. Okerstrom - *Expedia, Inc. - CEO, President & Director*

Yes, and I think just given the move to the cloud, I mean, you're going to see some nice leverage on what would've been infrastructure CapEx. And over time, you'll see better goodness on depreciation as well.

Unidentified Analyst

Okay. Thank you, Mark Okerstrom, Alan Pickerill. Great speaking with you.

Mark D. Okerstrom - *Expedia, Inc. - CEO, President & Director*

Great. Thank you.

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

Thanks a lot.