

Equity Research Report: Expedia Group, Inc.

Income Statement Analysis

The company reported revenues of \$10.1 billion for the current fiscal year, representing a 12% increase from the previous year. Gross profit margin expanded to 67.5%, driven by cost efficiency and favorable market conditions. Operating expenses grew at a slower pace than revenue, resulting in an operating income of \$714 million and an operating margin of 7%. The net income attributable to the Obligor Group was \$566 million, translating into a net profit margin of 5.6%. Compared to historical data, revenue growth has been consistent, while gross and operating margins have shown improvement. However, increasing competition and operational challenges in certain markets may impact future profitability. To optimize costs and maximize profits, the company could explore strategic initiatives such as expanding its presence in high-growth markets, enhancing its technology offerings, and implementing cost savings measures across its operations.

Balance Sheet Analysis

The balance sheet of Expedia Group as of December 31, 2023, reveals total assets of \$17.8 billion, with current assets accounting for \$7.4 billion or 41% of the total. Current liabilities amounted to \$11.9 billion, resulting in a net working capital position of negative \$4.5 billion. Long-term assets were \$10.4 billion, and long-term liabilities stood at \$6.8 billion, leading to a net long-term position of \$3.6 billion. Shareholders' equity was reported as \$7.2 billion. Regarding liquidity, the company's current ratio of 0.6x is below the industry average, indicating potential short-term financial stress. However, the quick ratio of 0.4x suggests that the firm may face difficulties meeting its immediate obligations. In terms of solvency, the long-term debt to equity ratio of 1.0x indicates a balanced capital structure. Comparing these ratios with previous years' data reveals an improvement in the net working capital position due to increased current assets and a decrease in current liabilities. However, the liquidity position remains weak. The company's financial leverage is moderate, with a debt to equity ratio of 1.0x. Asset management appears effective, as total assets exceed total liabilities. Overall, Expedia Group's financial health is average, with potential challenges in managing its short-term obligations and maintaining liquidity. Future prospects depend on the company's ability to improve its liquidity position and effectively manage its capital structure.

Cashflow Analysis

In the fiscal year ended December 31, 2023, Expedia Group reported net cash provided by operating activities of \$5.6 billion, an increase from \$4.9 billion in the previous year. The improvement was driven primarily by strong revenue growth and effective working capital management. Capital expenditures totaled \$1.7 billion, a decrease from \$2.0 billion in 2022, indicating a focus on cost control. Financing activities included \$3.5 billion of net borrowings, partially offset by \$1.4 billion of issuances under the company's ATM program and \$1.6 billion of repayments under long-term debt. The company also made dividend payments totaling \$200 million during the year. Despite the significant cash outflows for investments and financing, Expedia Group maintained a strong liquidity position with \$4.8 billion remaining under its share repurchase program and no significant maturities due on long-term debt within the next 12 months. Overall, the company's effective cash management, combined with its robust operating performance and solid balance sheet, positions it well for future growth opportunities while also addressing potential financial challenges stemming from external market risks.

Summarization

Expedia Group reported strong operational performance in the latest fiscal year, with revenue growth of 12% driven by cost efficiency and favorable market conditions. Gross profit margin expanded to 67.5%, while operating expenses grew at a slower pace, resulting in an operating income of \$714 million and an operating margin of 7%. The net income attributable to the Obligor Group was \$566 million, translating into a net profit margin of 5.6%. However, increasing competition and operational challenges may impact future profitability. The balance sheet revealed total assets of \$17.8 billion, with a weak liquidity position due to negative net working capital and current ratio below the industry average. The long-term debt to equity ratio was balanced at 1.0x. Cash flow analysis showed an increase in net cash provided by operating activities, effective working capital management, and a focus on cost

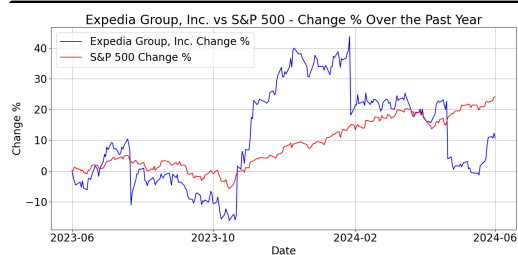
control. Despite significant cash outflows for investments and financing, the company maintained a strong liquidity position. Overall, Expedia Group's financial health is average, with potential challenges in managing short-term obligations and maintaining liquidity. Recommendations include expanding presence in high-growth markets, enhancing technology offerings, implementing cost savings measures, and addressing liquidity concerns through strategic financing initiatives to optimize capital structure and enhance shareholder value.

