

Expedia

Expect solid 4Q, though 1Q may have added spend; still a bargain at 8x '25 FCF

Reiterate Rating: BUY | PO: 181.00 USD | Price: 151.71 USD

Expect solid 4Q on improving US travel, easy comps

Expedia reports 4Q on 02/08. Mgmt. guided to 4Q bookings growth in-line with 3Q (+7% y/y), and we think there could be modest upside due to conservatism in outlook, healthy US holiday season travel trends, and weather-led easy y/y comps. For 4Q we slightly increase our bookings est. to \$22.17bn (+8% y/y) from \$22.15bn and increase EBITDA \$531mn from \$520mn (vs. Street at \$525mn per Bloomberg). We estimate 4Q booked room night growth of 9% y/y vs Booking at 10% y/y, though Street will likely to continue to use Expedia's B2C revenue growth to compare to Booking's growth.

Estimate changes: expect front loaded 2024 for marketing

While Vrbo re-platforming and One Key loyalty US launch completed in 2H'23, we would expect some elevated marketing spend in 1Q (see recent Bloomberg article). For 1Q24, we keep bookings/revenue unchanged, but increase S&M est. on expectations of a front-end loaded year for marketing spend. We lower 1Q EBITDA to \$202mn, below Street at \$240mn. With elevated early marketing, and a shift back to domestic travel, for 2024E we slightly raise bookings to \$114.5bn and revenue to \$14.1bn (10% y/y) vs Street at \$14.0bn. We increase 2024E EBITDA to \$3.05bn vs Street at \$3.03bn and adj. EPS to \$12.90 from \$12.69, above Street at \$12.40. We look for management to guide to double-digit top and bottom-line growth in '24 to help Street look past 1Q mktg spend.

Vrbo and decelerating Europe to help relative peers in '24

For 2024 we think Expedia's relative trends can improve due to: 1) Vrbo completed tech migration and easy comps, 2) Expedia's US concentration less negative vs a decelerating Europe/ROW in 2024, aiding relative nights growth, 3) A competitive One Key loyalty program (with launch in some Intl. geos) with suppliers funding discounts. We est 10.5% EXPE nights growth in '24E, vs Street at 12% for ABNB, and 9.5% y/y for BKNQ.

Raise PO to \$181 on 2025 estimates, reiterate Buy

Aided by buybacks, Expedia has one of the best EPS growth profiles of stock we cover, at 38%E 3-year CAGR. We raise our PO to \$181 from \$161, based on 2025 estimates (vs 2024E prior) in our weighted average valuation using 15x GAAP EPS (13x non-GAAP EPS prior; with better GAAP margins, we have switched to GAAP EPS to be consistent with Booking valuation) and 8x EBITDA. At 8x 2025 FCF, we think stock valuation has no growth post 2024 built in, and buybacks + EBITDA growth can drive potential upside and further multiple re-rating.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	1.69	6.82	9.79	12.90	15.91
GAAP EPS	(1.74)	2.20	5.55	9.58	12.12
EPS Change (YoY)	NM	303.6%	43.5%	31.8%	23.3%
Consensus EPS (Bloomberg)			9.56	12.32	15.38
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	89.8x	22.2x	15.5x	11.8x	9.5x
GAAP P/E	NM	69.0x	27.3x	15.8x	12.5x
EV / EBITDA*	17.5x	11.0x	9.7x	8.5x	7.5x
Free Cash Flow Yield*	12.8%	11.6%	9.7%	10.4%	10.5%

* For full definitions of *IQmethod*SM measures, see page 13.

05 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	161.00	181.00
2023E Rev (m)	12,809.6	12,823.1
2024E Rev (m)	14,070.1	14,118.1
2025E Rev (m)	15,247.3	15,334.4
2023E EPS	9.73	9.79
2024E EPS	12.69	12.90
2025E EPS	15.51	15.91

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Stock Data

Price	151.71 USD
Price Objective	181.00 USD
Date Established	5-Feb-2024
Investment Opinion	C-1-8
52-Week Range	87.94 USD - 155.84 USD
Mrkt Val (mn) / Shares Out	23,970 USD / 158.0 (mn)
Free Float	99.4%
Average Daily Value (mn)	301.46 USD
BofA Ticker / Exchange	EXPE / NAS
Bloomberg / Reuters	EXPE US / EXPE.OQ
ROE (2023E)	52.5%
Net Dbt to Eqty (Dec-2022A)	57.5%
ESGMeter TM	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

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Timestamp: 05 February 2024 09:07PM EST

iQprofileSM Expedia

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	0.7%	6.0%	7.1%	13.5%	17.8%
Return on Equity	14.4%	49.4%	52.5%	90.5%	236.9%
Operating Margin	2.2%	9.3%	9.0%	12.6%	13.6%
Free Cash Flow	3,075	2,778	2,317	2,489	2,528

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	14.6x	3.2x	2.2x	1.9x	1.7x
Asset Replacement Ratio	1.1x	1.1x	2.2x	1.3x	1.3x
Tax Rate	139.5%	36.2%	31.8%	21.9%	22.0%
Net Debt-to-Equity Ratio	101.5%	57.5%	-2.0%	49.8%	10.9%
Interest Cover	0.5x	5.0x	27.4x	29.5x	34.8x

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	8,598	11,667	12,823	14,118	15,334
% Change	65.4%	35.7%	9.9%	10.1%	8.6%
Gross Profit	7,098	10,024	11,175	12,325	13,448
% Change	101.0%	41.2%	11.5%	10.3%	9.1%
EBITDA	1,477	2,349	2,679	3,054	3,435
% Change	NM	59.0%	14.1%	14.0%	12.5%
Net Interest & Other Income	(224)	(547)	(102)	(60)	(60)
Net Income (Adjusted)	257	1,072	1,434	1,759	2,026
% Change	NM	317.1%	33.8%	22.6%	15.2%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	15	343	716	1,337	1,584
Depreciation & Amortization	715	704	747	778	810
Change in Working Capital	2,620	1,261	712	811	630
Deferred Taxation Charge	(145)	70	49	0	0
Other Adjustments, Net	543	1,062	963	480	501
Capital Expenditure	(673)	(662)	(870)	(918)	(997)
Free Cash Flow	3,075	2,778	2,317	2,489	2,528
% Change	NM	-9.7%	-16.6%	7.4%	1.6%
Share / Issue Repurchase	(165)	(607)	(1,879)	(1,800)	(1,800)
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	0	0	0	0	0

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	4,111	4,096	6,340	5,275	6,003
Trade Receivables	1,464	2,126	2,584	2,992	3,222
Other Current Assets	2,606	2,569	2,441	1,859	2,069
Property, Plant & Equipment	2,180	2,210	2,364	2,364	2,364
Other Non-Current Assets	11,187	10,560	10,074	10,074	10,074
Total Assets	21,548	21,561	23,803	22,564	23,732
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	9,450	10,778	12,331	13,569	14,439
Long-Term Debt	7,715	6,240	6,250	6,250	6,250
Other Non-Current Liabilities	831	815	786	786	786
Total Liabilities	17,996	17,833	19,367	20,605	21,475
Total Equity	3,552	3,728	4,436	1,959	2,257
Total Equity & Liabilities	21,548	21,561	23,803	22,564	23,732

* For full definitions of iQmethodSM measures, see page 13.

