



# Expedia Group, Inc.

*Q4 miss but solid 2023 guidance as travel growth returns. Lowering P/T to \$134.*

## COMPANY UPDATE

**Rating: BUY**

Ticker: EXPE

Price: \$90.54

Target: \$134.00  
(from \$141)

**Q4 miss:** Expedia recently (on February 9) reported its fiscal Q4 2022 (ending December) results. Revenue was \$2,618 million (+15% y-o-y), compared to our estimate of \$2,914 million and consensus of \$2,687 million. Pro forma EPS was \$1.26, compared to our estimate of \$1.74 and consensus of \$1.65. There was no Q4 guidance.

**Weaker Q4:** Gross bookings were \$20.5 billion (+17% y-o-y), compared with our estimate of \$24.3 billion. Q4 results were negatively impacted by severe weather in the U.S. Gross bookings were -12% vs. Q4 2019.

**Q1 tracking well above 2019:** In January (current Q1), gross bookings for room nights increased +20% versus 2019, tracking well above prepandemic levels and 2022.

**Solid 2023 guidance:** The company provided general qualitative guidance for “double digit” revenue and earnings growth in 2023.

**Adjusting 2023 estimates:** We are adjusting our 2023 estimates for revenue to \$13.2 billion, from \$12.8 billion, and for EPS to \$8.92 from \$9.37. We are initiating our 2024 estimates for revenue of \$14.5 billion, and for EPS of \$10.27.

**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.

**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 \$134 from \$141, which reflects a P/E of 13x our 2024 EPS estimate of \$10.27. 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:	\$82.39 – 203.98
Shares Outstanding (million):	156
Market cap (\$million):	\$14,124
EV (\$million):	\$14,465
Debt (\$million):	\$6,240
Cash (\$million):	\$5,899
Avg. Daily Trading Vol. (\$million):	\$242
Float (million shares):	147
Short Interest (million shares):	4
Dividend, annual (yield):	\$0 (N/A)

### Revenues (US\$ million)

	2023E (Cur.)	2023E (Old)	2024E (Cur.)	2024E (Old)
Q1 Mar	2,637E	2,435E	2,893E	
Q2 Jun	3,520E	3,453E	3,861E	
Q3 Sep	4,108E	3,843E	4,509E	
Q4 Dec	<u>2,981E</u>	<u>3,095E</u>	<u>3,269E</u>	
Total	<b>13,245E</b>	<b>12,826E</b>	<b>14,533E</b>	

EV/Revs 1.1x 1.0x

### Earnings per Share (pro forma)

	2023E (Cur.)	2023E (Old)	2024E (Cur.)	2024E (Old)
Q1 Mar	0.50E	0.41E	0.63E	
Q2 Jun	1.61E	1.71E	1.84E	
Q3 Sep	4.72E	4.68E	5.45E	
Q4 Dec	<u>2.08E</u>	<u>2.56E</u>	<u>2.35E</u>	
Total	<b>8.92E</b>	<b>9.37E</b>	<b>10.27E</b>	
P/E	10x		9x	

### 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 February 9) reported its fiscal Q4 2022 (ending December) results.
- Revenue was \$2,618 million (+15% y-o-y), compared to our estimate of \$2,914 million and consensus of \$2,687 million.
- Pro forma EPS was \$1.26, compared to our estimate of \$1.74 and consensus of \$1.65.
- EBITDA was \$449 million, compared to our estimate of \$689 million and \$479 million in Q4 2021.
- There was no Q4 guidance.
- Gross bookings were \$20.5 billion (+17% y-o-y), compared with our estimate of \$24.3 billion.
- The company provided general qualitative guidance for “double digit” revenue and earnings growth in 2023.
- The company did not provide Q1 guidance.
- We are adjusting our 2023 estimates for revenue to \$13.2 billion, from \$12.8 billion, and for EPS to \$8.92 from \$9.37.
- We are initiating our 2024 estimates for revenue of \$14.5 billion, and for EPS of \$10.27.

