

Expedia, Inc.  
Form 10-Q  
May 02, 2014  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2014

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 000-51447

**EXPEDIA, INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**20-2705720**  
(I.R.S. Employer Identification No.)

**333 108<sup>th</sup> Avenue NE**

**Bellevue, WA 98004**

(Address of principal executive office) (Zip Code)

**(425) 679-7200**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of shares outstanding of each of the registrant's classes of common stock as of April 18, 2014 was:

Common stock, \$0.0001 par value per share	117,030,324 shares
Class B common stock, \$0.0001 par value per share	12,799,999 shares

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**Expedia, Inc.**

**Form 10-Q**

**For the Quarter Ended March 31, 2014**

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(In thousands, except for per share data)

(Unaudited)

	Three months ended March 31,	
	2014	2013
Revenue	\$ 1,200,371	\$ 1,012,367
Costs and expenses:		
Cost of revenue (1)	294,619	250,581
Selling and marketing (1)	624,699	496,155
Technology and content (1)	162,975	138,283
General and administrative (1)	99,045	92,376
Amortization of intangible assets	18,492	12,570
Acquisition-related and other (1)		66,472
Legal reserves, occupancy tax and other	3,539	61,558
Operating loss	(2,998)	(105,628)
Other income (expense):		
Interest income	5,798	5,917
Interest expense	(21,804)	(21,748)
Other, net	(481)	2,188
Total other expense, net	(16,487)	(13,643)
Loss before income taxes	(19,485)	(119,271)
Provision for income taxes	(319)	11,903
Net loss	(19,804)	(107,368)
Net loss attributable to noncontrolling interests	5,500	3,142
<b>Net loss attributable to Expedia, Inc.</b>	<b>\$ (14,304)</b>	<b>\$ (104,226)</b>
<b>Earnings (loss) per share attributable to Expedia, Inc.</b>		
<b>available to common stockholders:</b>		
Basic	\$ (0.11)	\$ (0.77)
Diluted	(0.11)	(0.77)
<b>Shares used in computing earnings (loss) per share:</b>		
Basic	130,559	135,641
Diluted	130,559	135,641
Dividends declared per common share	\$ 0.15	\$ 0.13
(1) Includes stock-based compensation as follows:		
Cost of revenue	\$ 1,202	\$ 1,061
Selling and marketing	5,335	4,265
Technology and content	5,558	5,395
General and administrative	12,726	7,714

Acquisition-related and other

56,643

*See accompanying notes.*

**Table of Contents****EXPEDIA, INC.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

(In thousands)

(Unaudited)

	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2014</b>	<b>2013</b>
Net loss	\$ (19,804)	\$ (107,368)
Other comprehensive income (loss), net of tax		
Currency translation adjustments	25,213	(18,001)
Unrealized gains (losses) on available for sale securities, net of taxes <sup>(1)</sup>	168	(291)
Other comprehensive income (loss), net of tax	25,381	(18,292)
Comprehensive income (loss)	5,577	(125,660)
Less: Comprehensive (income) loss attributable to noncontrolling interests	(9,786)	2,630
Comprehensive loss attributable to Expedia, Inc.	\$ (4,209)	\$ (123,030)

<sup>(1)</sup> Net gains (losses) recognized and reclassified during the three months ended March 31, 2014 and 2013 were immaterial.  
*See accompanying notes.*

**Table of Contents****EXPEDIA, INC.****CONSOLIDATED BALANCE SHEETS**

(In thousands, except per share data)

	<b>March 31, 2014 (Unaudited)</b>	<b>December 31, 2013</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,484,066	\$ 1,021,033
Restricted cash and cash equivalents	28,715	26,042
Short-term investments	687,399	325,510
Accounts receivable, net of allowance of \$11,064 and \$11,555	818,818	614,735
Deferred income taxes	64,442	66,130
Income taxes receivable	110,010	64,296
Prepaid expenses and other current assets	121,504	101,541
<b>Total current assets</b>	<b>3,314,954</b>	<b>2,219,287</b>
Property and equipment, net	490,580	480,702
Long-term investments and other assets	252,882	250,626
Deferred income taxes	16,241	14,151
Intangible assets, net	1,109,264	1,111,041
Goodwill	3,704,456	3,663,674
<b>TOTAL ASSETS</b>	<b>\$ 8,888,377</b>	<b>\$ 7,739,481</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable, merchant	\$ 1,055,645	\$ 1,044,259
Accounts payable, other	366,054	261,288
Deferred merchant bookings	2,414,895	1,350,319
Deferred revenue	56,847	39,746
Income taxes payable	45,571	61,874
Accrued expenses and other current liabilities	510,243	536,895
<b>Total current liabilities</b>	<b>4,449,255</b>	<b>3,294,381</b>
Long-term debt	1,249,430	1,249,412
Deferred income taxes	440,215	433,532
Other long-term liabilities	152,389	138,300
Commitments and contingencies		
Redeemable noncontrolling interests	491,154	364,871
Stockholders' equity:		
Common stock \$.0001 par value	19	19
Authorized shares: 1,600,000		
Shares issued: 194,340 and 192,562		
Shares outstanding: 116,974 and 116,886		
Class B common stock \$.0001 par value	1	1
Authorized shares: 400,000		
Shares issued and outstanding: 12,800 and 12,800		
Additional paid-in capital	5,777,911	5,802,140
Treasury stock - Common stock, at cost	(3,587,540)	(3,465,675)

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Shares: 77,366 and 75,676		
Retained earnings (deficit)	(223,522)	(209,218)
Accumulated other comprehensive income (loss)	28,292	18,197
Total Expedia, Inc. stockholders' equity	1,995,161	2,145,464
Noncontrolling interest	110,773	113,521
Total stockholders' equity	2,105,934	2,258,985
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 8,888,377</b>	<b>\$ 7,739,481</b>

*See accompanying notes.*



**Table of Contents****EXPEDIA, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)

(Unaudited)

	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2014</b>	<b>2013</b>
<b>Operating activities:</b>		
Net loss	\$ (19,804)	\$ (107,368)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation of property and equipment, including internal-use software and website development	62,134	48,866
Amortization of stock-based compensation	24,821	75,078
Amortization of intangible assets	18,492	12,570
Deferred income taxes	5,793	4,741
Foreign exchange (gain) loss on cash, cash equivalents and short-term investments, net	(4,354)	41,845
Realized gain on foreign currency forwards	(1,358)	(5,808)
Other	(5,927)	2,669
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable	(196,870)	(150,834)
Prepaid expenses and other current assets	(23,709)	(28,227)
Accounts payable, merchant	31,681	173,020
Accounts payable, other, accrued expenses and other current liabilities	74,718	68,303
Taxes payable/receivable, net	(57,095)	(41,260)
Deferred merchant bookings	1,045,677	778,409
Deferred revenue		
2016 First Quarter	77.86	66.28
Second Quarter	82.30	73.32
Third Quarter	85.69	78.83
Fourth Quarter (through October 28, 2016)	79.18	75.37

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