

HOMEAWAY INC
Form 425
December 04, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934
DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED): December 4, 2015

EXPEDIA, INC.

(Exact Name of Registrant as Specified in Charter)

Delaware
(State or Other Jurisdiction of
Incorporation)

001-37429
(Commission File Number)

20-2705720
(IRS Employer Identification No.)

333 108th Avenue NE,
Bellevue, Washington 98004

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(Address of Principal Executive Offices) (Zip Code)

(425) 679-7200

Registrant's telephone number, including area code

Not Applicable

(Former name or former address if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 7.01 Regulation FD Disclosure.

On December 4, 2015, Expedia, Inc. (the Company) intends to distribute a confidential offering memorandum, dated December 1, 2015 (the Offering Memorandum), to potential investors relating to the private offering by the Company (the Offering) of \$750 million of 5.000% senior unsecured notes (the Notes) previously described in the Company's Current Report on Form 8-K dated December 1, 2015. Expedia expects to use the net proceeds from the Offering to fund a portion of the cash consideration payable in connection with its previously announced proposed acquisition of HomeAway, Inc. (HomeAway) and/or refinance existing HomeAway indebtedness and for other general corporate purposes. The closing of the Offering is subject to customary closing conditions, and there can be no assurance that the Offering will be consummated.

The Company is furnishing under this Item 7.01 the information included in Exhibit 99.1 (Summary Unaudited Pro Forma Condensed Combined Financial Data and Unaudited Pro Forma Condensed Combined Financial Statements), which information is excerpted from the Offering Memorandum.

The Notes will be offered and sold only to qualified institutional buyers in the United States pursuant to Rule 144A and outside the United States pursuant to Regulation S under the Securities Act of 1933, as amended (the Securities Act). The Notes have not been registered under the Securities Act or any state securities laws and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act and applicable state laws.

The information furnished pursuant to Item 7.01 of this Current Report on Form 8-K (including the exhibits) does not constitute an offer to sell or a solicitation of an offer to purchase the Notes or any other securities and does not constitute an offer, solicitation or sale in any state or jurisdiction in which such an offer, solicitation or sale would be unlawful.

The information furnished pursuant to Item 7.01 of this Current Report on Form 8-K (including the Exhibits) is being furnished and shall not be deemed filed under the Securities Exchange Act of 1934, as amended (the Exchange Act), nor shall it be incorporated by reference into any filings under the Exchange Act or under the Securities Act, except to the extent specifically provided in any such filing. The furnishing of information pursuant to this Item 7.01 will not be deemed an admission as to the materiality of any information in this Current Report on Form 8-K that is required to be disclosed solely by Regulation FD.

Forward-Looking Statements

This Current Report on Form 8-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are not guarantees of future performance. These forward-looking statements reflect views and assumptions regarding expectations and projections about future events and are based on currently available information. The use of words such as anticipates, estimates, expects, intends, plans, and so on, among others, generally identifies forward-looking statements. However, these words are not the exclusive means of identifying such statements. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements and may include statements relating to future revenues, expenses, margins, profitability, net income/(loss), earnings per share and other measures of results of operations and the prospects for future growth of our business. These forward-looking statements are inherently subject to uncertainties, risks and changes in circumstances that are difficult to predict.

Actual results and the timing and outcome of events may differ materially from those expressed or implied in these forward-looking statements for a variety of reasons, including, but not limited to: an increasingly competitive global environment; risks related to our dynamic industry; changes in search engine algorithms and dynamics or other traffic-generating arrangements; our failure to maintain and expand our relationships and contractual agreements with travel suppliers or travel distribution partners; our failure to maintain and expand our brand awareness or increased

costs to do so; our failure to invest in and adapt to technological developments or industry trends; risks related to our acquisitions, investments or significant commercial arrangements; risks related to our operations in international markets, including China; our failure to comply with current laws, rules and regulations, or changes to such laws, rules and regulations; application of existing tax laws, rules or regulations;

amendments to existing tax laws, rules or regulations or enactment of new unfavorable tax laws, rules or regulations; adverse outcomes in legal proceedings to which we are a party; declines or disruptions in the travel industry; payments-related and fraud risks; fluctuations in foreign exchange rates; volatility in our stock price; liquidity constraints or our inability to access the capital markets when necessary or desirable; system interruption, security breaches or lack of redundancy in our information systems; our failure to comply with governmental regulation and other legal obligations related to our processing, storage and use of personal information, payment card information and other consumer data; failure to retain or motivate key personnel or hire, retain and motivate qualified personnel, including senior management; changes in control of Expedia; management and director conflicts of interest; risks related to actions taken by our business partners and third party service providers, including failure to comply with our requirements or standards or the requirements or standards of governmental authorities, or any cessation of their operations; risks related to the failure of counterparties to perform their financial obligations; risks related to our long-term indebtedness; our inability to effectively operate our businesses due to restrictive covenants in the agreements governing our indebtedness; our failure to protect our intellectual property or proprietary information from copying or use by others, including potential competitors; the ability of Expedia and HomeAway to consummate the HomeAway acquisition on a timely basis or at all and the satisfaction of the conditions precedent to consummation of the HomeAway acquisition; the ability to secure regulatory approvals on the terms expected, at all or in a timely manner; the ability of Expedia to successfully integrate HomeAway's operations; the ability of Expedia to implement its plans, forecasts and other expectations with respect to HomeAway's business after the completion of the transaction and realize expected synergies; and other risks detailed in Expedia's public filings with the SEC, including its annual report on Form 10-K for the year ended December 31, 2014 and subsequent Forms 10-Q, and HomeAway's public filings with the SEC, including its annual report on Form 10-K for the year ended December 31, 2014 and subsequent Forms 10-Q.

Other unknown or unpredictable factors also could have a material adverse effect on our business, financial condition and results of operations. In addition, in light of these risks and uncertainties, the matters referred to in the forward-looking statements contained in this Current Report on Form 8-K may not in fact occur. Accordingly, you should not place undue reliance on those statements. Except as required by law, we undertake no obligation, and do not intend, to publicly or otherwise update or revise any forward-looking statement or other statement in this Current Report on Form 8-K, whether as a result of new information, future events or otherwise, even if experience or future events make it clear that any expected results express or implied by these forward-looking statements will not be realized.

