

HOMEAWAY INC
Form S-1/A
May 12, 2011
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As filed with the Securities and Exchange Commission on May 12, 2011

Registration No. 333-172783

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 2

to

FORM S-1

REGISTRATION STATEMENT

Under

The Securities Act of 1933

HomeAway, Inc.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

7389
(Primary Standard Industrial
Classification Code Number)
1011 W. Fifth Street, Suite 300

20-0970381
(I.R.S. Employer
Identification Number)

Austin, Texas 78703

(512) 684-1100

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

Brian H. Sharples

President and Chief Executive Officer

HomeAway, Inc.

1011 W. Fifth Street, Suite 300

Austin, Texas 78703

(512) 684-1100

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box: ..

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ..

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ..

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ..

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 the 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

Smaller reporting company ..

(do not check if a smaller reporting company)

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We and the selling stockholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities, and we and the selling stockholders are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

PROSPECTUS (Subject to Completion)

Dated May 12, 2011

Shares

COMMON STOCK

HomeAway, Inc. is offering shares of its common stock and the selling stockholders are offering shares of common stock. We will not receive any proceeds from the sale of shares by the selling stockholders. This is our initial public offering and no public market currently exists for our shares. We anticipate that the initial public offering price of our common stock will be between \$ and \$ per share.

After this offering, our executive officers, directors, beneficial owners of 5.0% or more of our outstanding shares of common stock and affiliated entities will own approximately % of our common stock. In addition, in connection with this offering, our executive officers, directors, beneficial owners of 5.0% or more of our outstanding shares of common stock and affiliated entities will receive approximately \$ of the proceeds from the sale of shares in this offering, approximately \$ as a result of the redemption of outstanding shares of our Series A and Series B redeemable preferred stock held by them and approximately \$ in payment of accumulated but unpaid dividends upon conversion of outstanding shares of our Series C convertible preferred stock held by them.

We have applied to list our common stock on the NASDAQ Global Select Market under the symbol AWAY.

*Investing in the common stock involves risks. See **Risk Factors** beginning on page 11.*

PRICE \$ A SHARE

	<i>Price to Public</i>	<i>Underwriting Discounts and Commissions</i>	<i>Proceeds to Company</i>	<i>Proceeds to Selling Stockholders</i>
<i>Per Share</i>	\$	\$	\$	\$
<i>Total</i>	\$	\$	\$	\$

The selling stockholders have granted the underwriters the right to purchase up to an additional _____ shares of common stock to cover over-allotments.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of common stock to purchasers on _____, 2011.

MORGAN STANLEY

DEUTSCHE BANK SECURITIES

GOLDMAN, SACHS & CO.

J.P. MORGAN

STIFEL NICOLAUS WEISEL

NEEDHAM & COMPANY, LLC

, 2011

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You should rely only on the information contained in this prospectus or in any free-writing prospectus we may authorize to be delivered or made available to you. We have not, the selling stockholders have not and the underwriters have not authorized anyone to provide you with additional or different information. We and the selling stockholders are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The information in this prospectus or any free-writing prospectus is accurate only as of its date, regardless of its time of delivery or of any sale of shares of our common stock. Our business, financial condition, results of operations and prospects may have changed since that date.

Until , 2011 (25 days after the commencement of this offering), all dealers that buy, sell or trade shares of our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This delivery requirement is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

For investors outside the United States: We have not, the selling stockholders have not and the underwriters have not done anything that would permit this offering, or possession or distribution of this prospectus, in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of the shares of common stock and the distribution of this prospectus outside of the United States.

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PROSPECTUS SUMMARY

*This summary highlights information contained elsewhere in this prospectus and is a brief overview of key aspects of the offering. Before investing in our common stock, you should carefully read this entire prospectus, including our consolidated financial statements and the related notes and the information set forth in the sections of this prospectus titled *Risk Factors* and *Management's Discussion and Analysis of Financial Condition and Results of Operations*. Some of the statements in this prospectus constitute forward-looking statements. See the section of this prospectus titled *Special Note Regarding Forward-Looking Statements* for more information.*

HomeAway, Inc.