Company Sector

Internet/e-Commerce

Company Description

Expedia is a leading Internet travel company with exposure to online travel in the U.S., Europe and Asia. The company's portfolio of brands include Expedia, Orbitz, VRBO, Travelocity, Hotels.com, Trivago, Egencia, Hotwire, Wotif, Venere and Classic Vacations.

Investment Rationale

Expedia is an investment in global online travel with exposure to hotel, air and rental car bookings in the US, Europe and Asia. With several brands including Expedia.com, Orbitz.com, Hotels.com, Hotwire, VRBO and Wotif, Expedia should continue to benefit an increasing percentage of travel bookings migrating online.

Stock Data

Average Daily Volume

1,987,069

Quarterly Earnings Estimates

	2022	2023
Q1	-0.47A	-0.20A
Q2	1.96A	2.89A
Q3	4.05A	5.41A
Q4	1.26A	1.82E

Estimate changes

Expedia management guided to 4Q bookings growth in-line with 3Q (+7% y/y), and we expect modest upside (8%) due to macro conservatism in outlook, healthy US holiday season travel trends, and weather-led easy y/y comps. Outlook did suggest 4Q revenue growth acceleration vs 3Q (+9% y/y), and EBITDA margin expansion (we expect y/y COS and S&M leverage). For 4Q we slightly increase our bookings est. to \$22.17bn (+8% y/y) from \$22.15bn and increase EBITDA to \$531mn from \$520mn. We estimate booked room night growth of 9% y/y vs Booking at 10% y/y, though Street will likely to continue to use Expedia's B2C revenue growth to compare to Booking's growth.

With Vrbo re-platforming and One Key loyalty US launch completed in 2023, we expect Expedia to aggressively spend marketing dollars early in 2024 and are below Street for 1Q EBITDA. According to Jon Gieselman, president of Expedia Brands, interview with Bloomberg, the company will spend 'more than ever' on marketing this year. Expedia has already spent on ads during the AFC and NFC American football championship, highlighting Vrbo. Another news article suggests that Expedia will also be rolling out a global ad campaign on Netflix across nine countries.

We look for management to guide to double-digit top and bottom-line growth in 2024 to help Street look past added 1Q marketing spend. (On the 3Q earnings call management suggested potential for an acceleration in growth in future quarters.) A risk for stock on earnings is that year becomes more back-end loaded for EBITDA, though a 4Q beat could help with sentiment (last year Expedia missed in 4Q).

Estimates vs Street

Exhibit 1: BofA estimates vs Street

We expect a front-end loaded year for marketing spend

	4Q23			1Q24			FY24			FY25		
	BofA	Street	Variance	BofA	Street	Variance	BofA	Street	Variance	BofA	Street	Variance
Agency Bookings (\$mn)	9,583	9,631	-0.5%	13,694	14,008	-2.2%	48,765	49,585	-1.7%	51,691	52,618	-1.8%
Merchant Bookings (\$mn)	12,588	12,360	1.8%	18,053	17,633	2.4%	65,746	64,678	1.7%	72,978	71,348	2.3%
Gross Bookings Value (\$mn)	22,171	21,994	0.8%	31,746	31,576	0.5%	114,512	114,158	0.3%	124,670	123,891	0.6%
Take-rate (%)	13.0%	13.1%	(12)	9.2%	9.2%	(1)	12.3%	12.3%	1	12.3%	12.3%	(3)
Total Revenue	2,871	2,875	-0.1%	2,921	2,906	0.5%	14,118	14,079	0.3%	15,334	15,294	0.3%
Cost of Revenue	425	417	1.8%	438	426	2.7%	1,793	1,750	2.5%	1,886	1,868	1.0%
Gross profit	2,446	2,455	-0.4%	2,483	2,475	0.3%	12,325	12,289	0.3%	13,448	13,334	0.9%
Sales & Marketing (Non-GAAP)	1,453	1,476	-1.6%	1,820	1,779	2.3%	7,345	7,331	0.2%	7,913	7,923	-0.1%
G&A (Non-GAAP)	150	150	0.5%	149	148	0.7%	621	618	0.5%	675	656	2.9%
Tech & Content (Non-GAAP)	312	310	0.3%	313	309	1.1%	1,305	1,294	0.8%	1,426	1,385	3.0%
Net Income GAAP (mn)	164	158	3.9%	(137)	(79)	72.6%	1,343	1,331	0.9%	1,590	1,553	2.4%
EPS Diluted GAAP	1.13	1.10	2.5%	(0.95)	(0.57)	65.7%	9.58	9.70	-1.3%	12.12	12.21	-0.8%
EPS Diluted Non-GAAP	1.82	1.77	2.6%	(0.04)	0.18	-121.9%	12.90	13.08	-1.4%	15.91	16.18	-1.7%
EBITDA (mn)	531	529	0.5%	202	240	-15.9%	3,054	3,071	-0.6%	3,435	3,414	0.6%
EBITDA margin	18.5%	18.4%	12	6.9%	8.2%	(135)	21.6%	21.8%	(18)	22.4%	22.3%	8
Booked Room Nights	77.2	77.7	-0.7%	104	103.6	0.4%	388	387.7	0.0%	426	420.0	1.5%

Source: BofA Global Research estimates, Visible Alpha

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Estimate Changes

Given generally constructive travel trends since the October slowdown (on Middle East conflict headlines) for 4Q we slightly increase our bookings estimate to above Street at \$22.17bn (+8% y/y) from \$22.15. We increase EBITDA to \$531mn from \$520mn.

For 1Q24, we keep bookings/revenue unchanged, but increase S&M spend estimate on expectations of a front-end loaded year for marketing spend. We lower 1Q EBITDA to \$202mn from \$210mn.

With elevated early marketing, and an expected shift back to domestic travel in the US, for 2024E we raise bookings to \$114.5bn from \$114.4bn and revenue to \$14.1bn (10%



y/y). We increase our 2024 EBITDA to \$3.05bn from \$3.02bn, and margin to 21.6% from 21.4%. We raise adj. EPS to \$12.90 from \$12.69.