## **ADDITIONAL DETAILS**

- Revenue by product was: Hotels 77%, Air 4%, Advertising 7%, and Other 12% (compared with Q4 2021’s Hotels 75%, Air 3%, Advertising 7%, and Other 15%).
- Revenue growth by product was: Hotels +18%, Air +44%, Advertising +15%, and Other -4% (compared with Q4 2021’s Hotels +116%, Air +68%, Advertising +85%, and Other N/A).
- Revenue as a percentage of gross bookings was 12.8%, compared with our estimate of 12.0% and 13.1% in Q4 2021.
- Gross profit for the quarter was \$2,206 million, compared with our estimate of \$2,477 million.
- Gross margin for the quarter was 84%, versus our expectation of 85% and 83% last year.
- Operating expenses were \$2,078 million, versus our expectation of \$2,193 million.
- Operating income was \$128 million, versus our expectation of \$284 million.
- Pro forma net income was \$196 million, versus our expectation of \$275 million.
- In September 2022, 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 \$5.9 billion in cash and \$6.2 billion in debt (~\$2 share in net debt), compared with \$6.4 billion in cash and \$6.2 billion in debt at the end of September.

### Exhibit 1: Expedia Stock Price (Five Years)



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

### Exhibit 2: Consensus Expectations (as of February 9, 2023)

	Revenue (mil)			EPS	
	2022E	2023E		2022E	2023E
Q1 Mar	\$2,249A	\$2,654E	Q1 Mar	\$(0.47)A	\$0.17E
Q2 Jun	\$3,181A		Q2 Jun	\$1.96A	
Q3 Sep	\$3,619A		Q3 Sep	\$4.05A	
Q4 Dec	\$2,687E		Q4 Dec	\$1.65E	
Total	\$11,744E	\$12,753E	Total	\$7.16E	\$9.37E

