



Expedia Group, Inc.

Q3 about inline as travel growth returns. 2022/23 travel outlook above pre-pandemic levels. Lowering P/T to \$141.

COMPANY UPDATE

Rating: BUY

Ticker: EXPE

Price: \$90.20

Target: \$141.00
(from \$190)

Q3 about inline: Expedia recently (on November 3) reported its fiscal Q3 2022 (ending September) results. Revenue was \$3,619 million (+22% y-o-y), compared to our estimate of \$3,831 million and consensus of \$3,573 million. Pro forma EPS was \$4.05, compared to our estimate of \$4.24 and consensus of \$3.99. EBITDA was \$1,079 million, compared to our estimate of \$1,204 million and \$855 million in Q3 2021. There was no Q3 guidance.

Strong Q3: Gross bookings were \$24.0 billion (+28% y-o-y), compared with our estimate of \$28.4 billion. The company saw strong growth in most of its business around the world. Vrbo (vacation homes) and domestic travel were strong. Total lodging bookings has again exceeded pre-pandemic levels, was +7% on a like-for-like basis versus Q3 2019.

Q4 tracking above pre-pandemic levels: In October, room nights increased +5% versus 2019, even with the negative impacts from recent hurricanes in the U.S. 2023 bookings are outpacing 2019's levels so far.

No guidance: The company did not provide forward guidance.

Lowering estimates: We are lowering our 2022 estimates for revenue to \$12.0 billion, from \$12.2 billion, and for EPS to \$7.30 from \$7.60. We are lowering our 2023 estimates for revenue to \$12.8 billion, from \$13.0 billion, and for EPS to \$9.37 from \$9.50.

Cost cuts to drive profitability: The company instituted (since January 2020) significant cost restructuring resulting in annualized savings of ~\$700 - 750 million to reflect its new lowered levels of revenue expected over the near term as well as streamlining its business to be more efficient. While some costs will return as business recovers, there will still be significant savings.

Travel's strong growth: Like all other travel services providers, Expedia had material negative impact from the recent coronavirus pandemic. However, with pandemic impact waning over time since the initial outbreak in March 2020, Expedia has returned to and even above normalized (pre-pandemic) business in 2022. The company expects increased consumer confidence and pent up demand to drive a rebound in the travel industry over the next several years.

New CFO: In September, Expedia appointed Julie Whalen as Chief Financial Officer replacing Eric Hart who had been CFO for the past 3 years.

Positive risk versus reward: Despite volatility from the coronavirus (which we believe future impact will be relatively minimal) and macro conditions, we continue to be positive on Expedia longer term. We believe longer term, traveling and the travel industry has now returned relatively back to normal and will continue to grow stronger and that Expedia as one of the world's largest OTA is in good position to capture a significant share of the economics within the travel industry.

Current valuation attractive: Maintaining our BUY rating, but lowering our 12-month price target to \$141 from \$190, which reflects a P/E of 15x our 2023 EPS estimate of \$9.37. This multiple is about inline with Expedia's long-term normalized earnings growth rate.

Company Description

Based in Seattle, WA, Expedia is a global online travel company selling travel products, services, and advertising. Its brands include Expedia, Hotels.com, Hotwire, Egencia, Orbitz, Travelocity and Vrbo.

United States
Internet Software and Services

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Stock Data

Exchange:	NasdaqGS
52-week Range:	\$85.02 – 217.72
Shares Outstanding (million):	158
Market cap (\$million):	\$14,252
EV (\$million):	\$14,074
Debt (\$million):	\$6,237
Cash (\$million):	\$6,415
Avg. Daily Trading Vol. (\$million):	\$226
Float (million shares):	150
Short Interest (million shares):	3
Dividend, annual (yield):	\$0 (N/A)

Revenues (US\$ million)

	2022E (Cur.)	2022E (Old)	2023E (Cur.)	2023E (Old)
Q1 Mar	2,249A		2,435E	2,419E
Q2 Jun	3,181A		3,453E	3,429E
Q3 Sep	3,619A	3,831E	3,843E	4,075E
Q4 Dec	<u>2,914E</u>	<u>2,914E</u>	<u>3,095E</u>	<u>3,095E</u>
Total	11,963E	12,175E	12,826E	13,018E
EV/Revs	1.2x		1.1x	