Exhibit 2: BofA estimate changes

We reduce our 1Q EBITDA estimates but slightly increase for full year 2024E

Metrics (\$ mn)	4Q23			2023			1Q24			2024		
	New	Old	Diff	New	Old	Diff	New	Old	Diff	New	Old	Diff
Gross Bookings												
Agency	9,583	9,564	19	46,305	46,286	19	13,694	13,694	0	48,765	48,621	144
Year-over-year growth	1%	1%	0%	4%	4%	0%	2%	2%	0%	5%	5%	0%
Merchant	12,588	12,588	0	58,273	58,273	0	18,053	18,053	0	65,746	65,746	0
Year-over-year growth	14%	14%	0%	15%	15%	0%	13%	13%	0%	13%	13%	0%
Total Bookings	22,171	22,152	19	104,578	104,559	19	31,746	31,746	0	114,512	114,368	144
Year-over-year growth	8%	8%	0%	10%	10%	0%	8%	8%	0%	9%	9%	0%
Revenue	New	New	Diff	New	New	Diff	New	New	Diff	New	New	Diff
Retail	1,986	1,968	19	9,141	9,123	19	2,075	2,075	0	9,877	9,857	20
Year-over-year growth	6%	5%	1%	5%	4%	0%	8%	8%	0%	8%	8%	0%
B2B	825	818	7	3,349	3,342	7	788	788	0	3,889	3,844	44
Year-over-year growth	22%	21%	1%	26%	26%	0%	18%	18%	0%	16%	15%	1%
trivago	60	72	(12)	333	345	(12)	58	58	0	352	369	(16)
Year-over-year growth	-31%	-17%	-14%	-39%	-36%	-2%	-24%	-24%	0%	6%	7%	-1%
Net Revenue	2,871	2,858	14	12,823	12,810	14	2,921	2,921	0	14,118	14,070	48
Y/Y Growth	10%	9%	1%	10%	10%	0%	10%	10%	0%	10%	10%	0%
Cost of Sales	425	429	(4)	1,648	1,652	(4)	438	438	0	1,793	1,792	1
Gross Profit	2,446	2,429	17	11,175	11,158	17	2,483	2,483	0	12,325	12,278	47
Gross Margin	85%	85%	0%	87%	87%	0%	85%	85%	0%	87%	87%	0%
Operating Expenses (ex. SBC):												
Selling and Marketing	1,453	1,449	4	6,693	6,689	4	1,820	1,811	9	7,345	7,326	19
General & Administrative	150	150	1	583	583	1	149	149	0	621	629	(7)
Technology & Content	312	310	1	1,208	1,206	1	313	313	0	1,305	1,308	(4)
Depreciation & Amortization	206	206	0	805	805	0	208	208	0	838	838	0
Other Expenses	0	0	0	6	6	0	0	0	0	0	0	0
Operating Expenses	2,121	2,115	6	9,295	9,289	6	2,489	2,480	9	10,109	10,101	8
% Revenues	74%	74%	0%	72%	73%	0%	85%	85%	0%	72%	72%	0%
Stock Based Comp	103	103	0	417	417	0	110	110	0	443	443	0
Operating income	222	211	11	1,463	1,452	11	(116)	(108)	(9)	1,773	1,734	39
Operating margin	0	0	0	0	0	0	(0)	(0)	(0)	0	0	0
Interest Income (net)	(20)	(20)	0	(42)	(42)	0	(15)	(15)	0	(60)	(60)	0
Other Income (Expense)	0	0	0	(60)	(60)	0	0	0	0	0	0	0
Total Other Income (Expense)	(20)	(20)	0	(102)	(102)	0	(15)	(15)	0	(60)	(60)	0
EBIT	202	191	11	1,361	1,350	11	(131)	(123)	(9)	1,713	1,674	39
Pro-forma Net Income	258	249	9	1,434	1,425	9	(5)	3	(9)	1,759	1,730	29
Adjusted EPS	\$1.82	\$1.76	\$ 0.06	\$9.79	\$9.73	\$ 0.06	(\$0.04)	\$0.02	\$ (0.06)	\$12.90	\$12.69	\$ 0.21
Adjusted EPS Shares Outstanding	142	142	0	147	147	0	140	140	0	136	136	0
Non-GAAP Measures:												
OIBA	339	328	11	1,944	1,933	11	9	17	(9)	2,276	2,237	39
OIBA margin	12%	11%	0%	15%	15%	0%	0%	1%	0%	16%	16%	0%
Y/Y Growth	0	0	0	0	0	0	3	8	(4)	0	0	0
Realized (gain) loss on revenue hedges	0	0	0	(12)	(12)	0	0	0	0	0	0	0
Depreciation	192	192	0	747	747	0	193	193	0	778	778	0
EBITDA	531	520	11	2,679	2,668	11	202	210	(9)	3,054	3,015	39
EBITDA margin	18.5%	18.2%	0%	21%	21%	0%	7%	7%	0%	21.6%	21.4%	0%

Source: BofA Global Research estimates

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Valuation: Increase PO to \$181; Buy

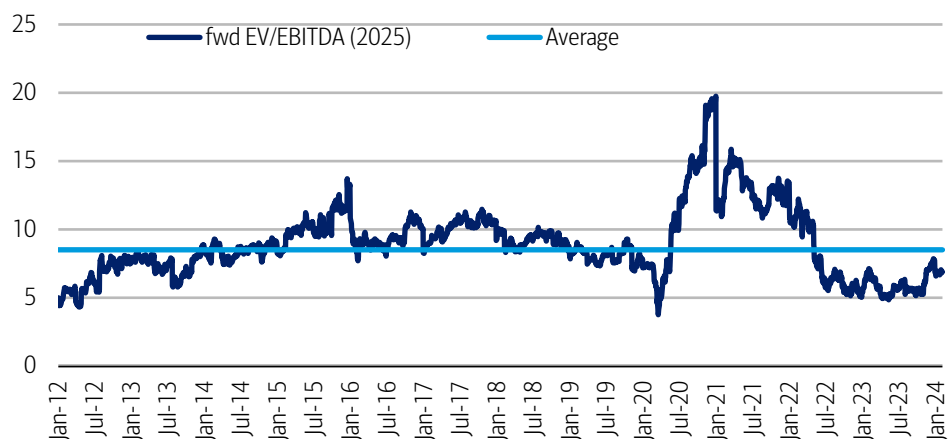
We increase our Expedia Price Objective to \$181 (from \$161) as we roll forward our PO multiples to our 2025 estimates from 2024. We use a 50-50 blend of 15x 2025E GAAP P/E (we have shifted from non-GAAP given better margins at Expedia and to be consistent with our valuation methodology for Booking) and 8x 2025 EBITDA. Stock is currently valued at 12x 2025E GAAP P/E and 8x our 2025E FCF, which we view as attractive vs expected growth.