\*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-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	Mar-24	Jun-24	Sep-24	Dec-24	2024
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1E	Q2E	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E
<b>Revenue</b>	<b>1,246</b>	<b>2,111</b>	<b>2,962</b>	<b>2,279</b>	<b>8,598</b>	<b>2,249</b>	<b>3,181</b>	<b>3,619</b>	<b>2,618</b>	<b>11,667</b>	<b>2,637</b>	<b>3,520</b>	<b>4,108</b>	<b>2,981</b>	<b>13,245</b>	<b>2,893</b>	<b>3,861</b>	<b>4,509</b>	<b>3,269</b>	<b>14,533</b>
Cost of Revenues	311	374	442	395	1,522	371	419	455	412	1,657	475	528	651	468	2,122	521	579	715	513	2,328
Gross Profit	935	1,737	2,520	1,884	7,076	1,878	2,762	3,164	2,206	10,010	2,162	2,992	3,457	2,513	11,124	2,372	3,282	3,794	2,756	12,205
Operating expenses:																				
Sales and marketing	664	1,199	1,314	1,044	4,221	1,339	1,716	1,669	1,376	6,100	1,371	1,760	1,766	1,341	6,239	1,504	1,931	1,894	1,471	6,800
Technology and content	247	276	277	274	1,074	270	284	310	317	1,181	343	422	329	387	1,481	376	463	361	425	1,625
General and administrative	156	184	182	183	705	186	189	187	186	748	211	352	288	237	1,087	231	386	316	260	1,193
Depreciation and amortization	209	205	201	199	814	197	197	199	199	792	200	200	200	200	800	200	200	200	200	800
Legal and tax reserves	(1)	(8)	10		1	21	2			23	1	1	1	1	4	1	1	1	1	4
Restructuring and other	29	13	12	21	75	29	52			81	0	0	0	0	0	0	0	0	0	0
<b>Total operating expenses</b>	<b>1,304</b>	<b>1,869</b>	<b>1,996</b>	<b>1,721</b>	<b>6,890</b>	<b>2,013</b>	<b>2,417</b>	<b>2,417</b>	<b>2,078</b>	<b>8,925</b>	<b>2,126</b>	<b>2,735</b>	<b>2,584</b>	<b>2,167</b>	<b>9,612</b>	<b>2,313</b>	<b>2,981</b>	<b>2,771</b>	<b>2,357</b>	<b>10,423</b>
<b>Operating income (loss)</b>	<b>(369)</b>	<b>(132)</b>	<b>524</b>	<b>163</b>	<b>186</b>	<b>(135)</b>	<b>345</b>	<b>747</b>	<b>128</b>	<b>1,085</b>	<b>36</b>	<b>256</b>	<b>873</b>	<b>346</b>	<b>1,512</b>	<b>59</b>	<b>301</b>	<b>1,023</b>	<b>399</b>	<b>1,782</b>
Interest income (expense)	(96)	(82)	(84)	(80)	(342)	(78)	(63)	(43)	(33)	(217)	(90)	(90)	(88)	(87)	(355)	(88)	(88)	(87)	(85)	(349)
Other and minority interest	(310)	(134)	9	269	(166)	6	(409)	(8)	90	(321)	(5)	(5)	(5)	(5)	(20)	(5)	(5)	(5)	(5)	(20)
Income before income taxes	(775)	(348)	449	352	(322)	(207)	(127)	696	185	547	(59)	162	780	254	1,136	(34)	207	931	308	1,413
Income taxes	(169)	(47)	87	76	(53)	(85)	58	214	8	195	(12)	35	168	53	243	(7)	45	200	65	302
Net income (loss)	(606)	(301)	362	276	(269)	(122)	(185)	482	177	352	(46)	127	612	200	893	(27)	163	731	244	1,111
Nonrecurring/noncash adjustments	313	132	191	(109)	527	48	495	158	19	720	125	125	125	125	500	125	125	125	125	500
<b>Net income</b>	<b>(294)</b>	<b>(169)</b>	<b>553</b>	<b>167</b>	<b>258</b>	<b>(74)</b>	<b>310</b>	<b>640</b>	<b>196</b>	<b>1,072</b>	<b>79</b>	<b>252</b>	<b>737</b>	<b>325</b>	<b>1,393</b>	<b>98</b>	<b>288</b>	<b>856</b>	<b>369</b>	<b>1,611</b>
EBITDA (total)	(58)	201	855	479	1,477	173	648	1,079	449	2,349	441	661	1,278	751	3,132	464	706	1,428	804	3,402
Shares, Basic	145.2	149.1	151.0	153.5	149.7	156.3	157.3	157.6	155.4	156.7	155.5	155.6	155.7	155.8	155.7	155.9	156.0	156.1	156.2	156.1
Shares, Diluted	145.2	149.1	156.5	158.0	156.3	156.3	158.5	157.9	155.6	157.8	155.8	156.0	156.2	156.4	156.1	156.6	156.8	157.0	157.2	156.9
EPS Basic (Pro forma)	(2.02)	(1.13)	3.66	1.09	1.72	(0.47)	1.97	4.06	1.26	6.84	0.51	1.62	4.73	2.09	8.95	0.63	1.85	5.48	2.36	10.32
<b>EPS Diluted (Pro forma)</b>	<b>(2.02)</b>	<b>(1.13)</b>	<b>3.53</b>	<b>1.06</b>	<b>1.65</b>	<b>(0.47)</b>	<b>1.96</b>	<b>4.05</b>	<b>1.26</b>	<b>6.79</b>	<b>0.50</b>	<b>1.61</b>	<b>4.72</b>	<b>2.08</b>	<b>8.92</b>	<b>0.63</b>	<b>1.84</b>	<b>5.45</b>	<b>2.35</b>	<b>10.27</b>
<b>Income Statement Ratios</b>																				
Gross margin	75.0%	82.3%	85.1%	82.7%	82.3%	83.5%	86.8%	87.4%	84.3%	85.8%	82.0%	85.0%	84.2%	84.3%	84.0%	82.0%	85.0%	84.2%	84.3%	84.0%
Sales and marketing	53.3%	56.8%	44.4%	45.8%	49.1%	59.5%	53.9%	46.1%	52.6%	52.3%	52.0%	50.0%	43.0%	45.0%	47.1%	52.0%	50.0%	42.0%	45.0%	46.8%
Technology and content	19.8%	13.1%	9.4%	12.0%	12.5%	12.0%	8.9%	8.6%	12.1%	10.1%	13.0%	12.0%	8.0%	13.0%	11.2%	13.0%	12.0%	8.0%	13.0%	11.2%
General and administrative	12.5%	8.7%	6.1%	8.0%	8.2%	8.3%	5.9%	5.2%	7.1%	6.4%	8.0%	10.0%	7.0%	8.0%	8.2%	8.0%	10.0%	7.0%	8.0%	8.2%
Operating margin	-29.6%	-6.3%	17.7%	7.2%	2.2%	-6.0%	10.8%	20.6%	4.9%	9.3%	1.4%	7.3%	21.3%	11.6%	11.4%	2.0%	7.8%	22.7%	12.2%	12.3%
Tax rate, GAAP	21.8%	13.5%	19.4%	21.6%	16.5%	41.1%	-45.7%	30.7%	4.3%	35.6%	21.0%	21.5%	21.5%	21.0%	21.4%	21.0%	21.5%	21.5%	21.0%	21.4%
Net margin	-48.6%	-14.3%	12.2%	12.1%	-3.1%	-5.4%	-5.8%	13.3%	6.8%	3.0%	-1.8%	3.6%	14.9%	6.7%	6.7%	-0.9%	4.2%	16.2%	7.5%	7.6%
<b>YY % change</b>																				
Revenue	-44%	273%	97%	148%	65%	80%	51%	22%	15%	36%	17%	11%	14%	14%	14%	10%	10%	10%	10%	10%
Gross margin	-41%	881%	123%	198%	101%	101%	59%	26%	17%	41%	15%	8%	9%	14%	11%	10%	10%	10%	10%	10%
Sales and marketing	-45%	305%	148%	104%	66%	102%	43%	27%	32%	45%	2%	3%	6%	-3%	2%	10%	10%	7%	10%	9%
Technology and content	-20%	8%	24%	23%	6%	9%	3%	12%	16%	10%	27%	49%	6%	22%	25%	10%	10%	10%	10%	10%
General and administrative	-17%	21%	36%	48%	18%	19%	3%	3%	2%	6%	13%	86%	54%	27%	45%	10%	10%	10%	10%	10%
Operating income (loss)	NM	NM	NM	NM	NM	NM	NM	43%	-21%	483%	NM	-26%	17%	170%	39%	64%	17%	17%	15%	18%
Net income (loss)	NM	NM	NM	NM	NM	NM	NM	33%	-36%	NM	NM	27%	13%	154%	154%	NM	28%	19%	22%	24%
EPS Diluted (Pro forma)	NM	NM	NM	NM	NM	NM	NM	15%	19%	312%	NM	-17%	16%	65%	31%	24%	14%	16%	13%	15%

