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HOTELS COM
Form 425
April 30, 2003

Filed by USA Interactive
Pursuant to Rule 425 Under the Securities Act of 1933
Subject Company: Hotels.com
Commission File No.: 000-29575

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[USA INTERACTIVE LOGO]

Prepared 4/30/03 - Read important disclaimer(s)

[USA INTERACTIVE LOGO]

History

[CHART]

Reflects transactions as of dates of announcement.

Inflection #1: Primitive Interactivity

[CHART]

Reflects transactions as of dates of announcement.

Inflection #2: Traditional Media

[CHART]

Reflects transactions as of dates of announcement.

The Shift Towards Transactions

REVENUE THROUGH THE SCREEN

1995

[CHART]

2000

[CHART]

2005

[CHART]

| | | | | | | |
|----------------------|----|------------------|----|-------------------|----|--------------------|
| Transactions: | \$ | 5 Billion | \$ | 64 Billion | \$ | 200 Billion |
| Total: | \$ | 47 Billion | \$ | 146 Billion | \$ | 316 Billion |

Revenues through the screen represent consumer related interactive transactions through television and the personal computer compiled as of 1/29/02. Includes financial services and online classifieds Compiled estimates per MSDW, Jupiter, Shop.org, McCann Erickson, Zenith Media, Paul Kagan, Prudential, Furman Selz, PaineWebber, SSB, and Forrester.

Inflection #3: Expedia; Exit Media

[CHART]

Reflects transactions as of dates of announcement.

Nearly Doubled our Bet on Expedia

Pre-VUE(a)
800 mm shares × \$21
= \$17 Billion

[CHART]

Post-VUE(a)
420 mm shares × \$21
= \$9 Billion

[CHART]

(a) Based on average closing price of 2-month trading period prior to Vivendi transaction announcement date of 12/17/01.

Value split between interactive and media for 2000 based on operating EBITDA contribution from interactive vs. media assets. All share counts and prices are approximated.

Inflection #4: Simplification

[CHART]

Reflects transactions as of dates of announcement.

Quadrupled our Bet on Expedia

Pre-VUE(a)
800 mm shares × \$21
= \$17 Billion

[CHART]

Post-VUE(a)
420 mm shares × \$21
= \$9 Billion

[CHART]

Today(b)
700 mm shares × \$29
= \$20 Billion

[CHART]

(a) Based on average closing price of 2-month trading period prior to Vivendi transaction announcement date of 12/17/01.

(b) Pro Forma for pending Expedia and Hotels.com mergers.

Value split between interactive and media for 2000 based on operating EBITDA contribution from interactive vs. media assets. All share counts and prices are approximated.

Quintupled our Bet on Travel

Pre-VUE(a)
800 mm shares × \$21
= \$17 Billion

[CHART]

Post-VUE(a)
420 mm shares × \$21
= \$9 Billion

[CHART]

Today(b)
700 mm shares × \$29
= \$20 Billion

[CHART]

(a) Based on average closing price of 2-month trading period prior to Vivendi transaction announcement date of 12/17/01.

(b) Pro Forma for pending Expedia and Hotels.com mergers.

Value split between interactive and media for 2000 based on operating EBITDA contribution from interactive vs. media assets. All share counts and prices are approximated.

Scorecard

Pre-VUE

2000:

| | | |
|-------------------|----|-------------|
| Shares O/S | | 800million |
| Stock Price | \$ | 21.00 |
| Market Cap | \$ | 17billion |
| Net Cash & Equiv. | \$ | (56)million |
| Revenue | \$ | 4.6billion |
| Free Cash Flow | \$ | (39)million |
| EBITA (Operating) | \$ | 848million |
| CAGR 99 01 | | 14% |

Today

2003B:

| | | |
|-------------------|----|------------|
| Shares O/S | | 700million |
| Stock Price | \$ | 29.00 |
| Market Cap | \$ | 20billion |
| Net Cash & Equiv. | \$ | 3.9billion |
| Revenue | \$ | 6.0billion |
| Free Cash Flow | \$ | 811million |
| EBITA (Total) | \$ | 751million |
| CAGR 01 03 | | 97% |

Note: 2000 results actual.