At the current \$152 stock price (5th Feb), stock is valued at 7x consensus 2025 EBITDA estimate (Bloomberg) vs a 4-13x (excluding pandemic surge) average range over past 10 years, and 10x consensus non-GAAP 2025 EPS vs average range of 6-23x over past 10 years.

(Note: Bloomberg EV estimate may be impacted by different net debt definitions.)

Exhibit 3: Expedia forward consensus EV/EBITDA

Expedia is trading much below its historical mean multiple



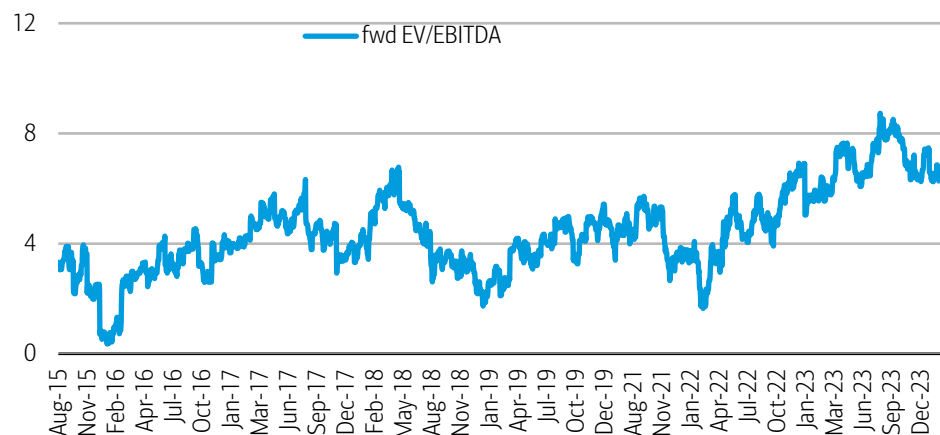
Source: BofA Global Research, Bloomberg

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Versus Booking, Expedia's trades at 7x 2025 EBITDA, which is a 6.5pt gap to Booking at 13.4x. This EBITDA valuation gap is still elevated vs history.

Exhibit 4: Historical premium in valuation for BKNG vs EXPE

BKNG's valuation premium to EXPE still above historical levels



Source: BofA Global Research, Bloomberg

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Exhibit 5: Travel valuations comp table (on Street estimates)

Expedia trades at a discount to peers

Company	Price 2/5/2024	Mkt Cap. (Bn)	EV (Bn)	EBITDA		Enterprise Value			Enterprise Value			P/E	
				Margin 2024E	Margin 2025E	Sales 2024E	EBITDA 2024E	FCF 2024E	Sales 2025E	EBITDA 2025E	FCF 2025E	2024E	2025E
Hotels													
Marriott	\$244.23	\$80	\$90	19%	19%	4x	18x	32x	3x	17x	30x	25x	23x
Hilton	\$193.67	\$54	\$62	30%	30%	6x	19x	32x	5x	18x	NM	28x	24x
Hyatt	\$128.90	\$14	\$17	16%	17%	2x	15x	25x	2x	14x	21x	40x	32x
Wynn	\$97.49	\$11	\$21	29%	29%	3x	10x	31x	3x	10x	26x	21x	18x
Playa	\$8.37	\$1	\$2	28%	28%	2x	8x	20x	2x	8x	NM	18x	13x
LV Sands	\$51.11	\$39	\$48	39%	39%	4x	10x	23x	4x	10x	18x	19x	17x
Caesars	\$42.75	\$9	\$34	34%	34%	3x	9x	24x	3x	8x	20x	33x	19x
MGM Resorts	\$44.51	\$18	\$46	26%	27%	3x	11x	35x	3x	10x	27x	19x	17x
Median				29%	29%	3x	11x	28x	3x	10x	24x	23x	18x
Average				28%	28%	3x	13x	28x	3x	12x	24x	25x	20x
Online Travel													
Booking	\$3,625.00	\$126	\$124	35%	35%	5x	15x	18x	5x	13x	16x	21x	17x
Expedia	\$151.71	\$21	\$24	22%	22%	2x	8x	11x	2x	7x	9x	16x	13x
Airbnb	\$144.78	\$94	\$87	36%	37%	8x	22x	20x	7x	19x	18x	31x	28x
Tripadvisor	\$21.73	\$3	\$3	20%	20%	2x	8x	10x	1x	7x	10x	16x	14x
Median				28%	29%	3x	12x	14x	3x	10x	13x	18x	15x
Average				28%	29%	4x	13x	15x	4x	12x	13x	21x	18x

Source: BofA Global Research estimates, Bloomberg

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Travel data update

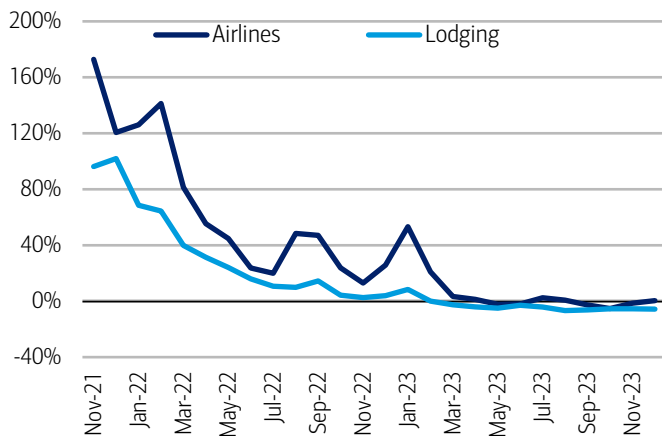
US Bookings per BAC Card Data

In Jan'24 (week ended 01/27), on a y/y basis (7-day moving average), lodging spending growth remained negative at -6.7% y/y, while airline spending declined 2.8% y/y according to BAC aggregated credit and debit card data. See [BofA on USA](#) report for methodology, limitations, and disclaimers related to BAC aggregated credit and debit card data.

Dec y/y spend mixed: For Dec'23, BAC card data for Airlines showed average spend growth at 0.4% y/y, compared to -1.5% y/y in November. Card data for lodging in Dec'23 shows an average growth of -5.6% y/y, similar to November. For 4Q, airline spend is -2% y/y vs +0.2% y/y in 3Q, and lodging is trending at -5.5% vs -5.7% y/y in 3Q.