Source: Company reports and Ascendant Capital Markets estimates

Expedia Group, Inc.

Balance Sheet (\$ millions) Fiscal Year End: December 31	Mar-21 Q1A	Jun-21 Q2A	Sep-21 Q3A	Dec-21 Q4A	Mar-22 Q1A	Jun-22 Q2A	Sep-22 Q3A	Dec-22 Q4A	Mar-23 Q1E	Jun-23 Q2E	Sep-23 Q3E	Dec-23 Q4E	Mar-24 Q1E	Jun-24 Q2E	Sep-24 Q3E	Dec-24 Q4E
<b>Assets</b>																
Cash and cash equivalents	4,291	5,464	5,031	4,111	5,552	5,568	4,588	4,096	4,087	6,372	8,655	6,780	6,491	8,998	11,545	9,482
Restricted cash	1,972	2,541	1,587	1,694	2,583	2,756	1,778	1,755	1,755	1,755	1,755	1,755	1,755	1,755	1,755	1,755
Short term investments	23	11		200		26	49	48	48	48	48	48	48	48	48	48
Accounts receivable, net	1,007	1,440	1,485	1,264	1,736	2,173	1,991	2,078	1,406	1,564	1,689	994	1,543	1,716	1,854	1,090
Prepaid merchant																
Prepaid expenses and other current assets	1,151	1,258	838	827	1,183	1,158	799	774	264	352	411	298	289	386	451	327
Deferred income taxes	392	399	102	85	93	105	65	40	100	100	100	100	100	100	100	100
<b>Total current assets</b>	<b>8,836</b>	<b>11,113</b>	<b>9,043</b>	<b>8,181</b>	<b>11,147</b>	<b>11,786</b>	<b>9,270</b>	<b>8,791</b>	<b>7,660</b>	<b>10,191</b>	<b>12,657</b>	<b>9,975</b>	<b>10,226</b>	<b>13,003</b>	<b>15,753</b>	<b>12,802</b>
Property and equipment, net	2,241	2,261	2,264	2,180	2,169	2,163	2,169	2,210	2,230	2,250	2,270	2,290	2,310	2,330	2,350	2,370
Long term investments and other	667	663	655	1,450	1,468	1,151	1,122	1,184	1,184	1,184	1,184	1,184	1,184	1,184	1,184	1,184
Goodwill and intangibles, net	8,842	8,827	8,743	8,564	8,534	8,441	8,332	8,352	8,152	7,952	7,752	7,552	7,352	7,152	6,952	6,752
Other	1,280	1,317	1,239	1,173	1,259	1,203	986	1,024	1,024	1,024	1,024	1,024	1,024	1,024	1,024	1,024
<b>Total assets</b>	<b>21,866</b>	<b>24,181</b>	<b>21,944</b>	<b>21,548</b>	<b>24,577</b>	<b>24,744</b>	<b>21,879</b>	<b>21,561</b>	<b>20,250</b>	<b>22,601</b>	<b>24,887</b>	<b>22,025</b>	<b>22,096</b>	<b>24,693</b>	<b>27,263</b>	<b>24,132</b>
<b>Liabilities and stockholders' equity</b>																
Merchant payable	727	1,157	1,264	1,333	1,292	1,548	1,535	1,709	1,721	2,298	2,682	1,946	1,889	2,521	2,944	2,134
Accounts payable	565	778	769	688	934	1,178	1,132	947	791	1,056	1,232	894	868	1,158	1,353	981
Deferred merchant bookings	6,047	8,240	5,844	5,688	9,203	10,041	7,457	7,151	4,219	5,280	6,162	4,471	4,629	5,792	6,764	4,903
Deferred revenue	174	172	161	166	178	173	160	163	163	163	163	163	163	163	163	163
Accrued expenses and other	1,261	1,366	960	840	862	897	835	808	814	1,086	1,268	920	893	1,192	1,392	1,009
Short-term debt			753	735					0	0	0	0	0	0	0	0
<b>Total current liabilities</b>	<b>8,774</b>	<b>11,713</b>	<b>9,751</b>	<b>9,450</b>	<b>12,469</b>	<b>13,837</b>	<b>11,119</b>	<b>10,778</b>	<b>7,709</b>	<b>9,883</b>	<b>11,507</b>	<b>8,394</b>	<b>8,442</b>	<b>10,826</b>	<b>12,615</b>	<b>9,190</b>
Long-term debt	8,464	8,480	7,712	7,715	7,719	6,727	6,237	6,240	6,240	6,240	6,240	6,240	6,240	6,240	6,240	6,240
Deferred tax	23	22	55	58	58	45	50	52	52	52	52	52	52	52	52	52
Other long-term liabilities	895	873	824	773	764	754	760	763	763	763	763	763	763	763	763	763
Minority interest	1,479	1,486	1,488	1,495	1,489	1,471	1,445	1,445	1,445	1,445	1,445	1,445	1,445	1,445	1,445	1,445
<b>Total other liabilities</b>	<b>10,861</b>	<b>10,861</b>	<b>10,079</b>	<b>10,041</b>	<b>10,030</b>	<b>8,997</b>	<b>8,492</b>	<b>8,500</b>	<b>8,500</b>	<b>8,500</b>	<b>8,500</b>	<b>8,500</b>	<b>8,500</b>	<b>8,500</b>	<b>8,500</b>	<b>8,500</b>
Preferred stock	1,022	511	511						0	0	0	0	0	0	0	0
Common stock, class A									0	0	0	0	0	0	0	0
Common stock, class B									0	0	0	0	0	0	0	0
Additional paid-in capital	13,919	13,995	14,176	14,229	14,431	14,549	14,674	14,795	14,845	14,895	14,945	14,995	15,045	15,095	15,145	15,195
Treasury stock	(10,152)	(10,182)	(10,205)	(10,262)	(10,309)	(10,331)	(10,503)	(10,869)	(10,869)	(10,869)	(10,869)	(10,869)	(10,869)	(10,869)	(10,869)	(10,869)
Retained earnings (deficit)	(2,359)	(2,531)	(2,147)	(1,761)	(1,883)	(2,068)	(1,586)	(1,409)	(1,455)	(1,329)	(717)	(516)	(543)	(380)	351	595
Unearned compensation									1,755	1,755	1,755	1,755	1,755	1,755	1,755	1,755
Accumulated other comprehensive (loss)	(199)	(186)	(221)	(149)	(161)	(240)	(317)	(234)	(234)	(234)	(234)	(234)	(234)	(234)	(234)	(234)
<b>Total stockholders' equity</b>	<b>2,231</b>	<b>1,607</b>	<b>2,114</b>	<b>2,057</b>	<b>2,078</b>	<b>1,910</b>	<b>2,268</b>	<b>2,283</b>	<b>4,042</b>	<b>4,218</b>	<b>4,880</b>	<b>5,131</b>	<b>5,154</b>	<b>5,367</b>	<b>6,148</b>	<b>6,442</b>
<b>Total stockholders' equity and liabilities</b>	<b>21,866</b>	<b>24,181</b>	<b>21,944</b>	<b>21,548</b>	<b>24,577</b>	<b>24,744</b>	<b>21,879</b>	<b>21,561</b>	<b>20,250</b>	<b>22,601</b>	<b>24,887</b>	<b>22,025</b>	<b>22,096</b>	<b>24,693</b>	<b>27,263</b>	<b>24,132</b>