Earnings per Share (pro forma)

	2022E (Cur.)	2022E (Old)	2023E (Cur.)	2023E (Old)
Q1 Mar	(0.47)A		0.41E	0.37E
Q2 Jun	1.96A		1.71E	1.66E
Q3 Sep	4.05A	4.24E	4.68E	4.95E
Q4 Dec	<u>1.74E</u>	<u>1.85E</u>	<u>2.56E</u>	<u>2.52E</u>
Total	7.30E	7.60E	9.37E	9.50E
P/E	12x		10x	

Important Disclosures

Ascendant Capital Markets LLC seeks to do business with companies covered by its research team. Consequently, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making an investment decision.

For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report, beginning on page 7.

OVERVIEW

- Expedia recently (on November 3) reported its fiscal Q3 2022 (ending September) results.
- Revenue was \$3,619 million (+22% y-o-y), compared to our estimate of \$3,831 million and consensus of \$3,573 million.
- Pro forma EPS was \$4.05, compared to our estimate of \$4.24 and consensus of \$3.99.
- EBITDA was \$1,079 million, compared to our estimate of \$1,204 million and \$855 million in Q3 2021.
- There was no Q3 guidance.
- Gross bookings were \$24.0 billion (+28% y-o-y), compared with our estimate of \$28.4 billion.
- The company did not provide Q4 guidance.
- We are lowering our 2022 estimates for revenue to \$12.0 billion, from \$12.2 billion, and for EPS to \$7.30 from \$7.60.
- We are lowering our 2023 estimates for revenue to \$12.8 billion, from \$13.0 billion, and for EPS to \$9.37 from \$9.50.

ADDITIONAL DETAILS

- Revenue by product was: Hotels 80%, Air 3%, Advertising 6%, and Other 11% (compared with Q3 2021's Hotels 78%, Air 2%, Advertising 7%, and Other 13%).
- Revenue growth by product was: Hotels +25%, Air +61%, Advertising +10%, and Other +4% (compared with Q3 2021's Hotels +87%, Air +128%, Advertising +116%, and Other +159%).
- Revenue as a percentage of gross bookings was 15.1%, compared with our estimate of 13.5% and 15.8% in Q3 2021.
- Gross profit for the quarter was \$3,164 million, compared with our estimate of \$3,256 million.
- Gross margin for the quarter was 87%, versus our expectation of 85% and 85% last year.
- Operating expenses were \$2,417 million, versus our expectation of \$2,458 million.
- Operating income was \$747 million, versus our expectation of \$799 million.
- Pro forma net income was \$640 million, versus our expectation of \$673 million.
- In May 2021, Expedia accepted an offer from American Express Global Business Travel to acquire Egencia (its corporate travel group) from Expedia. Expedia would have ~14% ownership in the combined business, which is currently estimated to be valued at ~\$750 million. The deal closed in November 2021.
- In September, Expedia appointed Julie Whalen as Chief Financial Officer replacing Eric Hart who had been CFO for the past 3 years.

The company's balance sheet remains solid with \$6.4 billion in cash and \$6.2 billion in debt (~\$1 share in net cash), compared with \$8.4 billion in cash and \$6.7 billion in debt at the end of June.

Exhibit 1: Expedia Stock Price (Five Years)



Source: <https://bigcharts.marketwatch.com/>

Exhibit 2: Consensus Expectations (as of November 3, 2022)

	Revenue (mil)			EPS	
	2022E	2023E		2022E	2023E
Q1 Mar	\$2,249A		Q1 Mar	\$(0.47)A	
Q2 Jun	\$3,181A		Q2 Jun	\$1.96A	
Q3 Sep	\$3,573E		Q3 Sep	\$3.99E	
Q4 Dec	\$2,707E		Q4 Dec	\$1.66E	
Total	\$11,724E	\$13,030E	Total	\$7.20E	\$9.30E

*Quarterly estimates may not add to annual estimates due to variations in contributing estimates and rounding.