Other Important Information

This communication is for informational purposes only and is neither an offer to purchase nor a solicitation of an offer to sell shares, nor is it a substitute for the registration statement and the exchange offer materials that Expedia and its acquisition subsidiary have filed with the U.S. Securities and Exchange Commission (SEC). THE EXCHANGE OFFER MATERIALS (INCLUDING AN OFFER TO EXCHANGE, A RELATED LETTER OF TRANSMITTAL AND CERTAIN OTHER EXCHANGE OFFER DOCUMENTS) AND THE SOLICITATION/RECOMMENDATION STATEMENT ON SCHEDULE 14D-9 FILED BY HOMEAWAY CONTAIN IMPORTANT INFORMATION. HOMEAWAY STOCKHOLDERS ARE URGED TO READ THESE DOCUMENTS (AS THEY MAY BE AMENDED FROM TIME TO TIME) CAREFULLY BECAUSE THEY CONTAIN IMPORTANT INFORMATION THAT HOLDERS OF HOMEAWAY SECURITIES SHOULD CONSIDER BEFORE MAKING ANY DECISION REGARDING EXCHANGING THEIR SECURITIES. The Offer to Exchange, the related Letter of Transmittal and certain other exchange offer documents, as well as the Solicitation/Recommendation Statement, are available to all holders of HomeAway common stock at no expense to them. The exchange offer materials and the Solicitation/Recommendation Statement are available for free at the SEC's website at www.sec.gov. Additional copies may be obtained for free by contacting Expedia's Investor Relations department at (425) 679-3759 or D.F. King & Co., Inc., the information agent for the exchange offer, at (800) 622-1573.

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In addition to the Offer to Exchange, the related Letter of Transmittal and certain other exchange offer documents, as well as the Solicitation/Recommendation Statement, Expedia and HomeAway file annual, quarterly and current reports and other information with the SEC. You may read and copy any reports or other information filed by Expedia and HomeAway at the SEC public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Expedia and

HomeAway's filings with the SEC are also available to the public from commercial document-retrieval services and at the website maintained by the SEC at <http://www.sec.gov>.

Item 9.01 Financial Statements and Exhibits.

- (a) Not applicable.
- (b) Not applicable.
- (c) Not applicable.
- (d) Exhibits.

Exhibit

| No. | Description |
|------------|--|
| 99.1 | Excerpt from Offering Memorandum dated December 1, 2015 (Summary Unaudited Pro Forma Condensed Combined Financial Data and Unaudited Pro Forma Condensed Combined Financial Statements). |

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

EXPEDIA, INC.

By: /s/ Robert J. Dzielak
Name: Robert J. Dzielak
Title: *Executive Vice President, General
Counsel and Secretary*

Dated: December 4, 2015

EXHIBIT INDEX

Exhibit

No.

Description

99.1

Excerpt from Offering Memorandum dated December 1, 2015 (Summary Unaudited Pro Forma Condensed Combined Financial Data and Unaudited Pro Forma Condensed Combined Financial Statements).

Summary Unaudited Pro Forma Condensed Combined Financial Data

The following summary unaudited pro forma condensed combined financial data has been prepared to reflect the acquisitions of HomeAway and Orbitz by Expedia. On November 4, 2015, Expedia, HomeAway, and Purchaser entered into the Transaction Agreement, pursuant to which Expedia has agreed to acquire HomeAway, including all of its brands. See [The Pending HomeAway Acquisition](#). In addition, the summary unaudited pro forma condensed combined financial data reflects the issuance of the Notes offered hereby.

The unaudited pro forma condensed combined balance sheet combines the historical consolidated balance sheets of Expedia and HomeAway as of September 30, 2015, giving effect to the completion of the HomeAway acquisition and the issuance of the Notes offered hereby as if they had occurred on September 30, 2015. The unaudited pro forma condensed combined statements of operations for the nine months ended September 30, 2015 and year ended December 31, 2014 combine the historical consolidated statements of operations of Expedia, Orbitz and HomeAway for such periods, giving effect to the HomeAway and Orbitz acquisitions and the issuance of the Notes offered hereby as if they had occurred on January 1, 2014. The unaudited pro forma condensed combined statements of operations reflects Orbitz results of operations through September 16, 2015, as Orbitz results of operations subsequent to Expedia's September 17, 2015 acquisition of Orbitz are included in Expedia's results of operations. The unaudited pro forma ratio of earnings to fixed charges combines the historical information of Expedia, Orbitz and HomeAway for the year ended December 31, 2014 and nine months ended September 30, 2015, giving effect to the HomeAway and Orbitz acquisitions and the issuance of the Notes offered hereby as if they had occurred on January 1, 2014. The unaudited pro forma condensed combined financial information does not give effect to the costs of any integration activities or benefits that may result from the realization of future cost savings from operating efficiencies, or any other synergies that may result from the acquisitions, or changes in share price.

The summary unaudited pro forma condensed combined financial information has been prepared for informational purposes only and does not purport to represent what the actual consolidated results of operations or the consolidated financial position of Expedia would have been had the transactions occurred on the dates assumed, nor is this information necessarily indicative of future consolidated results of operations or financial position. The following information has been derived from, and should be read in conjunction with, the unaudited pro forma condensed combined financial statements and the related notes included in this offering memorandum.

The proceeds of this offering are expected to be used, in part, to finance the HomeAway acquisition, but this offering is not conditioned on the consummation of the HomeAway acquisition and we will not be required to redeem the Notes if the HomeAway acquisition does not occur. If the HomeAway acquisition is not consummated for any reason, the net proceeds from this offering will be used for general corporate purposes.

| (dollars in thousands) | Year Ended December 31, 2014 | Nine Months Ended September 30, 2015 (Unaudited) |
|--|---------------------------------|---|
| Pro forma condensed combined statements of operations data: | | |
| Revenue | \$ 7,110,688 | \$ 6,005,837 |
| Net income attributable to the Company | 278,245 | 777,683 |
| | | September 30, 2015 (Unaudited) |

Pro forma condensed combined balance sheet data:

| | | |
|----------------------------|----|------------|
| Total assets | \$ | 17,034,114 |
| Total liabilities | | 11,256,162 |
| Total stockholders' equity | | 5,197,539 |

| | Year Ended December 31, 2014 | Nine Months Ended September 30, 2015 (Unaudited) |
|--|---|---|
| Pro forma ratio of earnings to fixed charges (at period end): | | |
| Ratio of earnings to fixed charges | 2.55x | 6.90x |

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

Introduction

The following unaudited pro forma condensed combined financial information and related notes present the historical financial statements of Expedia, Orbitz and HomeAway (including their respective subsidiaries) as if the completion of the Orbitz acquisition, the HomeAway acquisition and the issuance of the Notes offered hereby had previously occurred on the dates specified below.

On November 4, 2015, Expedia, HomeAway, and Purchaser entered into the Transaction Agreement, pursuant to which Expedia has agreed to acquire HomeAway, including all of its brands. The transaction has not yet closed. Under the terms of the Transaction Agreement, Expedia is offering to acquire each outstanding share of common stock of HomeAway in exchange for \$10.15 in cash and 0.2065 of a share of Expedia common stock (the transaction consideration). See Summary The Pending HomeAway Acquisition.

The proceeds of this offering are expected to be used, in part, to finance the HomeAway acquisition, but this offering is not conditioned on the consummation of the HomeAway acquisition and we will not be required to redeem the Notes if the HomeAway acquisition does not occur. If the HomeAway acquisition is not consummated for any reason, the net proceeds from this offering will be used for general corporate purposes.