Balance Sheet Drivers

	Mar-21 Q1A	Jun-21 Q2A	Sep-21 Q3A	Dec-21 Q4A	Mar-22 Q1A	Jun-22 Q2A	Sep-22 Q3A	Dec-22 Q4A	Mar-23 Q1E	Jun-23 Q2E	Sep-23 Q3E	Dec-23 Q4E	Mar-24 Q1E	Jun-24 Q2E	Sep-24 Q3E	Dec-24 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	92%	60%	28%	36%	53%	36%	22%	30%	10%	10%	10%	10%	10%	10%	10%	10%
Merchant payable as % of total rev	58%	55%	43%	58%	57%	49%	42%	65%	65%	65%	65%	65%	65%	65%	65%	65%
Deferred Merchant booking as % of total rev	485%	390%	197%	250%	409%	316%	206%	273%	160%	150%	150%	150%	160%	150%	150%	150%
Accounts payable as % of total rev	45%	37%	26%	30%	42%	37%	31%	36%	30%	30%	30%	30%	30%	30%	30%	30%
Accrued expenses as % of total rev	101%	65%	32%	37%	38%	28%	23%	31%	31%	31%	31%	31%	31%	31%	31%	31%
<b>Activity Ratios</b>																
A/R Days Sales Outstanding	73	61	45	50	69	61	50	71	48	40	37	30	48	40	37	30
A/P Days Payable	164	187	157	157	227	253	224	207	150	180	170	172	150	180	170	172
Merchant Days Payable (w/ Revenue)	53	49	38	53	52	44	38	59	59	59	59	59	59	59	59	59
<b>Book &amp; Cash Value (per share)</b>																
Book Value per Share (diluted)	\$15.37	\$10.78	\$13.50	\$13.02	\$13.29	\$12.05	\$14.36	\$14.67	\$25.94	\$27.04	\$31.24	\$32.80	\$32.91	\$34.23	\$39.16	\$40.98
Cash per Share (diluted)	\$43.30	\$53.77	\$42.28	\$38.01	\$52.04	\$52.68	\$40.62	\$37.91	\$37.80	\$52.40	\$66.94	\$54.88	\$52.96	\$68.88	\$85.01	\$71.78
Net cash per Share (diluted)	(\$15.00)	(\$3.11)	(\$11.80)	(\$15.47)	\$2.66	\$10.24	\$1.13	(\$2.19)	(\$2.25)	\$12.40	\$27.00	\$14.98	\$13.11	\$29.08	\$45.27	\$32.09
Total Debt	\$8,464	\$8,480	\$8,465	\$8,450	\$7,719	\$6,727	\$6,237	\$6,240	\$6,240	\$6,240	\$6,240	\$6,240	\$6,240	\$6,240	\$6,240	\$6,240

