

EXPEDIA INC
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FOR IMMEDIATE RELEASE

Expedia, Inc. Reports Record First Quarter Financial Results

Quarterly gross bookings of \$1.80 billion, up 63% year-over-year

Net revenue of \$198.8 million, up 71% year-over-year

Net income of \$26.9 million, or 20 cents per share, versus 5 cents per share a year ago

Pretax adjusted earnings of \$59.4 million, or 45 cents per share, versus \$33.0 million, or 27 cents per share a year ago

Adjusted earnings of \$39.5 million, or 30 cents per share, versus 20 cents per share a year ago

Operating cash flow of \$209.4 million

BELLEVUE, Wash. May 1, 2003 Expedia, Inc. (NASDAQ: EXPE) today announced gross bookings of \$1.8 billion and net revenue of \$198.8 million for the first quarter ended March 31, 2003. Gross bookings rose 63% year-over-year and net revenue rose 71%.

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The company reported net income for the quarter of \$26.9 million, or 20 cents per diluted share, on 132.0 million shares, more than quadrupling net income of \$6.6 million, or 5 cents per diluted share, for the year-ago period. Pretax adjusted earnings were \$59.4 million, or 45 cents per share, versus \$33.0 million, or 27 cents per share. Adjusted earnings were \$39.5 million, or 30 cents per share, compared with \$24.3 million, or 20 cents per share. EBITA rose to \$57.1 million, or 43 cents per share, from \$30.5 million, or 25 cents per share.

Adjusted earnings exclude non-cash marketing expenses resulting from USA Interactive in-kind marketing contributions, USA Interactive merger-related expenses and non-cash charges for amortization of intangibles and equity compensation.

Like other companies in the travel industry, our business was affected by war-and terrorism-related concerns during the quarter, said Erik Blachford, president and CEO of Expedia. However, our diversified business model and strong customer service ethic allowed us to continue to build our business. In addition, we demonstrated our ability to manage expenses in an uncertain environment, which contributed to our strong earnings.

While bookings in late March and early April were adversely affected by the war, our bookings through April suggest that the company is tracking well against our budgeted revenue communicated last quarter, said Mr. Blachford. Expedia estimates that war and terrorism-related concerns reduced gross bookings in March by about \$75 million.

Expedia has seen a very strong start to 2003, said Greg Stanger, senior vice president and CFO. In addition to our 71% revenue growth, we are enjoying significant progress in our packages business, which grew 137% and represented 30% of revenue in the quarter. These results led to record earnings and to operating cash flow of \$209.4 million.

First Quarter Financial and Operating Highlights

In the first quarter, merchant revenue more than doubled year-over-year to \$116.7 million on increased revenue from Expedia® Special Rate hotels and the growth in Expedia's worldwide packages business.

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We sold our millionth package in the month of April, said Mr. Blachford. An increasing number of our customers recognize the savings and convenience of purchasing the whole trip together, and are finding our flexible technology meets their needs. We will continue to improve the functionality of our dynamic packaging platform, which we believe will further drive our package sales going forward.

Average daily room rates increased sequentially and year-over-year due to an increase in rooms sold in higher-cost venues, such as Hawaii, Europe, Mexico and the Caribbean. The company reported 3.5 million total hotel room-nights stayed in the quarter, including 2.8 million merchant room-nights.

Agency revenue, which is primarily derived from the sale of stand-alone and package airline tickets, rose 50% year-over-year to \$77.9 million on a 49% increase in agency gross bookings.

International revenue from European and Canadian sites rose 156% year-over-year, with strong growth in all locations.

Gross profit rose 77% year-over-year to \$143.0 million while gross margin increased to about 72%. Expedia finished the quarter with \$771.4 million in cash and short-term investments compared with \$584.0 million in cash and short-term investments at the end of 2002. In addition, the company repurchased \$25.0 million of common stock, or 816,186 shares, at an average price of \$30.63 per share, adjusted for the 2-for-1 stock split, which was effective March 10, 2003.