Exhibit 6: Aggregated BAC card data for Airlines and Lodging y/y (monthly up to Dec'23)

Airline y/y spend has seen slight acceleration in the last few days, but overall post-COVID recovery trends have normalized

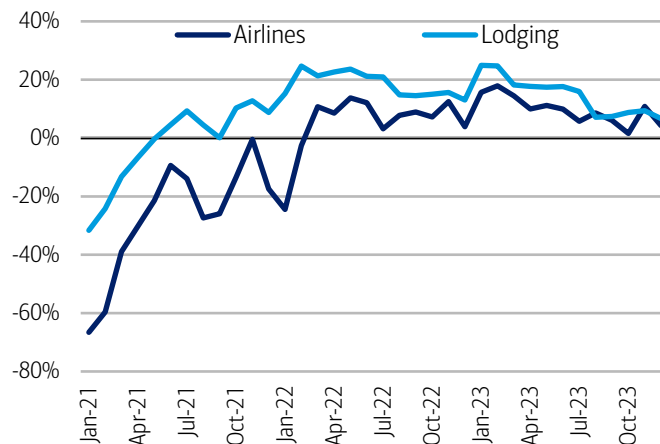


Source: BAC internal data

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Exhibit 7: Aggregated BAC card data for Airlines and Lodging vs. 2019 (monthly up to Dec'23)

Monthly spend growth averages vs 2019 levels for Airlines was at 4% and Lodging at 7% in Dec'23



Source: BAC internal data

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Airline bookings: trends normalizing

According to our Airlines analyst, Andrew Didora, airline spending trends have normalized in January to a level ahead of last fall when sales growth was down mid-single digits, but behind peak holiday travel when sales were up in the mid- to high-single digits.

Domestic sales accelerated to +6.4% from +3.7% last week while international sales decelerated modestly to -1.8% from -1.7% last week. International volumes outpaced domestic this week at +7.2% and +4.7%, respectively, while domestic pricing saw the second consecutive positive week at +1.6%, well ahead of international pricing at -8.4%. Over the last 4-weeks, domestic net sales are up +6.3% compared to international down -1.5%. Both entities were slightly softer vs December when domestic/international sales were +8.5%/+4.3%. See report by our Airlines analyst here: [Airlines: Bookings: trends normalizing in the off-peak January travel period 05 February 2024](#)

Exhibit 8: Latest booking trends and quarterly comparison

1Q24 net sales to date are +2.2%, ahead of 4Q23

	Trailing 4-weeks ending					Latest Week	Quarterly		
	9/17/2023	10/15/2023	11/12/2023	12/10/2023	1/7/2024	1/28/2024	3Q23	4Q23	1Q24 to date
System:									
System Sales	4.4%	-0.2%	-4.0%	5.5%	4.0%	1.9%	7.1%	1.3%	2.2%
System Volumes	6.7%	3.6%	7.5%	8.3%	7.0%	5.7%	8.8%	7.2%	4.8%
System Price	-2.2%	-3.6%	-9.8%	-2.6%	-2.5%	-3.6%	-1.5%	-5.2%	-2.1%
Domestic:									
Domestic Sales	0.3%	-1.8%	1.1%	9.1%	5.8%	6.4%	2.4%	3.8%	6.5%
Domestic Volumes	4.3%	1.7%	7.0%	6.6%	3.8%	4.7%	5.5%	5.3%	4.6%
Domestic Price	-3.9%	-3.4%	-4.6%	2.4%	2.2%	1.6%	-3.0%	-1.2%	2.3%
International:									
International Sales	8.3%	1.4%	-8.9%	2.4%	2.5%	-1.8%	11.6%	-1.0%	-1.5%
International Volumes	11.3%	7.2%	8.6%	11.2%	11.9%	7.2%	14.8%	10.4%	5.0%
International Price	-2.6%	-5.4%	-14.9%	-7.9%	-8.0%	-8.4%	-2.8%	-9.9%	-5.9%
Large Corporate:									
Large Corporate Sales	-3.0%	-7.0%	-9.0%	3.2%	0.4%	0.3%	-0.5%	-3.0%	0.4%
Large Corporate Volumes	-1.8%	-6.1%	-4.1%	-1.6%	-1.2%	-1.3%	-0.4%	-2.7%	-1.2%
Large Corporate Price	-1.2%	-1.0%	-3.9%	4.8%	2.7%	1.6%	-0.2%	0.2%	2.5%
SME Corporate:									
SME Corporate Sales	10.7%	5.0%	-2.0%	8.2%	7.5%	3.7%	13.1%	4.5%	4.5%
SME Corporate Volumes	13.3%	9.0%	11.4%	13.4%	13.5%	9.7%	15.0%	12.6%	8.5%
SME Corporate Price	-2.3%	-3.6%	-10.9%	-4.5%	-4.7%	-5.5%	-1.7%	-6.8%	-3.3%
Leisure:									
Leisure Sales	-5.3%	-7.9%	-4.7%	0.4%	-2.4%	-2.2%	-1.3%	-3.7%	-2.8%
Leisure Volumes	0.0%	-1.0%	6.8%	4.1%	-0.5%	1.5%	3.0%	2.7%	0.6%
Leisure Price	-5.3%	-7.0%	-10.3%	-3.6%	-1.9%	-3.7%	-4.2%	-6.0%	-3.3%

Source: ARC

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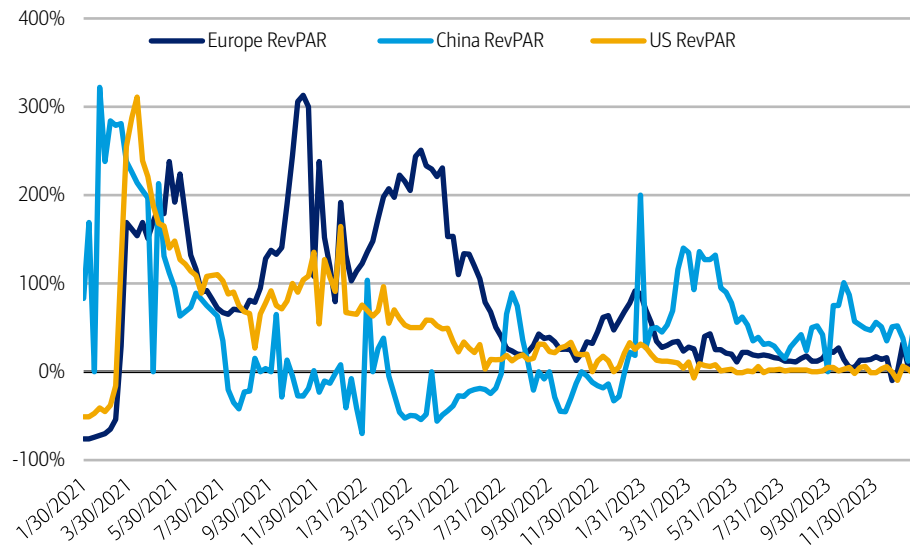
RevPAR**US RevPAR continues to lag Intl.; Europe RevPAR showing signs of moderation**