Overview

We operate the world's largest online marketplace for the vacation rental industry. Vacation rentals are fully furnished, privately owned residential properties, including homes, condominiums, villas and cabins, that can be rented on a nightly, weekly or monthly basis. Our marketplace brings together millions of travelers seeking vacation rentals online with hundreds of thousands of owners and managers of vacation rental properties located in over 145 countries around the world. According to comScore's March 2011 Media Metrix Media Trend Report, in 2010, our websites attracted over 220 million website visits and averaged over 9.5 million unique monthly visitors. As of March 31, 2011, our global marketplace included more than 560,000 paid listings of vacation rentals.

Our ambition is to make every vacation rental in the world available to every traveler in the world through our online marketplace. Travelers visit our marketplace at no charge and are able to search and compare our large and detailed inventory of paid listings to find vacation rentals meeting their requirements. Our investments in our customer service, brand, and trust and security measures, as well as our direct relationships with property owners and managers, give travelers increased confidence in their inquiries, bookings and chosen properties. Property owners and managers pay annual listing fees to provide detailed listings of their properties on our marketplace and reach a large audience of travelers seeking vacation rentals. We also provide property owners and managers with a range of paid and free software tools designed to help make the management of their vacation rental listings easier and more efficient.

We benefit from significant network effects as the market leader in the highly fragmented online vacation rental industry. As we have grown, a broader selection of vacation rentals has attracted more travelers, and a broader audience of travelers has attracted more vacation rental listings from property owners and managers. There is a significant opportunity for us to build on our current market leadership by connecting the millions of travelers around the world with the millions of vacation rentals available. To capture this opportunity, we aspire to make vacation rentals as well-known, reliable and easy to use as hotels and to be an indispensable partner to property owners and managers around the world. We also intend to bring our experience in operating the leading online vacation rental marketplace to other areas of the global lodging industry that are highly fragmented, as we have done with our 2010 entry into the bed and breakfast market.

We have achieved significant growth since our commercial launch in 2005, both organically and through acquisitions. In 2010 and in the three months ended March 31, 2011, we generated revenue of \$167.9 million and \$52.0 million, respectively, representing year-over-year growth of 39.6% and 43.9%, respectively. We view our market opportunity as global, and, in 2010, 37.9% of our revenue came from outside the United States, including 36.6% from Europe and 1.3% from Latin America. We have historically generated strong cash flows and have had a predictable financial model because of our advance payment, subscription-based model, and our high annual listing renewal rates. In 2010 and in the three months ended March 31, 2011, listings contributed 91.1% and 86.9% of our revenue, respectively. In the same periods, we generated Adjusted EBITDA of \$43.2 million and \$10.2 million, respectively, representing year-over-year increases of 41.4% and 76.7%, respectively. In

2010

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and in the three months ended March 31, 2011, we generated free cash flow of \$51.5 million and \$17.8 million, respectively, representing year-over-year increases of 59.1% and 9.0%, respectively. See footnotes (5) and (6) to the table in the section of this prospectus titled "Selected Consolidated Financial Statements and Other Data" for definitions of Adjusted EBITDA and free cash flow and reconciliations to net income and cash provided by operating activities, respectively.

The Vacation Rental Industry

Vacation rentals provide many unique benefits to travelers and are becoming an increasingly popular alternative to hotels and other traditional lodging options. According to a November 2010 survey we commissioned from Radius Global Market Research titled "Market Sizing Study," the vacation rental industry is large—generating more than \$85 billion in 2010 in the United States and Europe—but fragmented and inefficient. Travelers have historically lacked an efficient means to locate, compare and select suitable and trustworthy vacation rentals on a global scale, while property owners and managers have found it difficult to reach a global audience and manage their vacation rentals efficiently. We believe there is a significant opportunity for a branded online marketplace to make finding and booking vacation rentals as easy and efficient as finding and booking hotels.

The HomeAway Solution

We operate the world's largest online marketplace for the vacation rental industry. As of March 31, 2011, we operated our online marketplace through 31 websites in 11 languages and provided listings for vacation rentals located in over 145 countries. According to comScore's March 2011 Media Metrix Media Trend Report, in 2010, our websites attracted over 220 million website visits and averaged over 9.5 million unique monthly visitors. As of March 31, 2011, our global marketplace included more than 560,000 paid listings of vacation rentals.