Source: Company report, Refinitiv, and Ascendant Capital Markets estimates

FINANCIAL MODEL

Expedia Group, Inc.

Income Statement (\$ millions)	Mar-20	Jun-20	Sep-20	Dec-20	2020	Mar-21	Jun-21	Sep-21	Dec-21	2021	Mar-22	Jun-22	Sep-22	Dec-22	2022	Mar-23	Jun-23	Sep-23	Dec-23	2023	
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E	
Revenue	2,209	566	1,504	920	5,199	1,246	2,111	2,962	2,279	8,598	2,249	3,181	3,619	2,914	11,963	2,435	3,453	3,843	3,095	12,826	
Cost of Revenues	629	389	375	287	1,680	311	374	442	395	1,522	371	419	455	437	1,682	438	518	609	433	1,999	
Gross Profit	1,580	177	1,129	633	3,519	935	1,737	2,520	1,884	7,076	1,878	2,762	3,164	2,477	10,281	1,996	2,935	3,234	2,662	10,827	
Operating expenses:																					
Sales and marketing	1,210	296	529	511	2,546	664	1,199	1,314	1,044	4,221	1,339	1,716	1,669	1,352	6,076	1,266	1,692	1,576	1,362	5,895	
Technology and content	308	255	224	223	1,010	247	276	277	274	1,074	270	284	310	408	1,272	317	414	307	402	1,441	
General and administrative	187	152	134	124	597	156	184	182	183	705	186	189	187	232	794	195	345	269	246	1,055	
Depreciation and amortization	229	232	220	212	893	209	205	201	199	814	197	197	199	200	793	200	200	200	200	800	
Legal and tax reserves	(21)	8	2	(2)	(13)	(1)	(8)	10		1	21	2		1	24	1	1	1	1	4	
Restructuring and other	961	83	133	28	1,205	29	13	12	21	75	29	52	0	0	81	0	0	0	0	0	
Total operating expenses	2,874	1,026	1,242	1,096	6,238	1,304	1,869	1,996	1,721	6,890	2,013	2,417	2,417	2,193	9,040	1,978	2,653	2,353	2,211	9,196	
Operating income (loss)	(1,294)	(849)	(113)	(463)	(2,719)	(369)	(132)	524	163	186	(135)	345	747	284	1,241	18	282	881	450	1,631	
Interest income (expense)	(40)	(92)	(110)	(100)	(342)	(96)	(82)	(84)	(80)	(342)	(78)	(63)	(43)	(90)	(274)	(90)	(90)	(89)	(88)	(357)	
Other and minority interest	(49)	(25)	(22)	47	(49)	(310)	(134)	9	269	(166)	6	(409)	(8)	(5)	(416)	(5)	(5)	(5)	(5)	(20)	
Income before income taxes	(1,383)	(966)	(245)	(516)	(3,110)	(775)	(348)	449	352	(322)	(207)	(127)	696	190	552	(77)	187	787	358	1,255	
Income taxes	(82)	(213)	(24)	(104)	(423)	(169)	(47)	87	76	(53)	(85)	58	214	40	227	(16)	40	169	75	268	
Net income (loss)	(1,301)	(753)	(221)	(412)	(2,687)	(606)	(301)	362	276	(269)	(122)	(185)	482	150	325	(61)	147	618	282	986	
Nonrecurring/noncash adjustments	1,043	176	190	36	1,445	313	132	191	(109)	527	48	495	158	125	826	125	125	125	125	500	
Net income	(258)	(577)	(31)	(376)	(1,242)	(294)	(169)	553	167	258	(74)	310	640	275	1,151	64	272	743	407	1,486	