Source: Company reports and Ascendant Capital Markets estimates

**Expedia Group, Inc.**

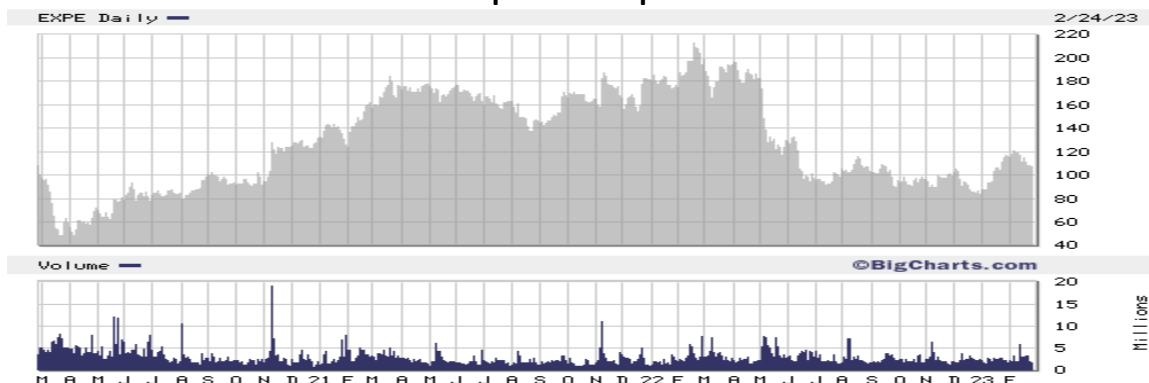
Cash Flow Statement (\$ millions)	Mar-21	Jun-21	Sep-21	Dec-21	2021	Mar-22	Jun-22	Sep-22	Dec-22	2022	Mar-23	Jun-23	Sep-23	Dec-23	2023	Mar-24	Jun-24	Sep-24	Dec-24	2024	
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1E	Q2E	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E	
<b>Cash flow from operating activities</b>																					
Net income	(581)	(177)	378	395	15	(123)	(185)	476	175	343	(46)	127	612	200	893	(27)	163	731	244	1,111	
Depreciation	182	179	177	177	715	175	176	176	177	704	155	155	155	155	620	155	155	155	155	620	
Stock comp	83	120	116	99	418	90	93	97	94	374	50	50	50	50	200	50	50	50	50	200	
Amortization of intangibles	27	26	24	22	99	22	21	23	22	88	200	200	200	200	800	200	200	200	200	800	
Deferred tax	(175)	(66)	83	13	(145)	(101)	18	189	(36)	70	(60)	0	0	0	(60)	0	0	0	0	0	
F/X gains/losses	33	(1)	65	24	121	17	167	179	(157)	206	0	0	0	0	0	0	0	0	0	0	
Accrued			(33)	33	0					0	0	0	0	0	0	0	0	0	0	0	
Impairments				20	20		29	52		81					0					0	
Other gains/losses	272	4	4	(427)	(147)		376	(2)	(29)	345	0	0	0	0	0	0	0	0	0	0	
Other	24	(18)	1	25	32	2	(21)	(7)	(6)	(32)	0	0	0	0	0	0	0	0	0	0	
Changes in operating assets and liabilities:																					
Accounts receivable	(300)	(429)	(52)	60	(721)	(476)	(445)	173	(90)	(838)	672	(158)	(124)	695	1,084	(550)	(173)	(138)	764	(96)	
Prepaid expenses & other current as	(495)	(119)	424	(34)	(224)	(356)	26	361	24	55	510	(88)	(59)	113	476	9	(97)	(65)	124	(29)	
Merchant payable	126	430	107	114	777	(41)	255	(12)	173	375	12	576	384	(736)	237	(57)	632	423	(810)	188	
Accounts payable	34	319	(115)	(100)	138	267	272	(112)	(231)	196	(156)	265	176	(338)	(53)	(26)	290	194	(372)	86	
Deferred merchant bookings	2,940	2,244	(2,397)	(145)	2,642	3,515	839	(2,584)	(306)	1,464	(2,932)	1,060	882	(1,691)	(2,680)	158	1,163	972	(1,860)	432	
Deferred revenue	2	(2)	(8)	6	(2)	13	(5)	(13)	3	(2)	0	0	0	0	0	0	0	0	0	0	
Income tax payable and other	(2)	4	5	3	10	(13)	12	7	5	11	6	272	182	(348)	112	(27)	299	200	(383)	89	
<b>Net cash (used in) provided by oper.</b>	<b>2,170</b>	<b>2,514</b>	<b>(1,221)</b>	<b>285</b>	<b>3,748</b>	<b>2,991</b>	<b>1,628</b>	<b>(997)</b>	<b>(182)</b>	<b>3,440</b>	<b>(1,589)</b>	<b>2,460</b>	<b>2,458</b>	<b>(1,699)</b>	<b>1,629</b>	<b>(115)</b>	<b>2,682</b>	<b>2,722</b>	<b>(1,888)</b>	<b>3,402</b>	
<b>Cash flow from investing activities</b>																					