Merger agreement with USA Interactive

During the quarter, Expedia's board of directors approved a merger transaction with USA Interactive (NASDAQ: USAI) under which USA will purchase the shares of Expedia it does not already own. The transaction requires majority approval of the Expedia shares outstanding; however, USA controls a majority of such shares, assuring shareholder approval. The transaction is expected to be completed this summer.

Recent Operating Highlights:

Expedia topped the online travel category in the American Customer Satisfaction Index (ACSI) ranking of e-commerce sites. Produced through a partnership of the University of Michigan Business School, the American Society for Quality (ASQ), and the international consulting firm, CFI Group, the ACSI measures household consumer experiences and tracks trends in customer satisfaction.

Expedia continued to garner media accolades in the quarter. Consumer Reports updated its online travel report, naming Expedia as a best in category travel website, and concluding that Expedia has the best disclosure in its category. Forbes Magazine named Expedia a Best of the Web winner, noting that Expedia is easy to use and packed to the gills with services and rich content.

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As part of its commitment to customer service, Expedia introduced two convenient automated sources of information: an online FAQ wizard that helps travelers quickly and easily find answers to their travel questions and Interactive Voice Response (IVR) technology that lets travelers automatically reconfirm their itineraries.

Expedia and Ticketmaster worked together to make NBA and NHL tickets for 17 teams available on Expedia during the winter season.

Expedia announced an agreement with Six Continents Hotels to provide Expedia consumers with greater access to the more than 3,300 hotels in the Six Continents Hotels network, including InterContinental Hotels & Resorts, Crowne Plaza Hotels and Resorts, Holiday Inn and Holiday Inn Express hotels. In addition, Expedia and Hilton Hotels Corporation signed an agreement to provide Expedia customers with greater access to the company's owned, managed and franchised hotel portfolio, which includes Hilton, Doubletree, Embassy Suites Hotels, Hilton Garden Inn, Hampton Inn and Homewood Suites by Hilton hotels.

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About Expedia, Inc.

Expedia, Inc. (NASDAQ: EXPE) is the world's leading online travel service and the eighth largest travel agency in the U.S. Expedia's award-winning Expert Searching and Pricing (ESP) technology delivers the most comprehensive flight options available online. ESP also allows customers to dynamically build complete trips that combine flights, Expedia Special Rate hotels and other lodging, ground transportation, and destination activities. Expedia operates Classic Custom Vacations, a leading wholesaler of premiere vacation packages to destinations such as Hawaii, Mexico, Europe and the Caribbean; and Metropolitan Travel, a corporate travel agency. Travelscape, Inc., wholly owned by Expedia, also operates as WWTE, bringing complementary cross-sell and dynamic packaging booking functionality to third parties on a private-label basis. Expedia is a majority-owned subsidiary of USA Interactive (NASDAQ: USAI).

Notes on Attached Exhibits

Exhibit 1 outlines the three months ended March 31, 2003, consolidated Statements of Operations for Expedia, as compared with the prior-year numbers, including a reconciliation of non-GAAP financial measures to the comparable GAAP measures.

Exhibit 2 presents a consolidated balance sheet for Expedia.

Exhibit 3 presents a consolidated cash flow statement for Expedia.

Exhibit 4 outlines key operating metrics for Expedia and its subsidiaries.

Expedia management believes that the presentation of the non-GAAP pre-tax and after-tax adjusted earnings in this press release and the exhibits to this press release are meaningful to investors because they provide a measure of the cash-generating nature of the on-going business by removing non-cash items that do not reflect actual cash expenditures, or by removing items that are non-recurring in nature and therefore don't represent the on-going costs of doing business. Internally, Expedia management uses the adjusted earnings measures for the same purpose. Expedia believes that the presentation of EBITA in the exhibits to this press release is meaningful because it provides investors with a widely-accepted measure of performance that allows investors to make comparisons across companies and industries. A reconciliation of adjusted earnings and EBITA to GAAP net income is provided in Exhibit 1.