Our online marketplace allows travelers to conveniently locate, compare and select from a large range of vacation rentals globally. We offer travelers a reliable and consistent experience and a trusted brand that supports the direct relationships we have with property owners and managers. In addition, we offer easy-to-use search tools and filters that enable comparisons across properties and across regions, rich content including detailed property descriptions, numerous photographs, maps, detailed traveler reviews and up-to-date availability calendars.

Our global marketplace provides property owners and managers access to millions of our website visitors seeking information about vacation rentals. Our online marketplace allows property owners and managers to efficiently create and manage their property listings, access our dedicated customer support organization, participate in our online community of property owners and managers, and use our workflow tools and software solutions to more efficiently manage their properties.

HomeAway's Competitive Strengths

Market Leadership with Strong Network Effects. We operate the world's largest online marketplace for the vacation rental industry. As of March 31, 2011, our global marketplace included more than 560,000 paid listings of vacation rentals. Our leadership position has allowed our marketplace to benefit from significant network effects, as a broader selection of vacation rentals has attracted more travelers, and a broader audience of travelers has attracted more vacation rental listings from property owners and managers.

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Global Marketplace. We were founded with the vision that the vacation rental industry is a global opportunity, and as of March 31, 2011, we have built a global marketplace consisting of a portfolio of leading websites dedicated to many of the largest vacation rental markets around the world, including the United States,

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the United Kingdom, France, Germany and Brazil. Our global reach enables us to connect more travelers to property owners and managers and to offer a more comprehensive selection to travelers relative to our competitors. This foundation supports our ability to enter new geographies with existing relevant property listings.

Trusted Leader in the Vacation Rental Industry. We are committed to providing the most trusted online marketplace in the vacation rental industry. To provide a reliable and consistent experience on our marketplace, we have built a trained customer service organization of 260 people as of March 31, 2011, dedicated to achieving property owner, manager, and traveler satisfaction. Through a combination of proprietary technology and established procedures, we aim to minimize the chance that a fraudulent listing will appear on any of our websites. Our extensive review platform and Carefree Rental Guarantee and Basic Rental Guarantee allow us to further promote traveler confidence.

Deep Experience in Vacation Rentals. We have developed a deep understanding of the vacation rental industry's participants and dynamics through hundreds of thousands of direct relationships with property owners and managers and our experience with the millions of visitors to our websites. We believe that the industry expertise and scale we have developed over time and our intense focus on this industry's unique challenges have allowed us to design technology-based, user-friendly and global solutions that are highly differentiated from our competitors.

Innovative Solutions and Scalable Technology Platform. Through our technology investments and proprietary innovations, we offer a broad range of features, tools and software to travelers, property owners and managers. We believe that these features, tools and software, along with our investments in trust and security measures, strengthen our market-leading value proposition. Our websites are supported by our highly robust and scalable technology infrastructure, which allows us to quickly launch new vacation rental websites when entering new markets.

Highly Predictable and Profitable Subscription-Based Business Model. Our financial model benefits from our predictable, subscription-based revenue model. As of December 31, 2008, 2009 and 2010, and as of March 31, 2011, our listing renewal rates were 74.4%, 72.8%, 75.9% and 76.1%, respectively, which has provided a stable revenue base and has historically enhanced financial predictability. The leverage and scale of our financial model has provided us with the ability to further invest in growing our business. In 2010, we generated \$51.5 million in free cash flow. See footnote (6) to the table in the section of this prospectus titled Selected Consolidated Financial and Other Data for a definition of free cash flow and reconciliation to cash provided by operating activities.

HomeAway's Growth Strategies

Our ambition is to extend our leadership position as the world's largest and most complete vacation rental marketplace by making every vacation rental in the world available to every traveler in the world through our online marketplace. Our strategies to achieve this goal include:

Increase the Size of our Marketplace by Providing the Best Online Experience. We intend to build on our market-leading scale by providing the best online experience for travelers, property owners and managers. For travelers, we will leverage the scale and scope of the current listings on our marketplace, the latest web technologies and our own innovations in user interface, visual design, features and functionality. For owners and property managers, we will add workflow tools and software solutions to help them efficiently market and manage their listings, payments, and online bookings.