EBITDA (total)	(76)	(436)	304	(160)	(368)	(58)	201	855	479	1,477	173	648	1,079	689	2,589	423	687	1,286	855	3,251	
Shares, Basic	140.8	141.1	141.3	142.4	141.4	145.2	149.1	151.0	153.5	149.7	156.3	157.3	157.6	157.7	157.2	157.8	157.9	158.0	158.1	158.0	
Shares, Diluted	146.0	163.0	141.3	142.4	148.2	145.2	149.1	156.5	158.0	156.3	156.3	158.5	157.9	158.1	157.7	158.3	158.5	158.7	158.9	158.6	
EPS Basic (Pro forma)	(1.83)	(4.09)	(0.22)	(2.64)	(8.78)	(2.02)	(1.13)	3.66	1.09	1.72	(0.47)	1.97	4.06	1.74	7.32	0.41	1.72	4.70	2.58	9.41	
EPS Diluted (Pro forma)	(1.77)	(3.54)	(0.22)	(2.64)	(8.38)	(2.02)	(1.13)	3.53	1.06	1.65	(0.47)	1.96	4.05	1.74	7.30	0.41	1.71	4.68	2.56	9.37	
Income Statement Ratios																					
Gross margin	71.5%	31.3%	75.1%	68.8%	67.7%	75.0%	82.3%	85.1%	82.7%	82.3%	83.5%	86.8%	87.4%	85.0%	85.9%	82.0%	85.0%	84.2%	86.0%	84.4%	
Sales and marketing	54.8%	52.3%	35.2%	55.5%	49.0%	53.3%	56.8%	44.4%	45.8%	49.1%	59.5%	53.9%	46.1%	46.4%	50.8%	52.0%	49.0%	41.0%	44.0%	46.0%	
Technology and content	13.9%	45.1%	14.9%	24.2%	19.4%	19.8%	13.1%	9.4%	12.0%	12.5%	12.0%	8.9%	8.6%	14.0%	10.6%	13.0%	12.0%	8.0%	13.0%	11.2%	
General and administrative	8.5%	26.9%	8.9%	13.5%	11.5%	12.5%	8.7%	6.1%	8.0%	8.2%	8.3%	5.9%	5.2%	8.0%	6.6%	8.0%	10.0%	7.0%	8.0%	8.2%	
Operating margin	-58.6%	-150.0%	-7.5%	-50.3%	-52.3%	-29.6%	-6.3%	17.7%	7.2%	2.2%	-6.0%	10.8%	20.6%	9.7%	10.4%	0.7%	8.2%	22.9%	14.6%	12.7%	
Tax rate, GAAP	5.9%	22.0%	9.8%	20.2%	13.6%	21.8%	13.5%	19.4%	21.6%	16.5%	41.1%	-45.7%	30.7%	21.0%	41.1%	21.0%	21.5%	21.5%	21.0%	21.4%	
Net margin	-58.9%	-133.0%	-14.7%	-44.8%	-51.7%	-48.6%	-14.3%	12.2%	12.1%	-3.1%	-5.4%	-5.8%	13.3%	5.1%	2.7%	-2.5%	4.3%	16.1%	9.1%	7.7%	
YY % change																					
Revenue	-15%	-82%	-58%	-67%	-57%	-44%	273%	97%	148%	65%	80%	51%	22%	28%	39%	8%	9%	6%	6%	7%	
Gross margin	-25%	-93%	-62%	-71%	-64%	-41%	881%	123%	198%	101%	101%	59%	26%	31%	45%	6%	6%	2%	7%	5%	
Sales and marketing	-21%	-82%	-68%	-60%	-59%	-45%	305%	148%	104%	66%	102%	43%	27%	30%	44%	-5%	-1%	-6%	1%	-3%	
Technology and content	-28%	-41%	-49%	-51%	-43%	-20%	8%	24%	23%	6%	9%	3%	12%	49%	18%	17%	46%	-1%	-1%	13%	
General and administrative	-2%	-29%	-38%	-45%	-30%	-17%	21%	36%	48%	18%	19%	3%	3%	27%	13%	5%	83%	44%	6%	33%	
Operating income (loss)	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	43%	74%	NM	NM	-18%	18%	59%	31%
Net income (loss)	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	33%	-46%	NM	NM	NM	28%	89%	204%
EPS Diluted (Pro forma)	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	15%	64%	343%	NM	-12%	15%	48%	28%