Our lodging analysts estimate Q4 RevPAR in the US was +1.5% (vs 3Q estimate of 2%). Higher end RevPAR outperformed lower end, driven by urban midweek while resort locations are holding steady. While there was notable "destination fatigue" called out by Hyatt and Playa in Cancun over the summer, RevPAR re-accelerated into the end of the year to finish the quarter up +6%. Domestically, Luxury was down -0.7%, Upper Upscale +4.1%, Upscale +2.9%, Upper Midscale -0.2%, Midscale -3.1% and Economy -5.7%. Read full RevPAR report by our lodging analysts here - [Lodging: Q4 Pre-Preview: RevPAR +1.5% Y/Y; trackers in-line with estimates 11 January 2024](#)

International RevPAR continued to outperform domestic in Q4, with strength led by China (+57%) and APAC (+22%). Europe (+12%) moderated following a strong summer travel season but growth remained in the double-digit range. This compares to 3Q RevPAR at: EU +16% y/y, China +37% y/y, and APAC +30% y/y.

Exhibit 9: RevPAR y/y growth trends (historical LT trends)

By region, through week ended 01/27/2024



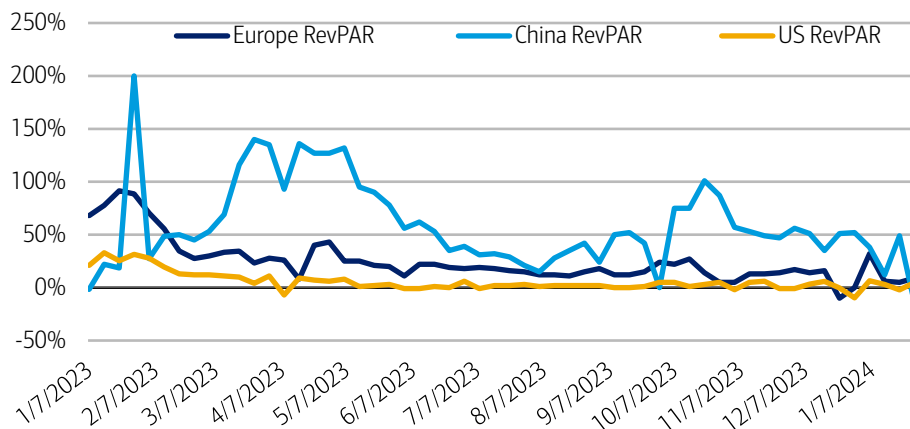
Source: BofA Global Research, STR

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For the week ended 01/27, US RevPAR was up +5% with occupancy -0.7% and rates +7.2%. Europe was +9% (+7% 2-wk avg), APAC was +4% (+7% 2-wk avg) and China was -15% (lapping Chinese New Year comps, +17% 2-wk avg).

Exhibit 10: RevPAR y/y growth trends (last 1 year trends)

By region, through week ended 01/27/2024



Source: BofA Global Research, STR

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TSA Traveler Throughput

According to TSA throughput data, for 4Q'23, the average throughput growth was 11% y/y vs. 3Q average of 12% y/y. Versus 2019, 4Q was up 5% and 3Q was up 2%.

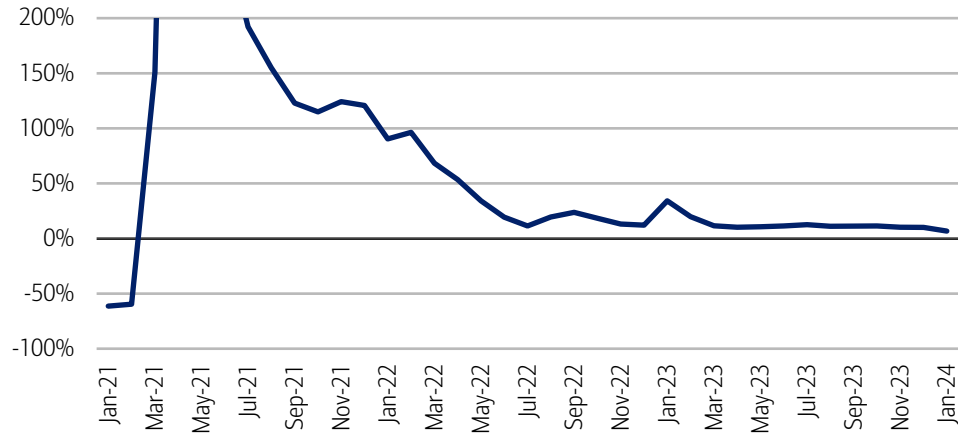
In Jan'24, growth has decelerated to 7% y/y vs December'23 at 10% y/y.

According to a note by our Economists ([Holiday hugs are good for the economy 29 November 2023](#)), starting around September'23, air travel started to consistently

outpace pre-pandemic levels for the first time. This trend seems set to continue into the holidays, with the number of flyers reaching an all-time high of 2.91mn on November 26, as people returned home from their Thanksgiving vacations.

Exhibit 11: TSA throughput (y/y, updated through 02/01/2024)

Daily data travel shows TSA throughput in Jan'24 is 7% y/y, vs Dec'23 up 10% y/y



Source: TSA

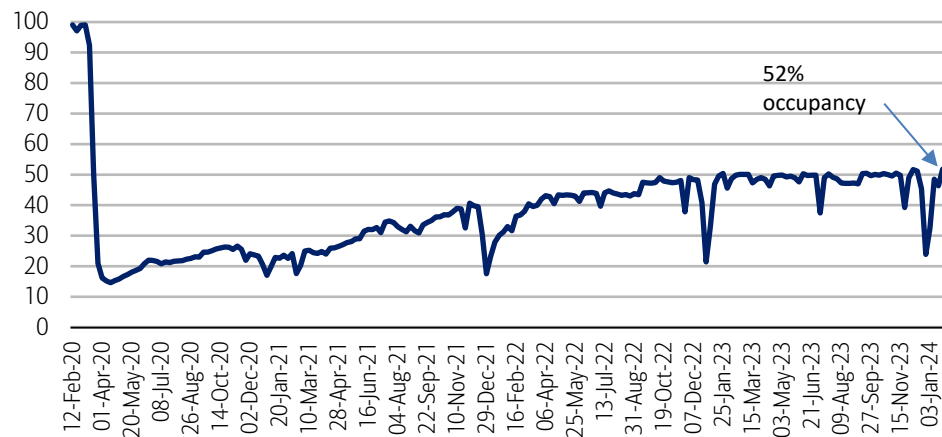
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Office occupancy at 52% - highest since pandemic

Office occupancy rose more than five points in the week ended 01/24 to 51.8%, according to Kastle's 10-city Back to Work Barometer, reaching a new record high since the start of the pandemic. All tracked cities saw increases in occupancy. The weekly average high was Tuesday at 61.4%, and the low was Friday at 31.8%.