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This press release contains forward-looking statements relating to future events or future financial performance that involve risks and uncertainties. Such statements can be identified by terminology such as may, will, should, expects, plans, anticipates, believes, estimates, predicts, potential or comparable terms. These statements are only predictions and actual results could differ materially from those anticipated in these statements based upon a number of factors including final adjustments made in closing the quarter and those identified in the company's filings with the SEC.

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ADDITIONAL INFORMATION AND WHERE TO FIND IT

In connection with the proposed merger transaction, USA Interactive and Expedia will file a proxy and information statement/prospectus with the Securities and Exchange Commission. Investors and security holders are urged to read carefully the proxy and information statement/prospectus regarding the proposed transaction when it becomes available, because it will contain important information. Investors and security holders may obtain a free copy of the proxy and information statement/prospectus (when it is available) and other documents containing information about USA Interactive and Expedia, without charge, at the SEC's web site at <http://www.sec.gov>. Free copies of USA Interactive's filings may be obtained by directing a request to USA Interactive, 152 West 57th Street, New York, New York, 10019, Attention: Investor Relations, and free copies of Expedia's filings may be obtained by directing a request to Expedia, Inc. 13810 SE Eastgate Way, Suite 400, Bellevue, Washington 98005, Attention: Investor Relations.

For investor information about Expedia, Inc.:

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Exhibit 1

Statements of Operations

Expedia, Inc.

(in thousands, except per share amounts)

(unaudited)

| | Three Months Ended | | | Three Months Ended | | |
|---|--------------------|-------------|------------|--------------------|-------------|-----------|
| | March 31, 2003 (A) | | | March 31, 2002 (A) | | |
| | GAAP | Adjustments | Adjusted | GAAP (I) | Adjustments | Adjusted |
| Revenues: | | | | | | |
| Merchant (B) | \$ 116,741 | | \$ 116,741 | \$ 57,650 | | \$ 57,650 |
| Agency | 77,855 | | 77,855 | 51,741 | | 51,741 |
| Advertising and other | 4,164 | | 4,164 | 6,615 | | 6,615 |
| Total revenues | 198,760 | | 198,760 | 116,006 | | 116,006 |
| Cost of revenues: | | | | | | |
| Merchant | 30,677 | | 30,677 | 14,793 | | 14,793 |
| Agency | 24,504 | | 24,504 | 19,503 | | 19,503 |
| Advertising and other | 533 | | 533 | 848 | | 848 |
| Total cost of revenues | 55,714 | | 55,714 | 35,144 | | 35,144 |
| Gross profit | 143,046 | | 143,046 | 80,862 | | 80,862 |
| Gross profit % | 72.0% | | 72.0% | 69.7% | | 69.7% |
| Operating expenses: | | | | | | |
| Product development | 10,964 | | 10,964 | 8,727 | | 8,727 |
| Sales and marketing | 62,465 | (3,004)(C) | 59,461 | 34,836 | (1,488)(C) | 33,348 |
| General and administrative | 15,499 | | 15,499 | 8,241 | | 8,241 |
| Amortization of intangible assets | 4,552 | (4,552)(D) | | 8,768 | (8,768)(D) | |
| Recognition of stock-based compensation | 7,681 | (7,681)(E) | | 1,606 | (1,606)(E) | |
| Total operating expenses | 101,161 | (15,237) | 85,924 | 62,178 | (11,862) | 50,316 |
| Income from operations | 41,885 | 15,237 | 57,122 | 18,684 | 11,862 | 30,546 |
| Net interest income and other | 2,562 | | 2,562 | 2,683 | | 2,683 |
| Share of joint venture net loss | (242) | | (242) | (247) | | (247) |
| USA merger-related expense | (2,002) | 2,002(F) | | (9,860) | 9,860(F) | |
| Pretax income | 42,203 | 17,239 | 59,442 | 11,260 | 21,722 | 32,982 |
| Provision for income taxes | (15,337) | (4,610)(G) | (19,947) | (4,614) | (4,066)(G) | (8,680) |
| NET INCOME | \$ 26,866 | \$ 12,629 | \$ 39,495 | \$ 6,646 | \$ 17,656 | \$ 24,302 |