Strategic Priorities

[CHART]

Today: 8% of Interactive Commerce

[CHART]

Total = \$125 billion GTV (U.S. 2002 est.)

Source: Forrester, CSFB and other Wall Street analyst estimates. Interactive commerce is defined as gross transactions through the TV and PC. Gross transactions for financial services is defined as revenue.

Current Verticals

[CHART]

In ~ 50% of Categories

Source: Forrester, CSFB and other Wall Street analyst estimates.

Potential Verticals

[CHART]

In ~ 75% of Categories

Source: Forrester, CSFB and other Wall Street analyst estimates.

Today: #10 in Online Reach

COMBINED HOME / WORK UNIQUE VISITORS
March 2003, in millions

[CHART]

Data for USA is from a comScore Media Metrix unranked custom entity report defined by USA, representing combined home / work unduplicated reach for all of USA's subsidiaries, and is compared to the comScore Media Metrix Top 100 Properties list. Data for other companies is per comScore Media Metrix's Top 100 Properties report.

How to Reach #4?

Grow existing brands

New brands

New verticals

Add traffic

Portal-like

Communities

[CHART]

Data for USA is from a comScore Media Metrix unranked custom entity report defined by USA, representing combined home/work unduplicated reach for all of USA's subsidiaries, and is compared to the comScore Media Metrix Top 100 Properties list. Data for other companies is per comScore Media Metrix's Top 100 Properties report.

Scale & Infrastructure

| | |
|---------------------------------|------------|
| Unique online users (U.S.) | 34million |
| Worldwide television households | 175million |
| Active customers | 25million |
| Customer database | 90million |
| | |
| Inbound phone minutes | 800billion |
| Inbound phone calls | 150billion |
| Orders processed | 110million |
| Items shipped | 45million |

Active customers assumes 25% duplication across USA brands

Financial Highlights

\$ in millions. Pro forma adjusted.

| | 2001 | | 2002 | | 2003B | CAGR | |
|----------------------------|------|-------|------|--------|-------|------|-----|
| Gross Transactions Revenue | \$ | 9,033 | \$ | 12,903 | N/A | N/A | |
| Gross Profit | | 3,766 | | 4,657 | 6,008 | 26% | |
| Operating Expenses (a) | | 1,341 | | 1,834 | 2,617 | 40% | |
| Operating Income | | 1,431 | | 1,684 | 2,268 | 26% | |
| EBITA | | (90) | | 150 | 348 | NM | |
| Adjusted EPS | \$ | 0.24 | \$ | 0.45 | \$ | 0.75 | 97% |
| | | | | | | | 77% |

(a) Not including one-time items of \$26 million and \$121 million in 2001 and 2002, respectively.

Source: USA 2003 budget released on 2/6/03.

Strong Balance Sheet

\$ in millions, as of December 31, 2002. Pro forma for recent and pending transactions.

[CHART]

As adjusted as of 12/31/02. Pro forma for EPI transaction, Liberty pre-emptive and Hotels.com share buy backs. Excludes cash due to clients at Ticketmaster.

Putting Our Cash to Work next 12-18 months

Conservative reserve ~ \$1- \$2 billion

Organic growth

Interactive development

Acquisitions

Shrink capital structure

Shareholder Value Creation

[CHART]

Perspective vs. Tier 1 Interactive

\$ in millions

OPERATING METRICS

| | | 2002 Gross Transaction Value | | 2003E Revenue | | 2003E Free Cash Flow | | 2003E EBITA | | Net Cash |
|--------|-------|---------------------------------------|-------|------------------|-------|-------------------------|------|----------------|------|-------------|
| USA | #2 \$ | 12,903 | #1 \$ | 6,008 | #1 \$ | 811 | #1\$ | 751 | #1\$ | 3,944(a) |
| eBay | | 14,868 | | 2,050 | | 508 | | 646 | | 1,538 |
| Amazon | | 3,933 | | 4,655 | | 257 | | 256 | | (990) |
| Yahoo | | N/A | | 1,320 | | 327 | | 303 | | 774 |

(a) Includes VUE securities.