Source: Company reports and Ascendant Capital Markets estimates

Expedia Group, Inc.																
Balance Sheet (\$ millions)	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4E	Q1E	Q2E	Q3E	Q4E
Assets																
Cash and cash equivalents	3,905	5,053	4,353	3,363	4,291	5,464	5,031	4,111	5,552	5,568	4,588	4,362	3,319	5,615	7,335	6,634
Restricted cash	813	1,311	725	772	1,972	2,541	1,587	1,694	2,583	2,756	1,778	1,778	1,778	1,778	1,778	1,778
Short term investments	194	422	23	24	23	11		200		26	49	49	49	49	49	49
Accounts receivable, net	1,423	1,002	839	701	1,007	1,440	1,485	1,264	1,736	2,173	1,991	971	1,298	1,535	1,580	1,032
Prepaid merchant																
Prepaid expenses and other current assets	1,243	1,049	685	654	1,151	1,258	838	827	1,183	1,158	799	291	243	345	384	309
Deferred income taxes	74	107	110	120	392	399	102	85	93	105	65	100	100	100	100	100
Total current assets	7,652	8,944	6,735	5,634	8,836	11,113	9,043	8,181	11,147	11,786	9,270	7,552	6,788	9,422	11,226	9,902
Property and equipment, net	2,297	2,305	2,303	2,257	2,241	2,261	2,264	2,180	2,169	2,163	2,169	2,189	2,209	2,229	2,249	2,269
Long term investments and other	610	618	606	671	667	663	655	1,450	1,468	1,151	1,122	1,122	1,122	1,122	1,122	1,122
Goodwill and intangibles, net	8,972	8,930	8,880	8,895	8,842	8,827	8,743	8,564	8,534	8,441	8,332	8,132	7,932	7,732	7,532	7,332
Other	886	1,108	1,155	1,233	1,280	1,317	1,239	1,173	1,259	1,203	986	986	986	986	986	986
Total assets	20,417	21,905	19,679	18,690	21,866	24,181	21,944	21,548	24,577	24,744	21,879	19,981	19,037	21,491	23,115	21,611
Liabilities and stockholders' equity																
Merchant payable	836	531	581	602	727	1,157	1,264	1,333	1,292	1,548	1,535	1,236	1,033	1,465	1,630	1,313
Accounts payable	859	518	521	496	565	778	769	688	934	1,178	1,132	874	730	1,036	1,153	928
Deferred merchant bookings	5,905	4,632	3,247	3,107	6,047	8,240	5,844	5,688	9,203	10,041	7,457	4,371	3,895	5,180	5,764	4,642
Deferred revenue	221	197	177	172	174	172	161	166	178	173	160	160	160	160	160	160
Accrued expenses and other	1,037	1,244	1,110	1,029	1,261	1,366	960	840	862	897	835	672	562	797	887	714
Short-term debt	750	750			750	753	735					0	0	0	0	0
Total current liabilities	9,608	7,872	5,636	5,406	8,774	11,713	9,751	9,450	12,469	13,837	11,119	7,314	6,380	8,637	9,594	7,758
Long-term debt	6,080	8,803	8,826	8,216	8,464	8,480	7,712	7,715	7,719	6,727	6,237	6,237	6,237	6,237	6,237	6,237
Deferred tax	58	74	105	67	23	22	55	58	58	45	50	50	50	50	50	50
Other long-term liabilities	930	931	978	975	895	873	824	773	764	754	760	760	760	760	760	760
Minority interest	1,471	1,469	1,480	1,494	1,479	1,486	1,488	1,495	1,489	1,471	1,445	1,445	1,445	1,445	1,445	1,445
Total other liabilities	8,539	11,277	11,389	10,752	10,861	10,861	10,079	10,041	10,030	8,997	8,492	8,492	8,492	8,492	8,492	8,492
Preferred stock		1,022	1,022	1,022	1,022	511	511					0	0	0	0	0
Common stock, class A		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Common stock, class B		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Additional paid-in capital	13,124	13,300	13,361	13,566	13,919	13,995	14,176	14,229	14,431	14,549	14,674	14,724	14,774	14,824	14,874	14,924
Treasury stock	(10,083)	(10,087)	(10,092)	(10,097)	(10,152)	(10,182)	(10,205)	(10,262)	(10,309)	(10,331)	(10,503)	(10,503)	(10,503)	(10,503)	(10,503)	(10,503)
Retained earnings (deficit)	(470)	(1,206)	(1,398)	(1,781)	(2,359)	(2,531)	(2,147)	(1,761)	(1,883)	(2,068)	(1,586)	(1,436)	(1,497)	(1,350)	(732)	(450)
Unearned compensation													0	0	0	0
Accumulated other comprehensive income	(301)	(273)	(239)	(178)	(199)	(186)	(221)	(149)	(161)	(240)	(317)	1,391	1,391	1,391	1,391	1,391
Total stockholders' equity	2,270	2,756	2,654	2,532	2,231	1,607	2,114	2,057	2,078	1,910	2,268	4,175	4,165	4,362	5,029	5,362
Total stockholders' equity and liabilities	20,417	21,905	19,679	18,690	21,866	24,181	21,944	21,548	24,577	24,744	21,879	19,981	19,037	21,491	23,115	21,611