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| | | | | |
|---|-------------------|-------------------|-------------------|-------------------|
| Net interest income and other | | (2,562) | | (2,683) |
| Share of joint venture net loss | | 242 | | 247 |
| Provision for income taxes | | 19,947 | | 8,680 |
| | | <u> </u> | | <u> </u> |
| EBITA (H) | | \$ 57,122 | | \$ 30,546 |
| | | <u> </u> | | <u> </u> |
| Pre-tax income per share: | | | | |
| Basic | | \$ 0.50 | | \$ 0.30 |
| | | <u> </u> | | <u> </u> |
| Diluted | | \$ 0.45 | | \$ 0.27 |
| | | <u> </u> | | <u> </u> |
| NET INCOME per share: | | | | |
| Basic | \$ 0.23 | \$ 0.33 | \$ 0.06 | \$ 0.22 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Diluted | \$ 0.20 | \$ 0.30 | \$ 0.05 | \$ 0.20 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| EBITA per share: | | | | |
| Basic | | \$ 0.48 | | \$ 0.28 |
| | | <u> </u> | | <u> </u> |
| Diluted | | \$ 0.43 | | \$ 0.25 |
| | | <u> </u> | | <u> </u> |
| Weighted average # of shares outstanding: | | | | |
| Basic | 118,316 | 118,316 | 108,558 | 108,558 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Diluted | 132,028 | 132,028 | 122,848 | 122,848 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

- (A) The financial results presented for the period ended March 31, 2002 includes the operations of Classic Custom Vacations for 22 days as the acquisition occurred on March 9, 2002. Also, the financial results for the period ended March 31, 2003 includes the operations of Metropolitan Travel Inc. acquired July 13, 2002 and Newtrade Technologies Inc. acquired October 28, 2002.
- (B) Merchant amounts are reported on a net basis.
- (C) Non-cash marketing expense resulting from contribution by USA Interactive, Inc.
- (D) Amortization of acquired intangible assets.
- (E) Non-cash stock-based compensation expense.
- (F) Costs associated with the USA Interactive, Inc. exchange offer.
- (G) The tax effect is computed by using Expedia's effective statutory rate of 35.5% and applying it to the portion of the adjustments that are deductible for Federal income tax purposes. As a result, the amortization of intangibles associated with the Travelscape and VacationSpot acquisitions, the stock-based compensation associated with the Microsoft options that converted to Expedia options upon our initial public offering, along with the USA merger-related expenses, are not included in the calculation of the tax effect.
- (H) Adjusted EBITA is defined as adjusted net income minus net interest income and other; and plus, (1) adjusted provision for income taxes and (2) share of joint venture net losses.
- (I) In April 2003, Expedia became aware of an error in the computation of amortization of stock-based compensation related to some of the unvested Microsoft options which converted to Expedia options on the completion of the initial public offering. The restatement had no impact on adjusted earnings and EBITA, and the increase in GAAP net income is as follows:

| | Three Months Ended | | |
|------------------------------|--------------------|------------------|----------|
| | March 31, 2002 | | |
| | GAAP Reported | GAAP Restated | Increase |
| Net income | \$ 5,715 | \$ 6,646 | \$ 931 |
| Net income per basic share | \$ 0.05 | \$ 0.06 | \$ 0.01 |
| Net income per diluted share | \$ 0.05 | \$ 0.05 | \$ |

Exhibit 2

Condensed Consolidated Balance Sheets

Expedia, Inc.