Previously consummated Orbitz acquisition

On September 17, 2015, Expedia completed its acquisition of Orbitz, including all of its brands, including Orbitz, ebookers, HotelClub, CheapTickets, Orbitz Partner Network and Orbitz for Business, for a total purchase consideration of \$1.8 billion. The purchase consideration consisted primarily of \$1.4 billion in cash, or \$12 per share for all shares of Orbitz common stock outstanding as of the purchase date, as well as the settlement of \$432 million of pre-existing Orbitz debt at the closing of the acquisition. Purchase consideration also included \$17 million for certain employee restricted stock unit awards of Orbitz, measured at fair value on the acquisition date and vested based on pre-combination service, which were replaced with Expedia restricted stock awards in conjunction with the acquisition.

Pro forma information

The unaudited pro forma condensed combined balance sheet as of September 30, 2015 and the unaudited pro forma condensed combined statements of operations for the nine months ended September 30, 2015 and for the year ended December 31, 2014 are based on (i) historical results of operations of Expedia and its subsidiaries (which include the results of Orbitz subsequent to Expedia's September 17, 2015 acquisition of Orbitz); (ii) the historical consolidated results of operations of HomeAway; and (iii) and the historical consolidated results of operations of Orbitz for the year ended December 31, 2014 and for the period January 1, 2015 to September 16, 2015 (which were used solely for the preparation of the unaudited pro forma combined condensed statements of operations for the year ended December 31, 2014 and the nine months ended September 30, 2015).

The unaudited pro forma financial information reflects the estimated aggregate consideration of approximately \$3.7 billion for the HomeAway acquisition, as calculated below (in thousands, except price per share and exchange ratio):

| | |
|---|--------------|
| Number of shares of HomeAway common issued and outstanding as of November 6, 2015 | 96,099 |
| Multiplied by exchange ratio per the transaction agreement | 0.2065 |
| Number of shares of Expedia common stock to be issued* | 19,845 |
| Multiplied by price of Expedia common stock* | \$ 133.32 |
| Fair value of shares of common stock to be issued to HomeAway stockholders | \$ 2,645,674 |
| Fair value of shares of common stock to be issued to equity award holders | \$ 46,042 |
| Total fair value of shares of Expedia common stock to be issued | \$ 2,691,716 |
| Cash consideration to be paid to HomeAway stockholders and equity award holders | \$ 1,021,379 |
| Estimated replacement equity awards attributable to pre-acquisition service | \$ 19,875 |
| Estimated transaction consideration | \$ 3,732,970 |

* The estimated transaction consideration has been determined based on the closing price of Expedia's common stock on November 6, 2015. Pursuant to business combination accounting rules, the final transaction consideration will be based on the number of shares of HomeAway common stock outstanding and the price of Expedia common stock as of the closing date. Amounts within this section are calculated on actual, untruncated numbers.

The unaudited pro forma financial information related to the HomeAway and Orbitz acquisitions was prepared using the acquisition method of accounting and is based on the assumption that the acquisition of HomeAway took place as of September 30, 2015 for purposes of the unaudited pro forma balance sheet and that the acquisitions of both HomeAway and Orbitz took place as of January 1, 2014 for purposes of the unaudited pro forma condensed combined statements of operations. The unaudited pro forma ratio of earnings to fixed charges combines the historical information of Expedia, Orbitz and HomeAway for the year ended December 31, 2014 and nine months ended September 30, 2015, giving effect to the HomeAway and Orbitz acquisitions and the issuance of the Notes offered hereby as if they had occurred on January 1, 2014. In each case, because Orbitz was acquired on September 17, 2015, the results of operations of Orbitz are included in Expedia's consolidated financial results subsequent to that date.

In accordance with the acquisition method of accounting, the actual consolidated financial statements of Expedia will reflect the HomeAway acquisition only from and after the date of the completion of the acquisition. Expedia has not yet undertaken a detailed analysis of the fair value of HomeAway's assets and liabilities and will not finalize the purchase price allocation related to the HomeAway acquisition until after the transaction is consummated. The assignment of fair values to certain of Orbitz's assets and liabilities have not been finalized as of September 30, 2015. Accordingly, the unaudited pro forma adjustments are preliminary and have been made solely for the purpose of providing unaudited pro forma condensed combined financial information. Differences between these preliminary estimates and the final acquisition accounting may occur and these differences could be material. Additionally, the differences, if any, could have a material impact on the accompanying unaudited pro forma condensed combined financial statements and Expedia's future results of operation and financial position.

The unaudited pro forma condensed combined financial information is presented for illustrative purposes only and does not purport to represent what the results of operations or financial position of Expedia would actually have been had the acquisitions occurred on the dates noted above, or to project the results of operations or financial position of

Expedia for any future periods. The unaudited pro forma adjustments are based on available information and certain assumptions that Expedia management believes are reasonable. The unaudited pro forma adjustments are directly attributable to the acquisition and are expected to have a continuing impact on the results of operations of Expedia. In the opinion of Expedia management, all adjustments necessary to present fairly the unaudited pro forma condensed combined financial information have been made.

The accompanying unaudited pro forma condensed combined financial information should be read in conjunction with the notes hereto and with Expedia's, Orbitz and HomeAway's historical consolidated financial statements and accompanying notes, which are incorporated by reference herein. See [Where You Can Find More Information](#).

EXPEDIA, INC.**PRO FORMA CONDENSED COMBINED BALANCE SHEET****As of September 30, 2015**

(in thousands)

(Unaudited)

| | Historical | Historical | Pro Forma | | Pro Forma |
|--|----------------------|---------------------|---------------------|-----|----------------------|
| | Expedia | HomeAway | Adjustments | | Pro Forma |
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 1,455,339 | \$ 301,293 | \$ (121,379) | (a) | \$ 1,635,253 |
| Restricted cash and cash equivalents | 10,015 | | | | 10,015 |
| Short-term investments | 35,478 | 618,343 | | | 653,821 |
| Accounts receivable, net of allowance | 1,242,303 | 24,019 | | | 1,266,322 |
| Deferred income taxes | 180,951 | 9,384 | | | 190,335 |
| Income taxes receivable | 32,964 | 1,680 | | | 34,644 |
| Prepaid expenses and other current assets | 216,422 | 18,269 | | | 234,691 |
| Total current assets | 3,173,472 | 972,988 | (121,379) | | 4,025,081 |
| Property and equipment, net | 966,560 | 60,773 | (38,759) | (c) | 988,574 |
| Long-term investments and other assets | 602,145 | 45,844 | 6,130 | (d) | 654,119 |
| Deferred income taxes | 137,358 | 880 | 1,925 | (b) | 140,163 |
| Intangible assets, net | 2,122,770 | 58,003 | 760,997 | (e) | 2,941,770 |
| Goodwill | 5,400,968 | 460,049 | 2,423,390 | (f) | 8,284,407 |
| TOTAL ASSETS | \$ 12,403,273 | \$ 1,598,537 | \$ 3,032,304 | | \$ 17,034,114 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | | | | |
| Current liabilities: | | | | | |
| Accounts payable, merchant | \$ 1,442,350 | | | | \$ 1,442,350 |
| Accounts payable, other | 549,735 | 7,487 | | | 557,222 |
| Deferred merchant bookings | 2,804,413 | | | | 2,804,413 |
| Deferred revenue | 58,249 | 193,769 | | | 252,018 |
| Income taxes payable | 131,411 | 907 | | | 132,318 |
| Accrued expenses and other current liabilities | 940,198 | 50,446 | 52,213 | (g) | 1,042,857 |
| Deferred income taxes | 14,890 | | | | 14,890 |
| Short-term debt | | | 402,500 | (h) | 402,500 |
| Total current liabilities | 5,941,246 | 252,609 | 454,713 | | 6,648,568 |
| Long-term debt | 2,475,425 | 329,905 | 416,608 | (h) | 3,221,938 |
| Credit facility | | | 159,617 | (i) | 159,617 |

