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EXPEDIA INC
Form 425
December 17, 2001

Filed by USA Networks, Inc.
Pursuant to Rule 165 and Rule 425
Under the Securities Act of 1933
Subject Company: Expedia, Inc.
Commission File No. 000-27429

SUPPLEMENTAL FINANCIAL INFORMATION

USA INTERACTIVE
REVENUE - OPERATING BUDGET

(PRO FORMA \$ IN MILLIONS)

	2001	2002	2003	'01
OPERATING BUSINESSES				
HSN - US	\$ 1,555	\$ 1,843	\$ 2,070	
HSN - Germany	294	374	450	
Ticketing	578	620	680	
Hotel Reservations	510	700	980	
Expedia (a)	280	360	470	
Precision Response	303	352	440	
Match.com	45	60	80	
SUBTOTAL	3,565	4,309	5,170	
EMERGING BUSINESSES				
Citysearch & related	47	50	70	
HSN - Other International	27	45	60	
ECS/ Styleclick	45	74	117	
SUBTOTAL	119	169	247	
Non-recurring items (d)	0	0	0	
Foreign exchange conversion (b)	(58)	(91)	(110)	
Disengaged HSN homes (c)	108	0	0	
Intersegment elimination	(5)	(10)	(10)	
TOTAL	\$ 3,729	\$ 4,377	\$ 5,297	
BY GROUP -- Operating Businesses				
Electronic Retailing	\$ 1,849	\$ 2,217	\$ 2,520	
Information & Services	1,716	2,092	2,650	
	\$ 3,565	\$ 4,309	\$ 5,170	

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USA INTERACTIVE
EBITDA - OPERATING BUDGET

(PRO FORMA \$ IN MILLIONS)

	2001	2002	2003	'01
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OPERATING BUSINESSES				
HSN - US	\$ 216	\$ 285	\$ 350	
HSN - Germany	12	38	47	
Ticketing	105	125	145	
Hotel Reservations	73	87	120	
Expedia (a)	42	60	85	
Precision Response	37	41	61	
Match.com	14	20	30	
Corporate and other	(33)	(34)	(36)	
	-----	-----	-----	
SUBTOTAL	466	622	802	
EMERGING BUSINESSES				
Citysearch & related	(45)	(30)	(13)	
HSN - Other International	(26)	(20)	(20)	
READ IMPORTANT FOOTNOTES AND DISCLAIMER.				
As furnished to the Securities and Exchange Commission on December 17, 2001. 1				
ECS/ Styleclick	(49)	(19)	(6)	
	-----	-----	-----	
SUBTOTAL	(120)	(69)	(39)	
Non-recurring items (d)	(17)	0	0	
Foreign exchange conversion (b)	(4)	(9)	(11)	
Disengaged HSN homes (c)	15	0	0	
	-----	-----	-----	
TOTAL	\$ 340	\$ 544	\$ 752	
	=====	=====	=====	
BY GROUP -- Operating Businesses				
Electronic Retailing	\$ 228	\$ 323	\$ 397	
Information & Services	272	333	441	
Corporate and other	(33)	(34)	(36)	
	-----	-----	-----	
	\$ 467	\$ 622	\$ 802	
	=====	=====	=====	

(a) EXPEDIA ESTIMATES ARE PRO FORMA FOR USA'S ACQUISITION OF EXPEDIA.

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- (b) TO PRESENT COMPARABLE RESULTS FOR HSN GERMANY, THE RESULTS HAVE BEEN TRANSLATED FROM EUROS TO U.S. DOLLARS AT A CONSTANT EXCHANGE RATE.
- (c) REFLECTS RESULTS GENERATED BY HOMES LOST BY HSN FOLLOWING DISENGAGEMENT OF USA BROADCASTING TO UNIVISION.
- (d) 2001 AND 2000 NON-RECURRING ITEMS REFLECT ONE-TIME INCOME AND EXPENSE ITEMS. FOR 2001, \$17 MILLION OF EXPENSE WAS RECORDED FOR NON-RECURRING COSTS RELATED TO RESTRUCTURING OPERATIONS, EMPLOYEE TERMINATIONS, AND BENEFITS. FOR 2000, \$6 MILLION OF EXPENSE RELATES TO ONE-TIME EXPENSES OF THE TICKETMASTER AND TMCS MERGER, AN EXECUTIVE CONSULTING ARRANGEMENT AS PART OF A RESIGNATION AGREEMENT, OFFSET BY A ONE-TIME CREDIT RECOGNIZED BY HSN IN CONNECTION WITH A FAVORABLE SETTLEMENT.