Exhibit 12: US office occupancy rates: Kastle

Office occupancy was at 52% (avg. for week ended 01/24)



Source: Kastle, Bloomberg

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Travel app metrics – growth decelerated on tough comps

[Sensor Tower's travel app January data](#) (see report) suggests that Travel/OTA app downloads and DAUs growth decelerated on tougher y/y comps. **Airbnb** downloads/DAUs both decelerated 3pts to +35%/+8% y/y in January. **Booking** DLs slowed 10% y/y (down -3% y/y), while DAUs grew +14% (2pt deceleration). **Expedia** DLs decelerated 14pts to +2% y/y vs. +16% in December, while DAUs grew +18% (-1pt). **Vrbo** DLs declined 32% y/y, an 8pt deceleration, while DAUs fell to -19% y/y from -15% in December.

Exhibit 14: Worldwide Download and DAU trends – Online Travel and Transportation

Monthly Sensor Tower estimates of online travel and transportation applications under our coverage

Travel	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24
Airbnb																						
Downloads																						
M/M	3%	23%	-4%	16%	-8%	-17%	-3%	2%	-3%	30%	-17%	3%	-3%	10%	6%	14%	-10%	-1%	-1%	-3%	12%	27%
Y/Y	45%	46%	32%	39%	50%	35%	16%	15%	6%	35%	29%	18%	11%	-1%	9%	7%	4%	24%	26%	20%	38%	35%
DAUs																						
M/M	7%	2%	2%	8%	2%	-8%	-2%	-6%	0%	14%	0%	2%	6%	0%	3%	9%	-2%	-11%	-3%	-7%	2%	11%
Y/Y	32%	13%	5%	6%	9%	12%	13%	10%	10%	21%	17%	19%	19%	17%	18%	19%	14%	10%	9%	8%	11%	8%
Booking.com																						
Downloads																						
M/M	8%	10%	1%	19%	-13%	-28%	2%	10%	11%	21%	-14%	3%	-8%	8%	7%	10%	-9%	-19%	-4%	-6%	12%	18%
Y/Y	70%	46%	20%	23%	15%	8%	6%	23%	34%	53%	35%	19%	2%	0%	6%	-2%	3%	14%	8%	-8%	-7%	-10%
DAUs																						
M/M	10%	0%	7%	10%	1%	-17%	-4%	-5%	2%	12%	-1%	3%	5%	0%	5%	12%	1%	-14%	-4%	-4%	2%	11%
Y/Y	92%	38%	20%	11%	10%	9%	7%	11%	17%	23%	17%	17%	11%	11%	9%	12%	12%	15%	15%	16%	16%	14%
Expedia																						
Downloads																						
M/M	6%	20%	11%	13%	-4%	-22%	-9%	-12%	6%	27%	-6%	10%	-10%	-10%	13%	16%	-9%	-12%	-2%	5%	1%	12%
Y/Y	47%	62%	40%	71%	121%	125%	86%	58%	84%	100%	54%	34%	15%	-14%	-13%	-11%	-16%	-5%	2%	22%	16%	2%
DAUs																						
M/M	5%	3%	6%	6%	4%	2%	2%	0%	1%	4%	1%	2%	3%	-1%	5%	3%	-1%	1%	0%	2%	-1%	3%
Y/Y	38%	21%	13%	12%	19%	32%	40%	45%	47%	47%	45%	42%	40%	34%	33%	28%	23%	23%	20%	22%	19%	18%
Vrbo																						
Downloads																						
M/M	-16%	-11%	-7%	11%	-16%	-29%	-7%	-6%	27%	74%	-34%	5%	-8%	-19%	7%	12%	-15%	-25%	-3%	-10%	25%	56%
Y/Y	44%	37%	11%	37%	69%	43%	14%	17%	31%	29%	-26%	-38%	-33%	-39%	-29%	-28%	-27%	-22%	-20%	-23%	-24%	-32%
DAUs																						
M/M	9%	4%	2%	2%	-5%	-10%	-6%	-7%	-2%	12%	-3%	4%	2%	-5%	1%	-2%	-6%	-7%	-4%	-6%	0%	6%
Y/Y	43%	44%	39%	48%	52%	45%	42%	41%	37%	34%	11%	-2%	-9%	-17%	-18%	-21%	-21%	-19%	-17%	-17%	-15%	-19%
Uber																						
Downloads																						
M/M	-3%	6%	-4%	5%	-1%	-1%	3%	-11%	21%	-13%	-10%	9%	-4%	6%	6%	5%	-5%	-1%	1%	-6%	15%	-16%
Y/Y	37%	35%	21%	13%	4%	5%	1%	-6%	4%	22%	8%	-3%	-4%	-4%	6%	7%	3%	3%	0%	6%	1%	-3%
DAUs																						
M/M	2%	1%	-2%	0%	1%	2%	0%	-3%	6%	-8%	6%	1%	0%	2%	3%	0%	1%	3%	1%	0%	3%	-10%
Y/Y	43%	38%	27%	20%	19%	18%	11%	5%	6%	20%	11%	6%	3%	5%	10%	10%	9%	11%	12%	15%	12%	10%
Lyft																						
Downloads																						
M/M	-11%	-3%	1%	8%	2%	-5%	3%	-13%	6%	-10%	-4%	14%	-5%	5%	7%	11%	3%	-3%	4%	-10%	5%	-10%
Y/Y	3%	-8%	-10%	-9%	-5%	-7%	-2%	-5%	-8%	-3%	-7%	-15%	-10%	-3%	3%	6%	7%	10%	10%	13%	12%	12%
DAUs																						
M/M	-1%	2%	-2%	1%	2%	2%	3%	-7%	-3%	-5%	6%	6%	-1%	2%	2%	0%	3%	0%	3%	-5%	-5%	-6%
Y/Y	43%	29%	10%	10%	7%	10%	7%	4%	6%	19%	9%	3%	3%	3%	8%	7%	9%	7%	6%	8%	6%	4%

Source: Sensor Tower

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Price objective basis & risk

Expedia (EXPE)

Our \$181 PO is based on a 50-50 blend of P/E and sum-of-the-parts valuations based on 2025 estimates. Our sum-of-the-parts valuation is based on a 8x EBITDA , and separate values for Trivago and assets. Our P/E valuation is based on 15x GAAP EPS. Our P/E multiple is within Expedia's historical ranges of forward EPS and a discount compared to Booking valuation given market share trends.