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| | | | | | |
|---|----------------------|---------------------|---------------------|-----|----------------------|
| Deferred income taxes | 628,019 | 24,376 | 274,570 | (b) | 926,965 |
| Other long-term liabilities | 284,905 | 22,798 | (8,629) | (j) | 299,074 |
| Commitments and contingencies | | | | | |
| Redeemable noncontrolling interests | 567,480 | 9,033 | 3,900 | (j) | 580,413 |
| Stockholders' equity: | | | | | |
| Common stock | 20 | 10 | (8) | (k) | 22 |
| Class B common stock | 1 | | | | 1 |
| Additional paid-in capital | 6,102,152 | 1,076,292 | 1,640,704 | (l) | 8,819,148 |
| Treasury stock - Common stock, at cost | (4,043,056) | | | | (4,043,056) |
| Retained earnings (accumulated deficit) | 666,177 | (55,878) | 30,221 | (m) | 640,520 |
| Accumulated other comprehensive income (loss) | (284,246) | (60,608) | 60,608 | (n) | (284,246) |
| Total stockholders' equity | 2,441,048 | 959,816 | 1,731,525 | | 5,132,389 |
| Non-redeemable noncontrolling interests | 65,150 | | | | 65,150 |
| Total stockholders' equity | 2,506,198 | 959,816 | 1,731,525 | | 5,197,539 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 12,403,273 | \$ 1,598,537 | \$ 3,032,304 | | \$ 17,034,114 |

See accompanying notes to unaudited pro forma condensed combined financial information.

EXPEDIA, INC.

PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

For the Nine Months Ended September 30, 2015

(in thousands, except for per share data)

(Unaudited)

| | Historical | | Orbitz Pro Forma | | Historical HomeAway Pro Forma | | HomeAway Pro Forma | | Pro Forma |
|--|--------------|-----------------------|---------------------|-----|-------------------------------------|------------|-----------------------|------|--------------|
| | Expedia | Orbitz ⁽¹⁾ | Adjustments | (o) | Pro Forma | HomeAway | Adjustments | (z) | Pro Forma |
| Revenue | \$ 4,973,750 | \$ 671,968 | \$ (15,434) | (o) | \$ 5,630,284 | \$ 375,553 | \$ | | \$ 6,005,837 |
| Costs and expenses: | | | | | | | | | |
| Cost of revenue | 971,066 | 188,176 | (3,978) | (p) | 1,155,264 | 58,472 | | | 1,213,736 |
| Selling and marketing | 2,592,150 | 299,956 | (28,032) | (q) | 2,864,074 | 143,850 | | | 3,007,924 |
| Technology and content | 579,674 | 70,352 | (12,598) | (r) | 637,428 | 65,235 | (4,867) | (z) | 697,796 |
| General and administrative | 387,959 | 76,082 | (33,578) | (s) | 430,463 | 72,115 | | | 502,578 |
| Amortization of intangible assets | 83,322 | 222 | 54,104 | (t) | 137,648 | 8,713 | 99,547 | (aa) | 245,908 |
| Legal reserves, occupancy tax and other | (106,511) | 5,951 | (25,824) | (u) | (126,384) | | | | (126,384) |
| Restructuring and related reorganization charges | 82,001 | | (46,730) | (v) | 35,271 | | | | 35,271 |
| Operating income | 384,089 | 31,229 | 81,202 | | 496,520 | 27,168 | (94,680) | | 429,008 |
| Other income (expense): | | | | | | | | | |
| Interest income | 14,403 | 336 | | | 14,739 | 2,426 | | | 17,165 |
| Interest expense | (89,768) | (29,220) | 17,974 | (w) | (101,014) | (13,971) | (16,989) | (bb) | (131,974) |
| Gain on sale of business | 508,810 | | | | 508,810 | | | | 508,810 |
| Other, net | 114,361 | (3,407) | | | 110,954 | (633) | | | 110,321 |
| | 547,806 | (32,291) | 17,974 | | 533,489 | (12,178) | (16,989) | | 504,322 |

Total other
income
(expense), net

| | | | | | | | |
|--|-------------------|-----------------|------------------|-------------------|-----------------|--------------------|-------------------|
| Income (loss) before income taxes | 931,895 | (1,062) | 99,176 | 1,030,009 | 14,990 | (111,669) | 933,330 |
| Provision for (benefit from) income taxes | (196,261) | 212 | (34,712) (x) | (230,761) | (9,757) | 39,084 (cc) | (201,434) |
| Net income (loss) | 735,634 | (850) | 64,464 | 799,248 | 5,233 | (72,585) | 731,896 |
| Net loss attributable to noncontrolling interests | 41,369 | | 3,709 (y) | 45,078 | 709 | | 45,787 |
| Net income (loss) attributable to the Company | \$ 777,003 | \$ (850) | \$ 68,173 | \$ 844,326 | \$ 5,942 | \$ (72,585) | \$ 777,683 |

**Earnings per
share
attributable to
the Company
available to
common
stockholders:**

| | | | | | | | |
|---------|---------|--|--|---------|--|--|---------|
| Basic | \$ 6.03 | | | \$ 6.55 | | | \$ 5.22 |
| Diluted | 5.86 | | | 6.37 | | | 5.07 |

**Shares used in
computing
earnings per
share:**

| | | | | | | | |
|---------|---------|--|--|---------|--|------|---------|
| Basic | 128,822 | | | 128,822 | | (dd) | 149,031 |
| Diluted | 132,602 | | | 132,602 | | (dd) | 153,452 |

**Ratio of
earnings to
fixed
charges⁽²⁾**

| | | | | | | |
|-------|--|--|-------|--|--|-------|
| 9.22x | | | 9.19x | | | 6.90x |
|-------|--|--|-------|--|--|-------|

(1) Reflects Orbitz results of operations for January 1, 2015 through September 16, 2015. Orbitz results of operations subsequent to Expedia's September 17, 2015 acquisition of Orbitz are included in the Expedia column.

(2) Earnings included in the calculation of this ratio consist of income from continuing operations before income taxes plus fixed charges. Fixed charges include interest expense as well as an imputed interest component of rental expense.

See accompanying notes to unaudited pro forma condensed combined financial information.

EXPEDIA, INC.

PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

For the Year Ended December 31, 2014

(in thousands, except for per share data)

(Unaudited)

| | Historical | | Orbitz Pro Forma | | Historical HomeAway | | Pro Forma | | Pro Forma |
|--|--------------|-----------------------|------------------------|-----|---------------------|------------|--------------|------|--------------|
| | Expedia | Orbitz ⁽¹⁾ | Adjustments | (o) | Pro Forma | HomeAway | Adjustments | (z) | Pro Forma |
| Revenue | \$ 5,763,485 | \$ 910,420 | \$ (9,979) | (o) | \$ 6,663,926 | \$ 446,762 | \$ | | \$ 7,110,688 |
| Costs and expenses: | | | | | | | | | |
| Cost of revenue | 1,179,081 | 196,392 | (4,866) | (p) | 1,370,607 | 67,612 | | | 1,438,219 |
| Selling and marketing | 2,808,329 | 449,777 | (24,580) | (q) | 3,233,526 | 154,995 | | | 3,388,521 |
| Technology and content | 686,154 | 97,814 | (12,729) | (r) | 771,239 | 77,082 | (5,471) | (z) | 842,850 |
| General and administrative | 425,373 | 77,507 | (5,392) | (s) | 497,488 | 93,131 | | | 590,619 |
| Amortization of intangible assets | 79,615 | 349 | 128,887 | (t) | 208,851 | 13,916 | 130,431 | (aa) | 353,198 |
| Legal reserves, occupancy tax and other | 41,539 | 531 | 3,800 | (u) | 45,870 | | | | 45,870 |
| Restructuring and related reorganization charges | 25,630 | | | | 25,630 | | | | 25,630 |
| Operating income | 517,764 | 88,050 | (95,099) | | 510,715 | 40,026 | (124,960) | | 425,781 |
| Other income (expense): | | | | | | | | | |
| Interest income | 27,288 | 422 | | | 27,710 | 1,728 | | | 29,438 |
| Interest expense | (98,089) | (35,634) | 12,684 | (w) | (121,039) | (13,333) | (27,877) | (bb) | (162,249) |
| Other, net | 17,678 | (8,277) | | | 9,401 | (7,182) | | | 2,219 |
| Total other income (expense), net | (53,123) | (43,489) | 12,684 | | (83,928) | (18,787) | (27,877) | | (130,592) |

| | | | | | | | | | |
|---|-------------------|------------------|--------------------|-----|-------------------|------------------|--------------------|------|-------------------|
| Income (loss) before income taxes | 464,641 | 44,561 | (82,415) | | 426,787 | 21,239 | (152,837) | | 295,189 |
| Provision for (benefit from) income taxes | (91,691) | (27,281) | 28,845 | (x) | (90,127) | (7,272) | 53,493 | (cc) | (43,906) |
| Net income (loss) | 372,950 | 17,280 | (53,570) | | 336,660 | 13,967 | (99,344) | | 251,283 |
| Net (income) loss attributable to noncontrolling interests | 25,147 | | 2,398 | (y) | 27,545 | (583) | | | 26,962 |
| Net income (loss) attributable to the Company | \$ 398,097 | \$ 17,280 | \$ (51,172) | | \$ 364,205 | \$ 13,384 | \$ (99,344) | | \$ 278,245 |
| Earnings per share attributable to the Company available to common stockholders: | | | | | | | | | |
| Basic | \$ 3.09 | | | | \$ 2.83 | | | | \$ 1.87 |
| Diluted | 2.99 | | | | 2.73 | | | | 1.81 |
| Shares used in computing earnings per share: | | | | | | | | | |
| Basic | 128,912 | | | | 128,912 | | (dd) | | 149,121 |
| Diluted | 133,168 | | | | 133,168 | | (dd) | | 153,734 |
| Ratio of earnings to fixed charges⁽²⁾ | | | | | | | | | |
| | 4.80x | | | | 3.91x | | | | 2.55x |

(1) The consolidated statement of operations of Orbitz for the year ended December 31, 2014 has been derived from the historical financial statements as of and for the year ended December 31, 2014 with certain reclassification adjustments made by Expedia as described in Note 1, Basis of Pro Forma Presentation.

(2) Earnings included in the calculation of this ratio consist of income from continuing operations before income taxes plus fixed charges. Fixed charges include interest expense as well as an imputed interest component of rental expense.

See accompanying notes to unaudited pro forma condensed combined financial information.

Notes to Unaudited Pro Forma Condensed Combined Financial Information

Note 1. Basis of Pro Forma Presentation

The unaudited pro forma condensed combined balance sheet as of September 30, 2015 and the unaudited pro forma condensed combined statements of operations for the nine months ended September 30, 2015 and for the year ended December 31, 2014 are based on (i) historical results of operations of Expedia and its subsidiaries (which include the results of Orbitz subsequent to Expedia's September 17, 2015 acquisition of Orbitz); (ii) the historical consolidated results of operations of HomeAway; and (iii) and the historical consolidated results of operations of Orbitz for the year ended December 31, 2014 and for the period January 1, 2015 through September 16, 2015 (which were used solely for the preparation of the pro forma combined condensed statement of operations for the year ended December 31, 2014 and the nine months ended September 30, 2015).

The pro forma financial information related to the HomeAway and Orbitz acquisitions is based on the assumption that the acquisition of HomeAway took place as of September 30, 2015 for purposes of the unaudited pro forma balance sheet and that the acquisitions of both HomeAway and Orbitz took place as of January 1, 2014 for purposes of the unaudited pro forma condensed combined statements of operations. Because Orbitz was acquired on September 17, 2015, the results of operations of Orbitz are included in Expedia's consolidated financial results subsequent to that date. The historical financial information is adjusted in the unaudited pro forma financial statements to give effect to unaudited pro forma adjustments that are (1) directly attributable to the acquisition, (2) factually supportable, and (3) with respect to the unaudited pro forma statements of operations, expected to have a continuing impact on the combined results.

The unaudited pro forma financial statements are presented solely for informational purposes and are not necessarily indicative of the combined results of operations or financial position that might have been achieved for the periods or dates indicated, nor is it necessarily indicative of the future results of the combined company.

The unaudited pro forma financial statements do not reflect any cost savings from future operating synergies or integration activities, or any revenue, tax, or other synergies that could result from the acquisition.

The following reclassifications have been made to Orbitz's historical consolidated results of operations for the year ended December 31, 2014 to conform to Expedia's presentation:

| (in thousands) | Historical Orbitz financial statement line items | Reclassification adjustments to conform to Expedia's presentation | Revised historical Orbitz |
|-------------------------------------|---|--|------------------------------|
| Statement of Operations | | | |
| Year ended December 31, 2014 | | | |
| Revenue | \$ 932,007 | \$ (21,587) | \$ 910,420 |
| Cost of revenue | 179,774 | 16,618 | 196,392 |
| Selling, general and administrative | 278,202 | (278,202) | |
| Marketing | 334,472 | (334,472) | |
| Depreciation and amortization | 57,549 | (57,549) | |
| Selling and marketing | | 449,777 | 449,777 |
| Technology and content | | 97,814 | 97,814 |
| General and administrative | | 77,507 | 77,507 |

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| | | | |
|---|----------|---------|----------|
| Amortization of intangible assets | | 349 | 349 |
| Legal reserves, occupancy tax and other | | 531 | 531 |
| Interest income | | 422 | 422 |
| Interest expense | (35,212) | (422) | (35,634) |
| Other, net | (2,237) | (6,040) | (8,277) |

As historic information for Orbitz for the full period of January 1, 2015 to September 16, 2015 has not previously been provided, no reclassifications were required. The historic information for Orbitz for such period presented herein conforms with Expedia's presentation.