Purchases of property and equipment	(168)	(183)	(179)	(143)	(673)	(156)	(159)	(170)	(177)	(662)	(175)	(175)	(175)	(175)	(700)	(175)	(175)	(175)	(175)	(700)	
Purchases of short-term investments		11	11	(200)	(178)	200	(60)		5	145	0	0	0	0	0	0	0	0	0	0	
Sale of short-term investments					0					0	0	0	0	0	0	0	0	0	0	0	
Acquisitions				(60)	(60)					0	0	0	0	0	0	0	0	0	0	0	
Net settlement					0					0	0	0	0	0	0	0	0	0	0	0	
Other	(12)	(61)	75	(22)	(20)	(31)	(42)	(96)	106	(63)	0	0	0	0	0	0	0	0	0	0	
<b>Net cash used in investing activities</b>	<b>(180)</b>	<b>(233)</b>	<b>(93)</b>	<b>(425)</b>	<b>(931)</b>	<b>13</b>	<b>(261)</b>	<b>(266)</b>	<b>(66)</b>	<b>(580)</b>	<b>(175)</b>	<b>(175)</b>	<b>(175)</b>	<b>(175)</b>	<b>(700)</b>	<b>(175)</b>	<b>(175)</b>	<b>(175)</b>	<b>(175)</b>	<b>(700)</b>	
<b>Cash flow from financing activities</b>																					
Term loan borrowing (net)	261	1,703	(3,200)	(1,236)	(724)	(1,020)	(419)	0	(2,163)	0	0	0	0	0	0	0	0	0	0	0	
Repurchase of common stock	(55)	(2,527)		2,582	0	(47)	(22)	(172)	(366)	(607)	0	0	0	0	0	0	0	0	0	0	
Dividends		(50)		(17)	(67)					0	0	0	0	0	0	0	0	0	0	0	
Proceeds from stock option exercise	269	110	42	82	503	101	13	11	6	131	0	0	0	0	0	0	0	0	0	0	
Change in restricted cash					0					0	0	0	0	0	0	0	0	0	0	0	
Other	(265)	261	8	(12)	(8)	7	5	22	(19)	15	0	0	0	0	0	0	0	0	0	0	
Proceeds from issuance of common stock	(85)	(23)	(57)	(165)	(200)	(663)	(1,024)	(558)	(379)	(2,624)	0	0	0	0	0	0	0	0	0	0	
<b>Cash provided by (used in) financing</b>	<b>210</b>	<b>(588)</b>	<b>27</b>	<b>(622)</b>	<b>(973)</b>	<b>(663)</b>	<b>(1,024)</b>	<b>(558)</b>	<b>(379)</b>	<b>(2,624)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
Effect of exchange rate on cash and ca	(73)	47	(100)	(51)	(177)	(11)	(154)	(137)	112	(190)	0	0	0	0	0	0	0	0	0	0	
<b>Net increase (decrease) in cash and</b>	<b>2,127</b>	<b>1,740</b>	<b>(1,387)</b>	<b>(813)</b>	<b>1,667</b>	<b>2,330</b>	<b>189</b>	<b>(1,958)</b>	<b>(515)</b>	<b>46</b>	<b>(1,764)</b>	<b>2,285</b>	<b>2,283</b>	<b>(1,874)</b>	<b>929</b>	<b>(290)</b>	<b>2,507</b>	<b>2,547</b>	<b>(2,063)</b>	<b>2,702</b>	
Beginning cash and equivalents	4,068	6,195	7,935	6,548	4,068	5,805	8,135	8,324	6,366	5,805	5,851	4,087	6,372	8,655	5,851	6,780	6,491	8,998	11,545	6,780	
<b>Ending cash and equivalents</b>	<b>6,195</b>	<b>7,935</b>	<b>6,548</b>	<b>5,735</b>	<b>5,735</b>	<b>8,135</b>	<b>8,324</b>	<b>6,366</b>	<b>5,851</b>	<b>5,851</b>	<b>4,087</b>	<b>6,372</b>	<b>8,655</b>	<b>6,780</b>	<b>6,780</b>	<b>6,491</b>	<b>8,998</b>	<b>11,545</b>	<b>9,482</b>	<b>9,482</b>	

