

Expedia Group, Inc. (NASDAQ: EXPE)

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Company Overview:

Expedia Group is an online travel agency founded in 1996 and headquartered in Seattle, WA. EXPE leverages its technological platform, consumer brands, and provides solutions to its business partners, to enable travelers to efficiently plan, book, and experience travel. Its three core brands include Brand Expedia, Hotels.com, and Vrbo. In FY24, EXPE reported \$13.6 billion in revenue and a net income of \$1.2 billion. At the time of the pitch, the company traded at a forward P/E ratio of 12.69x with a market capitalization of \$20.7 billion.

Investment Thesis:

We recommend a BUY of EXPE for the following reasons:

- **Growth in Expedia's Vrbo Business:** Vrbo has historically targeted groups interested in booking whole-home rentals in popular beach and mountain destinations. At the end of FY24, EXPE transferred over one million urban properties previously listed under Brand Expedia to Vrbo. This move aimed to increase Vrbo's visibility and appeal. According to Google Play Store data, the Vrbo application experienced a 44% increase in downloads during the second half of FY24 and earned over 12% of its total ratings within that period. Additionally, several hosts have recently reported higher bookings on Vrbo compared to Airbnb. With the introduction of urban listings and increased engagement with the Vrbo application, EXPE is well-positioned to see increased growth for Vrbo.
- **Industry-First Shoppable Storefronts:** Nearly 80% of travelers turn to online platforms for inspiration, and EXPE's Travel Shops bridge the gap between social media and booking. Travel Shops allow users to book travel experiences based on curated recommendations from influencers, celebrities, and content creators. By leveraging this initiative, EXPE taps into the growing influencer marketing industry. Currently, only select influencers, celebrities, and content creators have been invited to create personalized storefronts. However, this feature is set to become available to all users in 2025.
- **Expedia's Air Travel Expansion:** EXPE B2B segment has been a key driver of its growth in recent years. By implementing its B2B solutions, airline partners such as Hawaiian Airlines, Turkish Airlines, and Emirates have achieved double-digit increases in market share and ticket sales. EXPE continues to expand its partnerships, with Southwest Airlines being its most recent addition. These partnerships also enhance EXPE's international presence, as many partner airlines operate global routes, allowing EXPE to capitalize on the growing demand for international air travel.

Competitive Outlook:

EXPE's main competitors include online travel agencies such as Airbnb and Booking.com. Although they operate in the same category, EXPE is the most diversified. Airbnb primarily competes with Expedia's Vrbo, while Booking.com rivals Brand Expedia and Hotels.com. The company's One Key loyalty program enables customers to earn and redeem rewards across its three core brands, fostering customer retention within the EXPE ecosystem. With CEO Ariane Gorin leading One Key's international rollout, EXPE is poised to expand its global market share.

Catalysts:

- **International Rollout of One Key Loyalty Program:** One Key was launched in July 2023, but its international rollout was paused in August 2024 due to unintended impacts on Hotels.com. Currently, the program is available only in the United States and the United Kingdom, with CEO Ariane Gorin overseeing strategic decisions related to its implementation. In these markets, One Key has been highly successful in retaining customers within the EXPE ecosystem, with roughly two-thirds of members using their OneKeyCash to book stays on Vrbo. EXPE is likely to expand the loyalty program in the near future, positioning the company to gain international market share.

Risks and Mitigations:

- **Softening Domestic Travel Demand:** In early March 2025, several airlines lowered their full-year guidance due to weaker travel demand within the United States. Despite its significant domestic presence, EXPE has been steadily increasing its international market share, making it less reliant on U.S. demand. Additionally, strong and growing international travel demand is likely to offset EXPE's potential losses in the domestic market.