There were no material reclassifications identified to conform the HomeAway consolidated results of operations for the nine months ended September 30, 2015 or the year ended December 31, 2014 to Expedia's presentation.

Note 2. Estimated HomeAway Purchase Consideration and Preliminary Purchase Price Allocation

The following summarizes the preliminary allocation of the purchase price for HomeAway based on the terms of the Transaction Agreement and Expedia's preliminary estimates of fair value of assets and liabilities as if the acquisition had occurred on September 30, 2015. The final determination of the allocation of the purchase price will be based on the fair value of such assets and liabilities as of the actual closing date.

| (in thousands) | Amount | Note |
|---|---------------------|------|
| Fair value of shares of Expedia common stock to be issued to HomeAway stockholders and equity award holders | \$ 2,691,716 | (1) |
| Cash consideration to be paid to HomeAway stockholders and equity award holders | 1,021,379 | (2) |
| Replacement restricted stock units and stock options attributable to pre-acquisition service | 19,875 | (3) |
| Total purchase consideration | \$ 3,732,970 | |
| Cash | \$ 301,293 | |
| Short-term investments | 618,343 | |
| Accounts receivable, net | 24,019 | |
| Other current assets | 19,949 | |
| Long-term assets | 67,858 | |
| Intangible assets with definite lives | 638,700 | (4) |
| Intangible assets with indefinite lives | 180,300 | |
| Goodwill | 2,883,439 | |
| Deferred revenue | (193,769) | (5) |
| Other current liabilities | (90,803) | (6) |
| Debt | (402,500) | (7) |
| Other long-term liabilities | (27,102) | |
| Deferred tax liabilities, net | (286,757) | |
| Total | \$ 3,732,970 | |

- (1) Represents the estimated acquisition date value of (i) shares of Expedia common stock to be issued to HomeAway stockholders based on 96,099,477 HomeAway shares outstanding as of November 6, 2015 and (ii) vested equity awards, including those that will vest upon a change in control pursuant to existing employment agreements with HomeAway. Each HomeAway share will receive 0.2065 of a share of Expedia common stock, the amount of which was calculated using the assumptions described above.
- (2) Represents anticipated cash consideration of \$10.15 per share to be transferred to (i) HomeAway shareholders in accordance with the terms of the Transaction Agreement and (ii) holders of vested equity awards, including those that will vest upon a change in control pursuant to existing employment agreements with HomeAway.
- (3) Represents the estimated fair value of replacement employee options and restricted stock units that will be granted at the date of acquisition and is attributable to pre-acquisition service.
- (4) Preliminary acquired definite-lived intangible assets primarily consist of partner relationships, customer relationships and developed technology assets with average estimated useful lives ranging from three to ten years.

- (5) As of September 30, 2015, HomeAway had certain deferred revenues on its balance sheet, the majority of which were associated with term-based subscriptions received in advance of services rendered. Business combination rules require Expedia to record these balances at fair value to reflect the value of the post-acquisition performance obligation. Expedia estimates that a fair value adjustment could result in a decrease

of \$0 to \$107 million to the deferred revenue balance with a corresponding decrease to post-acquisition revenue. For the purpose of the unaudited pro forma balance sheet, Expedia assumed that the book value of the deferred revenue balance approximates the estimated fair value given the nature of the deferred revenue, which is subject to change upon the completion of the final purchase price allocation.

- (6) Expedia has estimated the fair value adjustment to increase the outstanding HomeAway warrants to fair value would be \$33 million. Following the consummation of the HomeAway acquisition, the warrant holders will have the right to terminate the warrants at fair value determined in a commercially reasonable manner. For the purpose of the unaudited pro forma financial statements, Expedia has assumed that warrant holders would terminate the warrants and therefore adjusted the warrants to their estimated fair value based on the amount expected to be paid to terminate the warrants as of September 30, 2015, which is included within other current liabilities.
- (7) Expedia has estimated the fair value adjustment to increase the existing convertible senior notes issued by HomeAway (the Convertible Notes) to fair value would be \$72.6 million. Following the consummation of the HomeAway acquisition, each holder of Convertible Notes will have the right to (i) require the Company to repurchase its Convertible Notes for cash at a price equal to 100% of the principal amount of such notes plus accrued and unpaid interest or (ii) convert its Convertible Notes, at a specified conversion rate (which may be increased in accordance with the terms of the indenture governing the Convertible Notes, depending on the price of HomeAway common stock), into HomeAway common stock (which, following consummation of the HomeAway acquisition, will represent the right to receive the transaction consideration). If such holders do not exercise either of these rights, the Convertible Notes would remain outstanding as an obligation of Expedia until maturity or upon a future triggering event. For the purpose of the pro forma financial statements, which assume that the price of HomeAway common stock will be \$37.30 (which was the closing price as of November 6, 2015), the assumption is that the holders of Convertible Notes would require HomeAway to repurchase the Convertible Notes for cash and therefore the Convertible Notes have been reclassified to short-term and adjusted to their estimated fair value based on the redemption amount of \$402.5 million. If the holders of the Convertible Notes instead elect to convert their Convertible Notes (which may happen depending on the price of HomeAway and Expedia common stock), it is expected that Expedia will receive payment under certain Convertible Note hedge transactions in an amount approximately equal to the excess of the value of the consideration such note holders receive upon conversion over the principal amount of the Convertible Notes. If the Convertible Notes remain outstanding, they will be senior obligations of the Company and will rank equally in right of payment with the Notes, and the estimated unaudited pro forma fair value of the notes would be \$375 million, net of a debt discount of \$33 million as of September 30, 2015 and interest expense, including the amortization of the debt discount, would be \$5 million and \$4 million for the year ended December 31, 2014 and nine-months ended September 30, 2015, respectively.

Estimated Purchase Consideration Sensitivity. The table below illustrates the potential impact to the total estimated consideration resulting from a 10% increase or decrease in the price of Expedia's common stock of \$133.32 on November 6, 2015. For the purpose of this calculation, the total number of shares and vested equity awards has been assumed to be the same as in the table above:

| (in thousands) | Purchase Price | Goodwill |
|--|----------------|--------------|
| 10% increase in Expedia share price | | |
| Stock Consideration | \$ 2,965,445 | |
| Cash Consideration ^(a) | 1,027,778 | |
| Replacement Award Consideration | 21,352 | |
| | \$ 4,014,575 | \$ 3,165,044 |
| 10% decrease in Expedia share price | | |
| Stock Consideration | \$ 2,418,270 | |

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| | | |
|-----------------------------------|--------------|--------------|
| Cash Consideration ^(a) | 1,014,739 | |
| Replacement Award Consideration | 18,411 | |
| | \$ 3,451,420 | \$ 2,601,889 |

- (a) Fluctuations in cash consideration relate to employee withholding tax on vested equity awards which are remitted in cash.