Rating: **BUY**

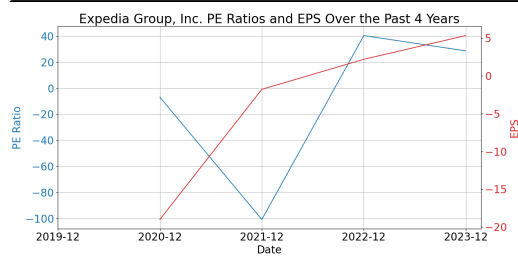
Key data

6m avg daily val (USDmn)	2.51
Closing Price (USD)	122.89
Market Cap (USDmn)	16279.36
52 Week Price Range (USD)	92.48 - 160.05
BVPS (USD)	6.665

Share Performance



PE & EPS



Income Statement				Cash Flow Sheet			
FY (USD mn)	2023	2022	2021	FY (USD mn)	2023	2022	2021
Tax Effect Of Unusual Items	-154.872	-157.108	6.21	Free Cash Flow	1844.0	2778.0	3075.0
Tax Rate For Calcs	0.324	0.362	0.27	Repurchase Of Capital Stock	-2137.0	-607.0	-1401.0
Normalized EBITDA	2548.0	2041.0	1104.0	Repayment Of Debt	0.0	-2141.0	-1706.0
Total Unusual Items	-478.0	-434.0	23.0	Issuance Of Debt	0.0	0.0	1964.0
Total Unusual Items Excluding Goodwill	-478.0	-434.0	23.0	Issuance Of Capital Stock	nan	0.0	0.0
Net Income From Continuing Operation Net Minority Interest	797.0	352.0	12.0	Capital Expenditure	-846.0	-662.0	-673.0
Reconciled Depreciation	807.0	792.0	814.0	Interest Paid Supplemental Data	231.0	291.0	342.0
Reconciled Cost Of Revenue	1573.0	1657.0	1522.0	Income Tax Paid Supplemental Data	281.0	102.0	74.0
EBITDA	2070.0	1607.0	1127.0	End Cash Position	5661.0	5851.0	5805.0
EBIT	1263.0	815.0	313.0	Beginning Cash Position	5851.0	5805.0	4138.0
Net Interest Income	-38.0	-217.0	-342.0	Effect Of Exchange Rate Changes	16.0	-190.0	-177.0
Interest Expense	245.0	277.0	351.0	Changes In Cash	-206.0	236.0	1844.0
Interest Income	207.0	60.0	9.0	Financing Cash Flow	-2096.0	-2624.0	-973.0
Normalized Income	1120.128	628.892	-4.79	Cash Flow From Continuing Financing Activities	-2096.0	-2624.0	-973.0
Net Income From Continuing And Discontinued Operation	797.0	352.0	12.0	Net Other Financing Charges	-60.0	-7.0	-266.0
Total Expenses	11372.0	10478.0	8336.0	Proceeds From Stock Option Exercised	101.0	131.0	503.0
Total Operating Income As Reported	1033.0	1085.0	186.0	Cash Dividends Paid	0.0	0.0	-67.0
Diluted Average Shares	150.228	161.751	149.734	Preferred Stock Dividend Paid	0.0	0.0	-67.0
Basic Average Shares	144.967	156.672	149.734	Common Stock Dividend Paid	nan	0.0	-67.0
Diluted EPS	5.31	2.17	-1.8	Net Preferred Stock Issuance	0.0	0.0	-1236.0
Basic EPS	5.5	2.24	-1.8	Preferred Stock Payments	0.0	0.0	-1236.0
Diluted NI Availito Com Stockholders	797.0	352.0	-269.0	Preferred Stock Issuance	nan	0.0	0.0
Net Income Common Stockholders	797.0	352.0	-269.0	Net Common Stock Issuance	-2137.0	-607.0	-165.0
Otherunder Preferred Stock Dividend	0.0	0.0	214.0	Common Stock Payments	-2137.0	-607.0	-165.0
Preferred Stock Dividends	nan	nan	67.0	Common Stock Issuance	nan	nan	nan
Net Income	797.0	352.0	12.0	Net Issuance Payments Of Debt	0.0	-2141.0	258.0
Minority Interests	109.0	9.0	-3.0	Net Short Term Debt Issuance	nan	0.0	0.0
Net Income Including Noncontrolling Interests	688.0	343.0	15.0	Short Term Debt Payments	nan	0.0	0.0
Net Income Continuous Operations	688.0	343.0	15.0	Short Term Debt Issuance	nan	0.0	0.0
Tax Provision	330.0	195.0	-53.0	Net Long Term Debt Issuance	0.0	-2141.0	258.0
Pretax Income	1018.0	538.0	-38.0	Long Term Debt Payments	0.0	-2141.0	-1706.0