USA INTERACTIVE
IMPLIED VALUE OF HSN, PRC, ECS

(ALL FIGURES ASSUME COMPLETION OF THE EXPEDIA TRANSACTION)
(\$ IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

PRO FORMA SHARE PRICE		-----		\$ 24.00		-----		\$
Pro Forma shares outstanding calculation (using treasury dilution method)								
Shares outstanding prior to transaction				804.6				
Shares retired				(320.9)				
Shares underlying Partnership Series B Preferred				(56.6)				
Dilution from new warrants issued to VU				--				

PRO FORMA SHARES OUTSTANDING				427.1				
Market Capitalization				\$ 10,251				\$
Net debt prior to transaction (a)				56				

ENTERPRISE VALUE				\$ 10,307				\$
PUBLIC COMPANY VALUES								
	PRICE (b)		SHARES		VALUE			
	-----		-----		-----			
Ticketmaster	\$ 16.16		95.5		1,543			
HRN	\$ 38.23		39.0		1,491			
Expedia	\$ 36.76		37.5		1,379			
	-----		-----		-----			
					\$ 4,413			\$
SECURITIES RECEIVED IN TRANSACTION:								
Cash from partnership distribution					1,619			
Series A Preferred					750			
5.4% Partnership Interest (c)					1,000			

					\$ 3,369			\$
VALUE OF PUBLIC SUBSIDIARIES AND SECURITIES					\$ 7,781			\$
IMPLIED VALUE OF HSN, PRC AND ECS					\$ 2,526			\$

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2002 EBITDA Multiple (d)	\$	364		6.9 x
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- (a) INCLUDES FACE VALUE OF PREFERRED STOCK TO BE ISSUED AS PART OF EXPEDIA TRANSACTION.
- (b) CLOSING PRICES AS OF 12/14/01.
- (c) THE VALUE OF USAI'S INTEREST IN THE PARTNERSHIP IS BASED ON AN ASSUMED \$22 BILLION PRIVATE MARKET VALUE FOR THE ASSETS.
- (d) INCLUDES CONSOLIDATED EBITDA FROM HSN GERMANY. DOES NOT INCLUDE EMERGING BUSINESSES.

USA INTERACTIVE
TRANSACTION VALUE BUILDUP

(ALL FIGURES ASSUME COMPLETION OF THE EXPEDIA TRANSACTION)
(\$ IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

TRANSACTION VALUE	SHARES	PRICE	VALUE
Shares retired	320.9	\$ 22.00	\$ 7,059
Shares underlying preferred (a)	56.6	22.00	1,245
TOTAL SHARES RETIRED	377.5	\$ 22.00	8,304
Cash from partnership distribution			1,619
Series A Preferred			750
5.4% Partnership Interest (b)			1,000
			\$ 3,369
TOTAL VALUE RECEIVED			\$ 11,673

WARRANTS ISSUED TO VU	WARRANTS	EXERCISE PRICE
	24.2	\$ 27.50
	24.2	32.50
	12.1	37.50
	56.6 (a)	40.82
	117.1	\$ 36.01

DILUTION AT VARIOUS SHARE PRICES (c)	SHARES	DILUTION
	\$ 30.00	0.5%
	40.00	2.9%
	50.00	7.1%
	75.00	12.5%
	100.00	14.9%

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- (a) THE \$1.75 BILLION FACE VALUE SERIES B PREFERRED IS CONVERTIBLE INTO A MAXIMUM OF 56.6 USAI SHARES AT MATURITY. WE BELIEVE THAT THE BEST WAY TO LOOK AT THE STOCK PORTION OF THIS SECURITY IS TO TREAT 56.6 SHARES AS RETIRED AND CREDIT VU WITH AN ADDITIONAL 56.6 WARRANTS WITH A \$40.82 EXERCISE PRICE.
- (b) THE VALUE OF USAI'S INTEREST IN THE PARTNERSHIP IS BASED ON AN ASSUMED \$22 BILLION PRIVATE MARKET VALUE FOR THE ASSETS.
- (c) REPRESENTS ADDITIONAL DILUTION OF USAI SHAREHOLDERS AS A RESULT OF THE WARRANTS ISSUED TO VU AT VARIOUS USAI SHARE PRICES.