Source: Company reports and Ascendant Capital Markets estimates

## ANALYST CERTIFICATION

Each analyst hereby certifies that the views expressed in this report reflect the analyst's personal views about the subject securities or issuers. Each analyst also certifies that no part of the analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. The analyst who prepared this report is compensated based upon the overall profitability of Ascendant Capital Markets, LLC, which may, from time to time, include the provision of investment banking, financial advisory and consulting services. Compensation for research is based on effectiveness in generating new ideas for clients, performance of recommendations, accuracy of earnings estimates, and service to clients.

### Expedia Group Inc.



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

Report	Report Date		Price	
	Date	Rating	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	
58	12/16/2022	B	141.00	

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Risks to attainment of our share price target include changes in competition, economic conditions, consumer and business demand for travel, investor sentiment for investing in travel and technology stocks, and industry growth for online travel companies.

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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 Distribution of Investment Ratings (as of January 15, 2023)

Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
Buy	44	98%	18	41%
Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	45	100%	18	40%



### **Other Important Disclosures**

Our analysts use various valuation methodologies including discounted cash flow, price/earnings (P/E), enterprise value/EBITDAS, and P/E to growth rate, among others. Risks to our price targets include failure to achieve financial results, product risk, regulatory risk, general market conditions, and the risk of a change in economic conditions.

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