Other Income Expense	-411.0	-434.0	42.0	Long Term Debt Issuance	0.0	0.0	1964.0
Other Non Operating Income Expenses	67.0	nan	19.0	Investing Cash Flow	-800.0	-580.0	-931.0
Special Income Charges	-409.0	-49.0	100.0	Cash Flow From Continuing Investing Activities	-800.0	-580.0	-931.0
Gain On Sale Of Business	25.0	6.0	456.0	Net Other Investing Changes	nan	-67.0	-20.0
Other Special Charges	8.0	-26.0	281.0	Net Investment Purchase And Sale	21.0	145.0	-178.0
Impairment Of Capital Assets	426.0	81.0	20.0	Sale Of Investment	49.0	542.0	23.0
Restructuring And Mergern Acquisition	0.0	0.0	55.0	Purchase Of Investment	-28.0	-397.0	-201.0
Gain On Sale Of Security	-69.0	-385.0	-77.0	Net Business Purchase And Sale	25.0	4.0	-60.0
Net Non Operating Interest Income Expense	-38.0	-217.0	-342.0	Sale Of Business	25.0	4.0	nan
Interest Expense Non Operating	245.0	277.0	351.0	Purchase Of Business	nan	nan	-60.0
Interest Income Non Operating	207.0	60.0	9.0	Capital Expenditure Reported	-846.0	-662.0	-673.0
Operating Income	1467.0	1189.0	262.0	Operating Cash Flow	2690.0	3440.0	3748.0
Operating Expense	9799.0	8821.0	6814.0	Cash Flow From Continuing Operating Activities	2690.0	3440.0	3748.0
Depreciation Amortization Depletion Income Statement	807.0	792.0	814.0	Change In Working Capital	271.0	1261.0	2620.0
Depreciation And Amortization In Income Statement	807.0	792.0	814.0	Change In Other Working Capital	481.0	1475.0	2652.0
Amortization	59.0	88.0	99.0	Change In Payables And Accrued Expense	433.0	569.0	913.0
Amortization Of Intangibles Income Statement	59.0	88.0	99.0	Change In Payable	433.0	569.0	913.0
Depreciation Income Statement	748.0	704.0	715.0	Change In Account Payable	433.0	569.0	913.0
Research And Development	1358.0	1181.0	1074.0	Change In Prepaid Assets	98.0	55.0	-224.0
Selling General And Administration	7634.0	6848.0	4926.0	Change In Receivables	-741.0	-838.0	-721.0
Selling And Marketing Expense	6863.0	6100.0	4221.0	Changes In Account Receivables	-741.0	-838.0	-721.0
General And Administrative Expense	771.0	748.0	705.0	Other Non Cash Items	80.0	23.0	32.0
Other Gand A	153.0	157.0	143.0	Stock Based Compensation	413.0	374.0	418.0
Salaries And Wages	618.0	591.0	562.0	Provisionand Write Offof Assets	nan	23.0	32.0
Gross Profit	11266.0	10010.0	7076.0	Asset Impairment Charge	426.0	81.0	20.0
Cost Of Revenue	1573.0	1657.0	1522.0	Deferred Tax	62.0	70.0	-145.0
Total Revenue	12839.0	11667.0	8598.0	Deferred Income Tax	62.0	70.0	-145.0
Operating Revenue	12839.0	11667.0	8598.0	Depreciation Amortization Depletion	807.0	792.0	814.0

Depreciation And Amortization	807.0	792.0	814.0
Amortization Cash Flow	59.0	88.0	99.0
Amortization Of Intangibles	59.0	88.0	99.0
Depreciation	748.0	704.0	715.0
Operating Gains Losses	-57.0	496.0	-26.0
Earnings Losses From Equity Investments	nan	nan	nan
Gain Loss On Investment Securities	-16.0	423.0	45.0
Net Foreign Currency Exchange Gain Loss	-16.0	128.0	105.0
Gain Loss On Sale Of Business	-25.0	-6.0	-456.0
Net Income From Continuing Operations	688.0	343.0	15.0