USA INTERACTIVE IMPLIED SHARE PRICE

(ALL FIGURES ASSUME COMPLETION OF THE EXPEDIA TRANSACTION)
(\$ IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

Pro Forma 2003 EBITDA - Operating Businesses	\$	802	\$	802	\$	802
EBITDA Multiple		9.2 x		12.1 x		15.0 x
		-----		-----		-----
					3	
ENTERPRISE VALUE	\$	7,370	\$	9,732	\$	12,030
Net debt (a)		(56)		(56)		(56)
Cash from partnership distribution		1,619		1,619		1,619
Series A Preferred		750		750		750
5.4% Partnership Interest (b)		1,000		1,000		1,000
		-----		-----		-----
IMPLIED MARKET CAPITALIZATION	\$	10,683	\$	13,045	\$	15,343
Pro Forma shares outstanding (treasury method)		427.4		434.9		443.0
IMPLIED PRICE PER SHARE	\$	25.00	\$	30.00	\$	34.64
		=====		=====		=====

- (a) INCLUDES FACE VALUE OF PREFERRED STOCK TO BE ISSUED AS PART OF EXPEDIA TRANSACTION.
- (b) THE VALUE OF USAI'S INTEREST IN THE PARTNERSHIP IS BASED ON AN ASSUMED \$22 BILLION PRIVATE MARKET VALUE FOR THE ASSETS.

USA INTERACTIVE TOTAL CAPACITY AND LIQUIDITY

(ALL FIGURES ASSUME COMPLETION OF THE EXPEDIA TRANSACTION)
(\$ IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

DEBT CAPACITY FROM OPERATIONS \$ 1,200 (a)

Cash and cash equivalents on balance sheet:

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Cash on balance sheet, net of debt outstanding (b)	600
Cash from partnership distribution	1,619
Series A Preferred (c)	750

TOTAL CASH EQUIVALENTS ON BALANCE SHEET	\$ 2,969

TOTAL LIQUIDITY	\$ 4,169
	=====

- (a) BORROWING CAPACITY BASED ON NOT HAVING DEBT EXCEED 2 TIMES OPERATING EBITDA.
- (b) DOES NOT INCLUDE EXPEDIA PREFERRED, WHICH IS CONVERTIBLE EQUITY INSTRUMENT.
- (c) USA INTERACTIVE BELIEVES IT WILL BE ABLE TO MONETIZE THE PREFERRED AT FULL FACE VALUE.

IMPORTANT

This presentation contains forward looking statements relating to possible or assumed future results of USAi. It reflects the current views of USAi with respect to future events, and is subject to risks that could cause future results to materially differ. These risks are described in USAi's Securities and Exchange Commission filings. Information contained herein about entities other than USAi has been obtained from sources believed to be reliable, but no independent verification has been made and no representation is made as to its accuracy or completeness. Any statements non-factual in nature constitute current opinions, which are subject to change without notice. The forward looking statements and opinions in this presentation are made as of the date of this presentation, and USAi undertakes no obligation to update or revise them for any reason. These statements do not include the potential impact of any mergers, acquisitions or other business combinations that may be completed in the future other than previously announced pending acquisitions. This presentation reflects estimates that USAi is comfortable releasing to analysts and the public as of the date hereof.

USA Networks, Inc. ("USA") and Expedia, Inc. ("Expedia") have filed a joint prospectus/proxy statement and will file other relevant documents concerning USA's acquisition of Expedia with the Securities and Exchange Commission ("SEC"). INVESTORS ARE URGED TO READ THE JOINT PROSPECTUS/PROXY AND INFORMATION STATEMENT AND ANY OTHER RELEVANT DOCUMENTS FILED OR TO BE FILED IN THE FUTURE WITH THE SEC BECAUSE THOSE DOCUMENTS CONTAIN IMPORTANT INFORMATION. Investors will be able to obtain such documents free of charge at the SEC's website at www.sec.gov. In addition, such documents may also be obtained free of charge by contacting USA Networks, Inc., 152 West 57th Street, New York, New York, 10019, Attention: Investor Relations, or Expedia, Inc., 13810 SE Eastgate Way, Suite 400, Bellevue, WA 98005, Attention: Investor Relations.

USA will file a proxy statement and other relevant documents concerning USA's contribution of its Entertainment Group to a joint venture with Vivendi Universal with the Securities and Exchange Commission ("SEC"). INVESTORS ARE URGED TO READ THE PROXY STATEMENT AND ANY OTHER RELEVANT DOCUMENTS FILED OR TO BE FILED IN THE FUTURE WITH THE SEC BECAUSE THOSE DOCUMENTS CONTAIN IMPORTANT INFORMATION. Investors will be able to obtain such documents free of charge at the SEC's website at www.sec.gov. In addition, such documents may also be obtained free of charge by contacting USA Networks, Inc., 152 West 57th Street, New York, New York, 10019, Attention: Investor Relations.

USA and its directors and officers may be deemed to be participants in the solicitation of proxies from USA shareholders to adopt the agreement providing for USA's contribution of its Entertainment Group to a joint venture with

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Vivendi Universal. A detailed list of the names and interests of USA's directors and executive officers is contained in the definitive proxy statement on Schedule 14A filed by USA with the SEC on April 9, 2001. Copies of USA filings may be obtained free of charge at the SEC's website at www.sec.gov.