USA data per USA 2003 budget released on 2/6/03. eBay per Morgan Stanley research dated 4/23/03. Amazon per JP Morgan research dated 4/9/03. Yahoo per Thomas Weisel research dated 4/10/03.

Perspective vs. Tier 1 Interactive

TRADING METRICS

| | Price | 2003E Adjusted EPS | P/AEPS | Growth 02-03 | PEG |
|--------|----------|--------------------------|--------|-----------------|------|
| USA | \$ 28.00 | \$ 0.75 | 37x | 67% | 0.6x |
| eBay | \$ 94.00 | \$ 1.42 | 66x | 65% | 1.0x |
| Amazon | \$ 26.00 | \$ 0.33 | 79x | 94% | 0.8x |
| Yahoo | \$ 26.00 | \$ 0.55 | 47x | 53% | 0.9x |

USA data per USA 2003 budget released on 2/6/03. eBay per Morgan Stanley research dated 4/23/03. Amazon per JP Morgan research dated 4/9/03. Yahoo per Thomas Weisel research dated 4/10/03. Adjusted EPS for Yahoo represents After-Tax Cash Flow.

Diverse Growth Areas

| | Long Term EBITA Goal |
|-------------------|---------------------------------|
| TRAVEL | 40%+ |
| PERSONALS | 40%+ |
| LOCAL | 40%+ High Growth |
| New Vertical #1 | 40%+ |
| New Vertical #2 | 40%+ |
| TICKETING | 20%+ Good Growth |
| ELECTRONIC RETAIL | 20%+ |

Travel Services

[PICTURE]

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EBITA Travel Services

\$ in millions.

[CHART]

Source: USA 2003 budget released on February 6, 2003 and other SEC filings. Shaded areas represent Interval, which closed on 9/24/02.

#1 in Online Travel - Gross Bookings U.S.

\$ in millions.

[CHART]

Source: Company reports, Expedia estimates.

ROOM figure is gross sales as ROOM does not report gross bookings.

#1 in Online Hotel Rooms

[CHART]

Sources: Smith Travel Research, Travelclick and Thomas Weisel Partners LLC estimates.

Electronic Retailing

[PICTURE]

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EBITA - Electronic Retailing

\$ in millions.

[CHART]

Source: USA 2003 budget released on February 6, 2003 and other SEC filings.

EBITA - Electronic Retailing

\$ in millions.

HSN U.S.

[CHART]

HSN International & Other

[CHART]

Source: USA 2003 budget released on February 6, 2003 and other SEC filings.

Gross Profit HSN U.S.

[CHART]

Source: USA SEC filings.

Product Mix HSN U.S.

| | 2001 | 2002 | Gross Profit |
|-----------------------|------|------|--------------|
| Home & Licensing | 38% | 31% | 20-30% |
| Home Fashions | 4% | 7% | 30-40% |
| Jewelry | 25% | 25% | 40-50% |
| Health / Beauty | 19% | 23% | 40-50% |
| Apparel / Accessories | 14% | 14% | 30-40% |

Source: USA SEC filings and HSN estimates.

HSN.com Trajectory

\$ in millions

[CHART]

Sources: USA estimates.

Information & Services

[PICTURE]

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EBITA Information & Services

\$ in millions.

[CHART]

Source: USA 2003 budget released on 2/6/03. Shaded area represents EPI, which closed on 3/25/03.

Ticketmaster: A Growth Company

\$ in millions

Financial Growth

EBITA CAGR = 27%

Revenue CAGR = 9%

[CHART]

New Technologies

Ticket Fast
Box Office Solutions
Group Manager
Account Manager
Team Exchange
Loyalty Manager
Ticket Alerts
Mail Managers
Targeted
Offers/Discounts/Bundles
Dynamic Pricing
Yield Management
Ticket Exchange

Source: USA filings.

Match: Category Leader

\$ in millions

Financial Growth

EBITA CAGR = 93%

Revenue CAGR = 59%

[CHART]

Strong Brand

8MM users

30 Sites in 15 Languages

360% subscriber growth since 12/00

Significant marketing investment

Introducing voice and video technologies

Source: USA filings.