Bring More Choice and Value to Property Owners, Managers and Travelers. Our strategy is to better enable our property owners and managers to optimize the value of their listings by extending tiered, pay-for-performance pricing across our entire marketplace. In addition, we plan to

offer streamlined bundled

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pricing to enable property owners and managers to tailor their purchases of expanded listings across our websites to achieve their unique marketing objectives. For travelers, our innovations in payment solutions will reduce friction in the booking process and allow us to improve and expand our offering of value-added services.

Increase Category and Brand Awareness. We believe many adults in the United States lack familiarity with the vacation rental industry due to the fragmentation of the market. We intend to increase our investment in marketing, which we believe will enhance our category and brand awareness.

Expand Geographically. We expect to build on our global reach by adding new listings and new traffic via organic growth and selected acquisitions in new geographies, including Europe, Latin America and Asia Pacific. We have a successful history of acquiring and integrating fast-growing businesses into our marketplace while maintaining our growth. We have also successfully leveraged our existing listing inventory and established technology platform to rapidly launch our own new websites in new geographies.

Pursue Adjacent Opportunities. Our established business model for organizing and developing an online marketplace is also well suited to other highly fragmented global lodging marketplaces where there are no global brands. For example, our acquisition of BedandBreakfast.com has enabled us to bring our strengths in the vacation rental industry to the bed and breakfast market. The bed and breakfast industry is characterized by numerous independently operating property owners and innkeepers with limited marketing budgets and with potential customers located around the world.

Risks Associated with Our Business

Our business is subject to a number of risks of which you should be aware before making an investment decision. These risks are discussed more fully in the section of this prospectus titled "Risk Factors," and include but are not limited to the following:

we are an early-stage company with a limited operating history in the United States, Europe and Latin America, which makes it difficult to evaluate our current business and future prospects and may increase the risk of your investment;

if we are unable to attract and maintain a critical mass of property listings and travelers, whether due to competition or other factors, our marketplace will become less valuable to property owners and managers and to travelers and our revenue and net income could decrease materially;

our business depends substantially on property owners and managers renewing their listings, and because we recognize listing revenue over the term of the applicable agreement, the lack of listing renewals may not immediately be reflected in our operating results;

we may be unable to effectively manage our growth;

our quarterly financial results are subject to fluctuations, and, as a result, we could fail to meet or exceed expectations of analysts or investors, which could cause our stock price to decline; and

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if we are not able to effectively integrate acquired businesses, our operating results and prospects could be harmed.

Company Information

Our principal executive offices are located at 1011 W. Fifth Street, Suite 300, Austin, Texas 78703, and our telephone number is (512) 684-1100. Our corporate website address is www.HomeAway.com. We do not incorporate the information contained on, or accessible through, our corporate website into this prospectus, and you should not consider it part of this prospectus. We originally incorporated in the State of Delaware as CEH Holdings Inc. in April 2004 and changed our name to HomeAway, Inc. in May 2006.

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In this prospectus, we, us, our, Company and HomeAway refer to HomeAway, Inc. and its subsidiaries.

HomeAway, VRBO, VacationRentals.com, FeWo-Direkt, Holiday-Rentals, Homelidays, Aritel.fr, Aluguetemporada, BedandBreakfast.com, Clearstay, CyberRentals.com, Entech, Escapia, First Resorts, InstantSoftware, OwnersDirect, PropertyPlus, Rezovation, V12, Villanao.fr and Webervations are trademarks or logos appearing in this prospectus owned by HomeAway, Inc. or one of our subsidiaries. All other trademarks, service marks and trade names appearing in this prospectus are the property of their respective owners.