For pro forma purposes, Expedia assumed the cash portion of the transaction will be funded with a combination of available cash, the net proceeds of the Notes offered hereby, as well as a borrowing of approximately \$160 million on its \$1 billion Revolving Credit Facility. Borrowing on the credit facility will fluctuate depending on the timing of the closing of the HomeAway acquisition and the available cash at that time.

Note 3. Pro Forma Adjustments

Balance Sheet Adjustments. The unaudited pro forma adjustments related to HomeAway included in the unaudited pro forma condensed combined balance sheet are as follows:

(a) *Cash and cash equivalents*

| (in thousands) | September 30, 2015 |
|---|---------------------------|
| Cash consideration paid for shares and vested equity awards | \$ (1,021,379) |
| Cash provided by an expected borrowing on Revolving Credit Facility | 159,617 |
| Net proceeds of Notes offered hereby | 740,383 |
| Total adjustments to Cash and cash equivalents | \$ (121,379) |

(b) *Deferred income taxes, net*

| (in thousands) | September 30, 2015 |
|---|---------------------------|
| Estimated fair value adjustment to deferred tax liabilities for intangible assets | \$ 286,650 |
| To remove historical deferred tax assets and liabilities, net | (14,005) |
| Total adjustments to Deferred income taxes, net | \$ 272,645 |

(c) *Property and equipment, net*

To eliminate the historical net book value of HomeAway's capitalized software of \$39 million for which the preliminary fair value was determined in purchase accounting and is included in intangible assets.

(d) *Long-term investments and other assets*

Estimated debt issuance costs associated with the issuance of the Notes offered hereby.

(e) Intangible assets, net

| (in thousands) | September 30, 2015 |
|--|---------------------------|
| To eliminate the historical net book value of HomeAway's intangible assets | \$ (58,003) |
| To record preliminary fair value of definite lived Supplier Relationships (estimated useful life of 5 years) | 426,000 |
| To record preliminary fair value of definite lived Traveler/Visitor Relationships (estimated useful life of 10 years) | 48,500 |
| To record preliminary fair value of definite lived Developed Technology (estimated useful life of 3 years) | 155,900 |
| To record preliminary fair value of definite lived Trade names and Trademarks (estimated useful life of 10 years) | 8,300 |
| To record preliminary fair value of indefinite lived Trade names and Trademarks | 180,300 |
| Total adjustments to Intangible assets, net | \$ 760,997 |

(f) Goodwill

| (in thousands) | September 30, 2015 |
|--|---------------------------|
| To eliminate the historical goodwill of HomeAway | \$ (460,049) |
| To record preliminary goodwill for the purchase consideration in excess of the fair value of net assets acquired in connection with the HomeAway acquisition | 2,883,439 |
| Total adjustments to Goodwill | \$ 2,423,390 |

(g) Accrued expenses and other current liabilities

| (in thousands) | September 30, 2015 |
|---|---------------------------|
| To accrue for estimated transaction costs not yet recognized in the historical financial statements for HomeAway or Expedia | \$ 20,250 |
| To record preliminary fair value adjustments to deferred rent included in assumed liabilities | (1,162) |
| To record the estimated fair value of the warrants (See Note 2) | 33,125 |
| Total adjustments to Accrued expenses and other current liabilities | \$ 52,213 |

(h) Short-term and Long-term debt

| (in thousands) | September 30, 2015 | |
|---|---------------------------|------------------------|
| | Long-term debt | Short-term debt |
| Estimated fair value adjustment to HomeAway Convertible Notes | \$ 72,595 | \$ |
| Reclassification of HomeAway Convertible Notes to short-term debt | (402,500) | 402,500 |
| Notes offered hereby | 746,513 | |
| Total adjustments to Short-term debt and Long-term debt (See Note 2) | \$ 416,608 | \$ 402,500 |

(i) Credit facility

To record Expedia's estimated borrowing on the Revolving Credit Facility to fund a portion of the HomeAway estimated purchase price (See Note 2).

(j) Other long-term liabilities and redeemable non-controlling interest

To record preliminary fair value adjustments to acquired other long-term liabilities primarily related to deferred rent as well as fair value adjustments to acquired redeemable non-controlling interest.

(k) *Common stock*

| (in thousands) | September 30, 2015 |
|--|---------------------------|
| To eliminate the historical common stock of HomeAway | \$ (10) |
| To record the par value of common stock issued by Expedia in connection with the transaction | 2 |
| Total adjustments to Common stock | \$ (8) |

(l) Additional paid-in capital

| (in thousands) | September 30, 2015 |
|--|---------------------------|
| To eliminate the historical additional paid-in capital of HomeAway | \$ (1,076,292) |
| To record the additional paid-in capital adjustment for estimated common stock issued by Expedia in connection with the transaction | 2,691,714 |
| To record adjustments to additional paid-in capital related to discretionary acceleration of stock-based compensation as a result of change in control | 5,407 |
| To record the replacement options and restricted stock awards attributable to pre-acquisition service | 19,875 |
| Total adjustments to Additional paid-in capital | \$ 1,640,704 |

(m) Retained earnings (accumulated deficit)

| (in thousands) | September 30, 2015 |
|---|---------------------------|
| To eliminate the historical accumulated deficit of HomeAway | \$ 55,878 |
| To record adjustments to retained earnings related to discretionary acceleration of stock-based compensation as a result of change in control | (5,407) |
| To accrue for estimated transaction costs not yet recognized in the historical financial statements of HomeAway or Expedia | (20,250) |
| Total adjustments to Retained earnings (accumulated deficit) | \$ 30,221 |

(n) Accumulated other comprehensive income (loss)

To eliminate \$61 million of historical accumulated other comprehensive loss of HomeAway.

Orbitz

Statement of Operations Adjustments. The unaudited pro forma adjustments related to Orbitz included in the unaudited pro forma condensed combined statements of operations for period January 1, 2015 through September 16, 2015 and for the year ended December 31, 2014 are as follows:

(o) Revenue

To eliminate intercompany revenue between Orbitz and a majority-owned, Expedia subsidiary.