Balance Sheet Drivers																
	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4E	Q1E	Q2E	Q3E	Q4E
Prepaid Merchant as % of total rev	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Prepaid as % of total rev	56%	185%	46%	71%	92%	60%	28%	36%	53%	36%	22%	10%	10%	10%	10%	10%
Merchant payable as % of total rev	38%	94%	39%	65%	58%	55%	43%	58%	57%	49%	42%	42%	42%	42%	42%	42%
Deferred Merchant booking as % of total rev	267%	818%	216%	338%	485%	390%	197%	250%	409%	316%	206%	150%	160%	150%	150%	150%
Accounts payable as % of total rev	39%	92%	35%	54%	45%	37%	26%	30%	42%	37%	31%	30%	30%	30%	30%	30%
Accrued expenses as % of total rev	47%	220%	74%	112%	101%	65%	32%	37%	38%	28%	23%	23%	23%	23%	23%	23%
Activity Ratios																
A/R Days Sales Outstanding	58	159	50	69	73	61	45	50	69	61	50	30	48	40	37	30
A/P Days Payable	123	120	125	156	164	187	157	157	227	253	224	180	150	180	170	193
Merchant Days Payable (w/ Revenue)	34	84	35	59	53	49	38	53	52	44	38	38	38	38	38	38
Book & Cash Value (per share)																
Book Value per Share (diluted)	\$15.55	\$16.91	\$18.78	\$17.78	\$15.37	\$10.78	\$13.50	\$13.02	\$13.29	\$12.05	\$14.36	\$26.41	\$26.31	\$27.52	\$31.69	\$33.74
Cash per Share (diluted)	\$33.64	\$41.63	\$36.10	\$29.20	\$43.30	\$53.77	\$42.28	\$38.01	\$52.04	\$52.68	\$40.62	\$39.15	\$32.51	\$46.95	\$57.73	\$53.25
Net cash per Share (diluted)	(\$13.14)	(\$16.98)	(\$26.36)	(\$28.48)	(\$15.00)	(\$3.11)	(\$11.80)	(\$15.47)	\$2.66	\$10.24	\$1.13	(\$0.30)	(\$6.89)	\$7.60	\$18.43	\$14.00
Total Debt	\$6,830	\$9,553	\$8,826	\$8,216	\$8,464	\$8,480	\$8,465	\$8,450	\$7,719	\$6,727	\$6,237	\$6,237	\$6,237	\$6,237	\$6,237	\$6,237

Source: Company reports and Ascendant Capital Markets estimates

Expedia Group, Inc.