Downside risks to our PO are: 1) economic downturn or prolonged macro headwinds leading to fewer travel bookings, 2) competition for traffic lowering the company's growth or margin opportunity, 3) more aggressive direct booking initiatives by hotels, 4) Google traffic disintermediation, and 5) ongoing slowdown in VRBO growth post-pandemic.

Analyst Certification

I, Justin Post, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Internet Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY	Alphabet	GOOGL	GOOGL US	Justin Post
	Alphabet	GOOG	GOOG US	Justin Post
	Amazon.com	AMZN	AMZN US	Justin Post
	AppLovin	APP	APP US	Omar Dessouky, CFA
	DoorDash	DASH	DASH US	Michael McGovern
	DoubleVerify Holdings, Inc.	DV	DV US	Omar Dessouky, CFA
	Electronic Arts	EA	EA US	Omar Dessouky, CFA
	Expedia	EXPE	EXPE US	Justin Post
	Integral Ad Science Holding Corp.	IAS	IAS US	Omar Dessouky, CFA
	LegalZoom	LZ	LZ US	Michael McGovern
	Match Group	MTCH	MTCH US	Curtis Nagle, CFA
	Meta Platforms Inc	META	META US	Justin Post
	Pinterest	PINS	PINS US	Justin Post
	RH	RH	RH US	Curtis Nagle, CFA
	Roblox Corp. Class A	RBLX	RBLX US	Omar Dessouky, CFA
	Squarespace, Inc.	SQSP	SQSP US	Michael McGovern
	Uber	UBER	UBER US	Justin Post
	Udemy Inc	UDMY	UDMY US	Curtis Nagle, CFA
	Vivid Seats	SEAT	SEAT US	Curtis Nagle, CFA
	Wayfair	W	W US	Curtis Nagle, CFA
	Wix.com	WIX	WIX US	Michael McGovern
NEUTRAL	ACV Auctions	ACVA	ACVA US	Curtis Nagle, CFA
	Airbnb	ABNB	ABNB US	Justin Post
	Beyond Inc	BYON	BYON US	Curtis Nagle, CFA
	Booking Holdings Inc	BKNG	BKNG US	Justin Post
	Bumble	BMBL	BMBL US	Curtis Nagle, CFA
	Digital Turbine, Inc	APPS	APPS US	Omar Dessouky, CFA
	Duolingo	DUOL	DUOL US	Curtis Nagle, CFA
	eBay	EBAY	EBAY US	Justin Post
	Etsy, Inc.	ETSY	ETSY US	Curtis Nagle, CFA
	Instacart	CART	CART US	Justin Post
	Magnite, Inc.	MGNI	MGNI US	Omar Dessouky, CFA
	Snap	SNAP	SNAP US	Justin Post
	Take-Two Interactive	TTWO	TTWO US	Omar Dessouky, CFA
	Zillow	ZG	ZG US	Curtis Nagle, CFA
	Zillow	Z	Z US	Curtis Nagle, CFA

US - Internet Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
UNDERPERFORM	Chewy Inc	CHWY	CHWY US	Curtis Nagle, CFA
	Lyft, Inc.	LYFT	LYFT US	Michael McGovern
	Opendoor Technologies	OPEN	OPEN US	Curtis Nagle, CFA
	Peloton	PTON	PTON US	Curtis Nagle, CFA
	Playtika	PLTK	PLTK US	Omar Dessouky, CFA
	Redfin Corp	RDFN	RDFN US	Curtis Nagle, CFA
	Shutterstock	SSTK	SSTK US	Curtis Nagle, CFA

iQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity
Operating Margin
Earnings Growth
Free Cash Flow

Quality of Earnings

Cash Realization Ratio
Asset Replacement Ratio
Tax Rate
Net Debt-To-Equity Ratio
Interest Cover

Valuation Toolkit

Price / Earnings Ratio
Price / Book Value
Dividend Yield
Free Cash Flow Yield
Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income
Operating Profit
Expected 5 Year CAGR From Latest Actual
Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations
Capex
Tax Charge
Net Debt = Total Debt – Cash & Equivalents
EBIT

Numerator

Current Share Price
Current Share Price
Annualised Declared Cash Dividend
Cash Flow From Operations – Total Capex
EV = Current Share Price × Current Shares + Minority Equity + Net Debt +
Other LT Liabilities
Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Amortization
Shareholders' Equity
Sales
N/A
N/A

Denominator

Net Income
Depreciation
Pre-Tax Income
Total Equity
Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)
Shareholders' Equity / Current Basic Shares
Current Share Price
Market Cap = Current Share Price × Current Basic Shares
Sales

Basic EBIT + Depreciation + Amortization

iQmethodSM is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and valuations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

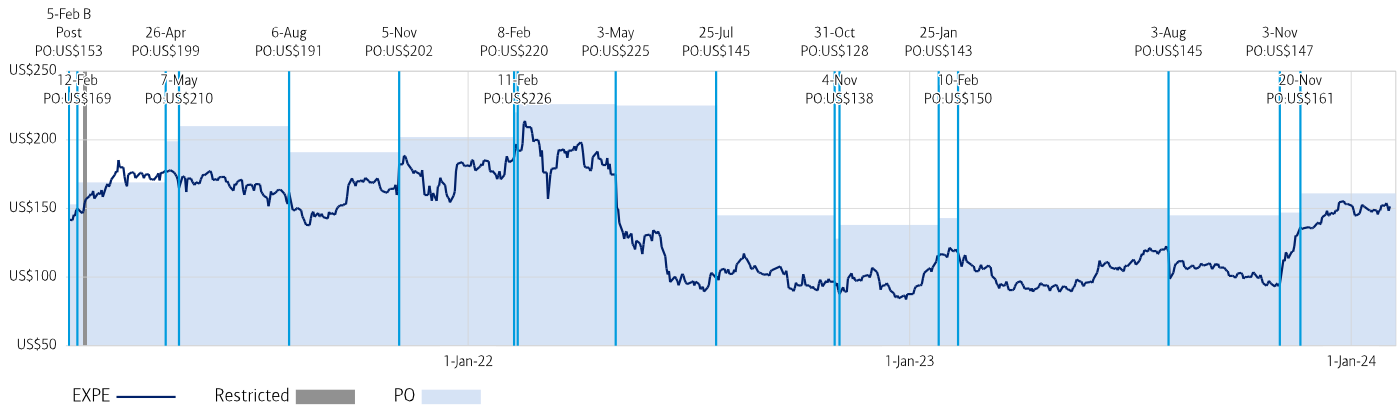
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Disclosures

Important Disclosures

Expedia (EXPE) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Technology Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	215	53.09%	Buy	111	51.63%
Hold	97	23.95%	Hold	45	46.39%
Sell	93	22.96%	Sell	24	25.81%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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