(in thousands)

(unaudited)

| | March 31, 2003 | December 31, 2002 |
|---|-------------------|----------------------|
| | <u> </u> | <u> </u> |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 269,641 | \$ 218,219 |
| Marketable securities | 501,806 | 365,790 |
| Accounts receivable, net | 41,773 | 35,741 |
| Prepaid merchant bookings | 30,505 | 12,435 |
| Prepaid expenses and other current assets | 19,334 | 12,667 |
| | <u> </u> | <u> </u> |
| Total current assets | 863,059 | 644,852 |
| Property and equipment, net | 30,782 | 30,368 |
| Restricted deposits and other assets | 17,307 | 15,739 |
| Goodwill, net | 124,202 | 124,286 |
| Intangible assets, net | 40,182 | 44,668 |
| | <u> </u> | <u> </u> |
| Total assets | \$ 1,075,532 | \$ 859,913 |
| | <u> </u> | <u> </u> |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable | \$ 67,804 | \$ 39,159 |
| Accrued expenses | 206,650 | 180,628 |
| Deferred merchant bookings | 270,202 | 149,348 |
| Unearned revenue | 5,048 | 4,772 |
| | <u> </u> | <u> </u> |
| Total current liabilities | 549,704 | 373,907 |
| | <u> </u> | <u> </u> |
| STOCKHOLDERS EQUITY | | |
| Common stock | 505 | 488 |
| Class B common stock | 690 | 690 |
| Stockholder warrants | 77,839 | 77,839 |
| Additional paid-in-capital | 534,848 | 500,839 |
| Contribution from parent | 95,443 | 95,443 |
| Contribution receivable from parent | (59,230) | (62,234) |
| Unearned stock-based compensation (A) | (550) | (1,564) |
| Retained deficit (A)(B) | (126,473) | (128,328) |
| Accumulated other comprehensive income | 2,756 | 2,833 |

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| | | |
|--|--------------|------------|
| Total stockholders' equity | 525,828 | 486,006 |
| Total liabilities and stockholders' equity | \$ 1,075,532 | \$ 859,913 |

(A) In April 2003, Expedia became aware of an error in the computation of amortization of stock-based compensation related to some of the unvested Microsoft options which converted to Expedia options on the completion of the initial public offering. The effect of the restatement was to decrease the December 31, 2002 unearned stock-based compensation by \$3.1 million and to increase retained deficit by \$3.1 million.

(B) The repurchase of common stock is recorded to the retained deficit account.

Exhibit 3

Condensed Consolidated Cash Flow Statements

Expedia, Inc.

(in thousands)

(unaudited)

| | Three months ended | |
|--|--------------------|-------------------|
| | March 31, 2003 | March 31, 2002 |
| Operating activities: | | |
| Net income (A) | \$ 26,866 | \$ 6,646 |
| Adjustments to reconcile net income to net cash provided by operating activities (A) | 37,756 | 30,586 |
| Cash provided by changes in operating assets and liabilities, net of acquisitions | 144,804 | 82,614 |
| Net cash provided by operating activities | 209,426 | 119,846 |
| Investing activities: | | |
| Purchase of marketable securities, net | (136,185) | |
| Additions to property and equipment, net | (5,489) | (5,033) |
| Acquisition of companies, net of acquisition costs | | (35,326) |
| Funding of investments and restricted deposits, net | (1,568) | (2,245) |
| Net cash used in investing activities | (143,242) | (42,604) |
| Financing activities: | | |
| USAI transaction related costs | (2,002) | (9,860) |
| Net proceeds from issuance of common stock and common stock warrants | | 48,087 |
| Net proceeds from exercise of options | 12,229 | 11,602 |
| Repurchase of common stock | (25,012) | |
| Repayment of notes payable | | (8) |
| Net cash (used in) provided by financing activities | (14,785) | 49,821 |
| Effect of foreign exchange rate changes on cash and cash equivalents | 23 | (6) |
| Net increase in cash and cash equivalents | 51,422 | 127,057 |
| Cash and cash equivalents at beginning of period | 218,219 | 238,374 |
| Cash and cash equivalents at end of period | \$ 269,641 | \$ 365,431 |

(A) In April 2003, Expedia became aware of an error in the computation of amortization of stock-based compensation related to some of the unvested Microsoft options which converted to Expedia options on the completion of the initial public offering. The restatement has no

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effect on net cash provided by operating activities. The effect of the restatement was to increase March 31, 2002 net income by \$0.9 million and to decrease adjustments to reconcile net income to net cash provided by operating activities by \$0.9 million.