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THE OFFERING

Common stock offered by HomeAway shares

Common stock offered by the selling stockholders shares

Total common stock offered shares

Total common stock to be outstanding after this offering shares

Use of proceeds We intend to use the net proceeds from this offering as follows:

to redeem our outstanding shares of Series A and Series B redeemable preferred stock, including accumulated and unpaid dividends on our outstanding shares of Series A and Series B redeemable preferred stock that have accrued at a rate of 8% per annum of the original issue price of each such share of preferred stock, of which the aggregate redemption amount payable as of March 31, 2011 was \$64.2 million;

to pay accumulated and unpaid dividends on our outstanding shares of Series C convertible preferred stock that have accrued at a rate of 8% per annum of the original issue price of each such share of preferred stock, of which the amount payable as of March 31, 2011 was \$30.9 million; and

the remainder for working capital and other general corporate purposes, which may include the acquisition or license of, or investment in, products, services, technologies or other businesses. We will not receive any proceeds from the sale of shares by the selling stockholders. See Use of Proceeds.

Risk factors See Risk Factors for a discussion of factors that you should consider carefully before deciding whether to purchase shares of our common stock.

Proposed NASDAQ Global Select Market symbol AWAY

The number of shares of common stock to be outstanding after this offering is based on 73,898,469 shares outstanding as of March 31, 2011, and excludes:

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148,215 shares of common stock issuable upon exercise of warrants outstanding as of March 31, 2011, at a weighted average exercise price of \$1.08 per share;

11,467,052 shares of common stock issuable upon exercise of options outstanding as of March 31, 2011, at a weighted average exercise price of \$12.70 per share; and

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shares of common stock reserved for future issuance under our 2011 Equity Incentive Plan adopted in March 2011, as more fully described in the section of this prospectus titled "Executive Compensation" and "Employee Benefit Plans."

Unless otherwise noted, the information in this prospectus assumes:

the underwriters will not exercise their option to purchase _____ additional shares;

the redemption of all of our outstanding shares of Series A and Series B redeemable preferred stock effective prior to or upon the closing of this offering;

the conversion of all of our outstanding shares of Series C and Series D convertible preferred stock into 34,445,850 shares of common stock prior to or upon the closing of this offering; and

the filing of our amended and restated certificate of incorporation and the effectiveness of our amended and restated bylaws, which will occur immediately prior to the closing of this offering.

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The following tables summarize the consolidated financial and operating data for the periods indicated. The summary consolidated statement of operations data for the years ended December 31, 2008, 2009 and 2010 and the summary consolidated balance sheet data as of December 31, 2009 and 2010 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. We have derived the summary consolidated statements of operations data for the three months ended March 31, 2010 and 2011, and the summary consolidated balance sheet data as of March 31, 2011, from our consolidated financial statements included elsewhere in this prospectus. Our historical results are not necessarily indicative of the results that may be expected in the future. You should read the summary financial data presented below in conjunction with our consolidated financial statements and related notes and the sections of this prospectus titled "Selected Consolidated Financial and Other Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Year Ended December 31,			Three Months Ended March 31,	
	2008	2009	2010	2010	2011
Consolidated Statements of Operations Data:					
(in thousands except per share data)					
Revenue:					
Listing	\$ 80,012	\$ 115,881	\$ 152,890	\$ 33,818	\$ 45,171
Other	2,314	4,349	14,994	2,292	6,796
Total revenue	82,326	120,230	167,884	36,110	51,967
Costs and expenses:					
Cost of revenue (exclusive of amortization shown separately below)	11,065	17,800	25,647	5,793	8,458
Product development	12,535	13,180	18,703	3,844	7,011
Sales and marketing	22,434	39,483	58,376	16,030	22,662
General and administrative	17,937	29,331	41,445	8,814	10,274
Amortization expense	9,026	9,516	9,953	2,169	2,863
Total costs and expenses	72,997	109,310	154,124	36,650	51,268
Operating income	9,329	10,920	13,760	(540)	699
Other income (expense):					
Interest expense	(9,734)	(3)	(22)	(1)	(10)
Interest income	258	261	208	58	57
Other income (expense)	34	1,481	(3,326)	(1,148)	(67)
Total other income (expense)	(9,442)	1,739	(3,140)	(1,091)	(20)