Cash Flow Statement (\$ millions)	Mar-20	Jun-20	Sep-20	Dec-20	2020	Mar-21	Jun-21	Sep-21	Dec-21	2021	Mar-22	Jun-22	Sep-22	Dec-22	2022	Mar-23	Jun-23	Sep-23	Dec-23	2023	
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E	
Cash flow from operating activities																					
Net income	(1,397)	(740)	(200)	(391)	(2,728)	(581)	(177)	378	395	15	(123)	(185)	476	150	318	(61)	147	618	282	986	
Depreciation	185	191	183	180	739	182	179	177	177	715	175	176	176	155	682	155	155	155	155	620	
Stock comp	55	54	47	49	205	83	120	116	99	418	90	93	97	50	330	50	50	50	50	200	
Amortization of intangibles	44	41	37	207	329	27	26	24	22	99	22	21	23	200	266	200	200	200	200	800	
Deferred tax	(108)	(171)	(89)	(120)	(488)	(175)	(66)	83	13	(145)	(101)	18	189	(35)	71	0	0	0	0	0	
F/X gains/losses	79	(93)	(48)	(16)	(78)	33	(1)	65	24	121	17	167	179	0	363	0	0	0	0	0	
Accrued			144	4	148			(33)	33	0				0	0	0	0	0	0	0	
Impairments				799	799				20	20			29	52	81					0	
Other gains/losses	1,074	37	(140)	(829)	142	272	4	4	(427)	(147)		376	(2)	0	374	0	0	0	0	0	
Other	105	14	83	(202)	0	24	(18)	1	25	32	2	(21)	(7)	0	(26)	0	0	0	0	0	
Changes in operating assets and liabilities:																					
Accounts receivable	1,086	393	157	145	1,781	(300)	(429)	(52)	60	(721)	(476)	(445)	173	1,020	272	(327)	(236)	(45)	548	(60)	
Prepaid expenses & other current as:	(791)	206	366	31	(188)	(495)	(119)	424	(34)	(224)	(356)	26	361	508	539	48	(102)	(39)	75	(18)	
Merchant payable	(1,082)	(307)	49	20	(1,320)	126	430	107	114	777	(41)	255	(12)	(299)	(97)	(203)	432	165	(317)	77	
Accounts payable	(129)	(115)	(28)	(128)	(400)	34	319	(115)	(100)	138	267	272	(112)	(258)	169	(144)	306	117	(224)	54	
Deferred merchant bookings	226	(1,284)	(1,379)	(139)	(2,576)	2,940	2,244	(2,397)	(145)	2,642	3,515	839	(2,584)	(3,086)	(1,316)	(476)	1,285	584	(1,122)	271	
Deferred revenue	(99)	(22)	(21)		(142)	2	(2)	(8)	6	(2)	13	(5)	(13)	0	(5)	0	0	0	0	0	
Income tax payable and other	(32)	(50)	20	5	(57)	(2)	4	5	3	10	(13)	12	7	(163)	(157)	(111)	235	90	(173)	42	
Net cash (used in) provided by oper.	(784)	(1,846)	(819)	(385)	(3,834)	2,170	2,514	(1,221)	285	3,748	2,991	1,628	(997)	(1,758)	1,864	(868)	2,471	1,895	(526)	2,972	
Cash flow from investing activities																					
Purchases of property and equipment	(287)	(206)	(176)	(128)	(797)	(168)	(183)	(179)	(143)	(673)	(156)	(159)	(170)	(175)	(660)	(175)	(175)	(175)	(175)	(700)	
Purchases of short-term investments	(285)	(400)			(685)		11	11	(200)	(178)	200	(60)		0	140	0	0	0	0	0	
Sale of short-term investments	585	176	400		1,161					0				0	0	0	0	0	0	0	
Acquisitions					0				(60)	(60)				0	0	0	0	0	0	0	
Net settlement					0					0				0	0	0	0	0	0	0	
Other	19	57	10	(28)	58	(12)	(61)	75	(22)	(20)	(31)	(42)	(96)	0	(169)	0	0	0	0	0	
Net cash used in investing activities	32	(373)	234	(156)	(263)	(180)	(233)	(93)	(425)	(931)	13	(261)	(266)	(175)	(689)	(175)	(175)	(175)	(175)	(700)	
Cash flow from financing activities																					
Term loan borrowing (net)	1,900	2,714	(768)	(651)	3,195	261	1,703		(3,200)	(1,236)	(724)	(1,020)	(419)	0	(2,163)	0	0	0	0	0	
Repurchase of common stock	(410)	1,128	(5)	(6)	707	(55)	(2,527)		2,582	0	(47)	(22)	(172)	0	(241)	0	0	0	0	0	
Dividends	(48)	(17)			(123)	(58)	(123)		(17)	(67)				0	0	0	0	0	0	0	
Proceeds from stock option exercise	86	10	9	214	319	269	110	42	82	503	101	13	11	0	125	0	0	0	0	0	
Change in restricted cash					0					0				0	0	0	0	0	0	0	
Other	(11)	(19)	2	7	(21)	(265)	261	8	(12)	(8)	7	5	22	0	34	0	0	0	0	0	
Proceeds from issuance of common stock					0		(85)	(23)	(57)	(165)				0	0	0	0	0	0	0	
Cash provided by (used in) financing	1,517	3,816	(762)	(494)	4,077	210	(588)	27	(622)	(973)	(663)	(1,024)	(558)	0	(2,245)	0	0	0	0	0	
Effect of exchange rate on cash and ca	(141)	48	62	92	61	(73)	47	(100)	(51)	(177)	(11)	(154)	(137)	0	(302)	0	0	0	0	0	
Net increase (decrease) in cash and	624	1,645	(1,285)	(943)	41	2,127	1,740	(1,387)	(813)	1,667	2,330	189	(1,958)	(1,933)	(1,372)	(1,043)	2,296	1,720	(701)	2,272	
Beginning cash and equivalents	4,027	4,651	6,296	5,011	4,027	4,068	6,195	7,935	6,548	4,068	5,735	8,065	8,254	6,296	5,735	4,362	3,319	5,615	7,335	4,362	
Ending cash and equivalents	4,651	6,296	5,011	4,068	4,068	6,195	7,935	6,548	5,735	5,735	8,065	8,254	6,296	4,362	4,362	3,319	5,615	7,335	6,634	6,634	