Exhibit 4

Key Operating Metrics

(In Thousands)

(unaudited)

| | Three months ending | | | | | Year-over-year |
|--|---------------------|---------------|----------------|---------------|---------------|----------------|
| | Mar. 31, 2002 | Jun. 30, 2002 | Sept. 30, 2002 | Dec. 31, 2002 | Mar. 31, 2003 | |
| Gross Bookings | | | | | | |
| Total gross bookings (A) | 1,107,000 | 1,335,000 | 1,466,000 | 1,380,000 | 1,802,000 | 63% |
| Agency gross bookings | 797,000 | 937,000 | 1,042,000 | 1,002,000 | 1,190,000 | 49% |
| Merchant gross bookings (includes CCV) (B) | 310,000 | 398,000 | 424,000 | 378,000 | 612,000 | 97% |
| CCV gross bookings (B) | 18,000 | 82,000 | 67,000 | 42,000 | 74,000 | 311% |
| International gross bookings | 85,000 | 94,000 | 138,000 | 123,000 | 195,000 | 129% |
| US gross bookings | 1,022,000 | 1,241,000 | 1,328,000 | 1,257,000 | 1,607,000 | 57% |
| Additional metrics | | | | | | |
| Revenue from packages | \$ 25,456 | \$ 41,527 | \$ 49,881 | \$ 46,912 | \$ 60,308 | 137% |
| Total room nights stayed | 2,042 | 2,627 | 3,207 | 3,168 | 3,462 | 70% |
| Merchant room nights stayed | 1,644 | 2,077 | 2,602 | 2,522 | 2,825 | 72% |
| Merchant hotel average daily rate (excludes CCV) (C) | \$ 118 | \$ 120 | \$ 114 | \$ 119 | \$ 127 | 8% |
| Customers | | | | | | |
| Average monthly Media Metrix reach (D) (E) | 11,242 | 12,161 | 12,615 | 11,392 | n/a | n/a |
| Expedia.com conversion (F) (E) | 5.8% | 6.3% | 6.7% | 7.2% | n/a | n/a |
| Expedia new purchasing customers (G) | 1,316 | 1,529 | 1,693 | 1,528 | 1,838 | 40% |
| Expedia cumulative purchasing customers (H) | 7,610 | 9,139 | 10,832 | 12,360 | 14,197 | n/a |
| Expedia quarterly unique purchasing customers (I) | 1,874 | 2,217 | 2,492 | 2,355 | 2,707 | 44% |

(A) Gross bookings represents the total value of travel booked through the Expedia, WWTE sites, Classic Custom Vacations and Metropolitan Travel since acquisition.

(B) Includes CCV gross bookings from March 9, 2002 onward.

(C) Includes taxes and fees

(D) Average monthly Media Metrix reach represents the unduplicated reach for the Expedia sites.

(E) Q103 reach and conversion are incalculable because Media Metrix has informed us that its published numbers January and February were incorrect and will not be revised. Reach in the month of March was 15,567,000.

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- (F) Conversion represents the monthly average Expedia.com unique monthly purchasers divided by the monthly average Media Metrix reach for the Expedia.com site.
- (G) Expedia new purchasing customers represents the number of new customers transacting through the Expedia sites in a quarter.
- (H) Expedia cumulative purchasing customers represents the cumulative number of customers that have ever transacted through the Expedia sites as of the end of a quarter.
- (I) Expedia quarterly unique purchasing customers represents the number of unique customers transacting through the Expedia sites over the course of a quarter.