(p) Cost of revenue

(in thousands)

| | January 1, 2015 through September 16, 2015 | Year ended December 31, 2014 |
|--|---|---|
| To record the net impact of eliminating the historical depreciation expense related to certain software included within the operating results of Orbitz as well as adjusting for depreciation related to fair value adjustments of certain other fixed assets as part of the purchase accounting | \$ (4,185) | \$ (5,449) |
| To record the net increase to stock-based compensation for the difference in the historical stock-based compensation recorded by Orbitz as compared to the stock-based compensation for the replacement awards issued by Expedia | 207 | 583 |
| Total adjustments to Cost of revenue | \$ (3,978) | \$ (4,866) |

(q) Selling and marketing

| (in thousands) | January 1, 2015 through September 16, 2015 | Year ended December 31, 2014 |
|--|---|---|
| To record the net impact of eliminating the historical depreciation expense related to certain software included within the operating results of Orbitz as well as adjusting for depreciation related to fair value adjustments of certain other fixed assets as part of the purchase accounting | \$ (13,253) | \$ (16,349) |
| To record the net increase to stock-based compensation for the difference in the historical stock-based compensation recorded by Orbitz as compared to the stock-based compensation for the replacement awards issued by Expedia | 655 | 1,748 |
| To eliminate sales and marketing expense between Orbitz and a majority-owned Expedia subsidiary that is now considered intercompany | (15,434) | (9,979) |
| Total adjustments to Selling and marketing | \$ (28,032) | \$ (24,580) |

(r) Technology and content

| (in thousands) | January 1, 2015 through September 16, 2015 | Year ended December 31, 2014 |
|--|---|---|
| To record the net impact of eliminating the historical depreciation expense related to certain software included within the operating results of Orbitz as well as adjusting for depreciation related to fair value adjustments of certain other fixed assets as part of the purchase accounting | \$ (13,253) | \$ (14,253) |
| To record the net increase to stock-based compensation for the difference in the historical stock-based compensation recorded by Orbitz as compared to the stock-based compensation for the replacement awards issued by Expedia | 655 | 1,524 |
| Total adjustments to Technology and content | \$ (12,598) | \$ (12,729) |

(s) General and administrative

| (in thousands) | January 1, 2015 through | Year ended December 31, 2014 |
|-----------------------|------------------------------------|---|
|-----------------------|------------------------------------|---|

September 16, 2015

| | | | | |
|--|----|----------|----|---------|
| To record the net impact of eliminating the historical depreciation expense related to certain software included within the operating results of Orbitz as well as adjusting for depreciation related to fair value adjustments of certain other fixed assets as part of the purchase accounting | \$ | (4,185) | \$ | (5,869) |
| To record the net increase to stock-based compensation for the difference in the historical stock-based compensation recorded by Orbitz as compared to the stock-based compensation for the replacement awards issued by Expedia | | 207 | | 627 |
| To eliminate transaction costs in connection with the acquisition of Orbitz | | (29,600) | | (150) |
| Total adjustments to General and administrative | \$ | (33,578) | \$ | (5,392) |

(t) Amortization of intangible assets

To eliminate \$0.2 million and \$0.3 million of historical amortization expense of Orbitz for the nine months ended September 30, 2015 and year ended December 31, 2014 and record a preliminary estimate of \$54 million and \$129 million of amortization expense for the nine months ended September 30, 2015 and year ended December 31, 2014 related to the acquired identifiable intangible assets of Orbitz calculated as if the acquisition had occurred on January 1, 2014. Preliminary acquired definite-lived assets consist of customer relationship assets, developed technology assets and partner relationship assets with average lives ranging from less than one to ten years.

(u) Legal reserves, occupancy tax and other

To recognize expense or gain on occupancy tax payments made in advance of litigation or related refunds when paid or received by Orbitz to conform to Expedia's accounting policy.

(v) Restructuring and related reorganization charges

To eliminate expenses recognized related to employee severance and benefits, including stock-based compensation, triggered by and directly related to the Orbitz acquisition.

(w) Interest expense

To eliminate \$23 million and \$24 million of historical interest expense of Orbitz for the nine months ended September 30, 2015 and year ended December 31, 2014 related to the debt repaid at closing of the acquisition and record \$5 million and \$12 million of interest expense for the nine months ended September 30, 2015 and year ended December 31, 2014 related to Expedia's \$650 million of registered senior unsecured notes that were issued in June 2015 and bear interest at 2.5%. The proceeds of Expedia's June 2015 debt issuance were used to fund a portion of the cash consideration payable in connection with its acquisition of Orbitz.

(x) Provision for income taxes

To record the tax effect of the pro forma adjustments on the changes to income before income taxes using an estimated statutory tax rate of 35.0%.

(y) Net (income) loss attributable to noncontrolling interests

To record the non-controlling interest impact of the elimination of intercompany revenue between Orbitz and a majority-owned Expedia subsidiary.

HomeAway

Statement of Operations Adjustments. The unaudited pro forma adjustments related to HomeAway included in the unaudited pro forma condensed combined statements of operations for the nine months ended September 30, 2015 and for the year ended December 31, 2014 are as follows:

(z) Technology and content

To adjust depreciation expense related to the removal of historical net book value of capitalized software.

(aa) Amortization of intangible assets

To eliminate \$9 million and \$14 million of historical amortization expense of HomeAway for the nine months ended September 30, 2015 and year ended December 31, 2014 and record a preliminary estimate of \$108 million and \$144 million of amortization expense for the nine months ended September 30, 2015 and year ended December 31, 2014 related to the acquired identifiable intangible assets of HomeAway calculated as if the acquisition had occurred on January 1, 2014.

(bb) Interest expense

To eliminate \$14 million of historical interest expense of HomeAway for both the nine months ended September 30, 2015 and year ended December 31, 2014 as the Convertible Notes are expected to be repurchased within 60 days of the closing of the acquisition.

To record interest expense as well as amortization of debt discount and issuance costs of \$29 million and \$39 million for the nine months ended September 30, 2015 and year ended December 31, 2014, respectively, for the Notes offered hereby. In addition, to fund a portion of the purchase price Expedia expects to borrow under the Revolving Credit Facility and, as such, interest expense was increased \$2 million and \$3 million for the nine months ended September 30, 2015 and the year ended December 31, 2014.

Borrowings on Expedia's revolving line of credit bear interest at LIBOR plus 1.5%, which in total was 1.80% and 1.76% for nine months ended September 30, 2015 and the year ended December 31, 2014, respectively. If LIBOR were to vary by 0.125%, the impact to interest expense for both periods would be approximately \$0.2 million.

(cc) Provision for income taxes

To record the tax effect of the pro forma adjustments on the changes to income before income taxes using an estimated statutory tax rate of 35.0%.

(dd) Earnings per share

Pro forma earnings per common share are based on historical Expedia weighted average shares outstanding, adjusted to assume the shares estimated to be issued by Expedia for the HomeAway acquisition were outstanding for the entire period presented.

| (in thousands) | Nine months ended September 30, 2015 | Year ended December 31, 2014 |
|--|---|---|
| Expedia weighted average shares outstanding Basic | 128,822 | 128,912 |
| Expedia shares estimated to be issued for HomeAway acquisition | 20,209 | 20,209 |
| Pro forma combined weighted average shares outstanding Basic | 149,031 | 149,121 |
| Expedia weighted average shares outstanding Diluted | 132,602 | 133,168 |
| Expedia shares estimated to be issued for HomeAway acquisition | 20,209 | 20,209 |
| Dilutive impact of HomeAway equity awards outstanding | 641 | 357 |
| Pro forma combined weighted average shares outstanding Diluted | 153,452 | 153,734 |