Source: Company reports and Ascendant Capital Markets estimates

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Expedia Group Inc.



Source: <https://bigcharts.marketwatch.com/>

Report	Report Date	Rating	Price Target
39	2/9/2018	B	125.00
40	4/27/2018	B	135.00
41	7/29/2018	B	156.00
42	10/28/2018	B	148.00
43	2/8/2019	B	152.00
44	5/7/2019	B	145.00
45	7/28/2019	B	159.00
46	11/13/2019	B	115.00
47	2/22/2020	B	135.00
48	5/26/2020	B	90.00
49	8/8/2020	B	92.00
50	12/2/2020	B	146.00
51	2/21/2021	B	180.00
52	6/10/2021	B	200.00
53	9/11/2021	B	180.00
54	1/8/2022	B	210.00
55	3/24/2022	B	221.00
56	6/11/2022	B	202.00
57	9/11/2022	B	190.00

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BUY: We expect the stock to provide a total return of 15% or more within a 12-month period.

HOLD: We expect the stock to provide a total return of negative 15% to positive 15% within a 12-month period.

SELL: We expect the stock to have a negative total return of more than 15% within a 12-month period.

Total return is defined as price appreciation plus dividend yield.

Ascendant Capital Markets, LLC Rating System

Prior to January 31, 2014, ASCM used the following rating system:

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Buy: We expect the stock to provide a total return of between 10% and 30% within a 12-month period.

Neutral: We expect the stock to provide a total return of between minus 10% and plus 10% within a 12-month period.

Sell: We expect the stock to provide a total return of minus 10% or worse within a 12-month period.

Speculative Buy: This rating is reserved for companies we believe have tremendous potential, but whose stocks are illiquid or whose equity market capitalizations are very small, often in the definition of a nano cap (below \$50 million in market cap). In general, for stocks ranked in this category, we expect the stock to provide a total return of 50% or more within a 12-month period. However, because of the illiquid nature of the stock's trading and/or the nano cap nature of the investment, we caution that these investments may not be suitable for all parties.

Total return is defined as price appreciation plus dividend yield.

Ascendant Capital Markets, LLC Distribution of Investment Ratings (as of October 7, 2022)

Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
Buy	43	98%	17	40%
Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	44	100%	17	39%

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