Match Subscriber Growth

in thousands

[CHART]

Source: USA SEC filings.

Local is a Huge Opportunity

[CITYSEARCH LOGO]

Impression Based

Local \$90 Billion+

[VERIZON LOGO] [CHICAGO TRIBUNE LOGO]

National \$100 Billion+

[ABC LOGO] [LOGO]

Pay for Performance

Local ??????????

[CITYSEARCH LOGO]

National \$1.4 Billion

[GOOGLE LOGO] [OVERTURE LOGO]

Source: Salomon Smith Barney 2002, The Internet Search Market and Kelsey Group Custom Research.

Size of the Opportunity

[ENTERTAINMENT LOGO]

COUPONING \$180 BILLION = 80% of US Households Use Coupons

[CHART]

Today:

Distribution: 50,000 schools / community groups

Direct relationship with only 12% of members

\$10B total annual merchant sales

Avg. member redeems 25+ offers/year

Avg. merchant receives 2-3K/year

Electronic Discount Program Will:

Add web distribution via USA and portals

Increase registrations, renewals, subscriptions

Enable EPI to capture % of transaction

~\$300 million opportunity

Pie chart depicts US households. Source: NCH NuWorld Marketing and AVISO Inc.; Ticketmaster internal estimates.

EPI & Citysearch

[PICTURE]

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EPI & Expedia

[PICTURE]

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Why we've Grown

Opportunism

Conservatism

Embrace change

Focus on process

Entrepreneurial spirit

Excellent management

Important

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include statements relating to USA's anticipated financial performance, business prospects, new developments, new merchandising strategies and similar matters, and/or statements preceded by, followed by or that include the words believes, could, expects, anticipates, estimates, intends, plans, projects, seeks, or similar expressions. These forward-looking statements are necessarily estimates reflecting the best judgment of USA's senior management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. These forward-looking statements are subject to risks, uncertainties and assumptions that could have a material adverse effect on USA's business, financial condition or results of operations. You should understand that the following important factors could affect USA's future results and could cause those results to differ materially from those expressed in the forward-looking statements: (1) the risk that USA's and Expedia's businesses and/or USA's and Hotels.com's businesses will not be integrated successfully; (2) costs related to the proposed transactions; (3) material adverse changes in economic conditions generally or in such conditions affecting USA's markets or industries; (4) future regulatory and legislative actions and conditions affecting USA's operating areas; (5) competition from others; (6) successful integration of our divisions' management structures; (7) product demand and market acceptance; (8) the ability to protect proprietary information and technology or to obtain necessary licenses on commercially reasonable terms; (9) the ability to maintain the integrity of USA's systems and infrastructure; (10) the ability to expand into and successfully operate in foreign markets; (11) obtaining and retaining skilled workers and key executives, (12) acts of terrorism; and (13) war or political instability. In addition, investors should consider the other information contained in or incorporated by reference into USA's filings with the U.S. Securities and Exchange Commission (the SEC), including its Annual Report on Form 10-K for the fiscal year ended 2002, especially in the Risk Factors and the Management's Discussion and Analysis sections, and its Current Reports on Form 8-K. Other unknown or unpredictable factors also could have material adverse effects on USA's future results, performance or achievements. In light of these risks, uncertainties, assumptions and factors, the forward-looking events discussed in this press release may not occur. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date stated, or if no date is stated, as of the date of this press release.

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In connection with the proposed merger transactions with Expedia and Hotels, USA Interactive and Expedia will file a proxy and information statement/prospectus and USA Interactive and Hotels.com will file an Information Statement/Prospectus, in each case with the Securities and Exchange Commission. Investors and security holders are urged to read carefully these documents regarding the proposed transactions when they become available, because they will contain important information. Investors and security holders may obtain a free copy of these documents (when each is available) and other documents containing information about USA Interactive, Expedia, Inc. and Hotels.com, without charge, at the SEC's web site at <http://www.sec.gov>. Free copies of USA Interactive's filings may be obtained by directing a request to USA Interactive, 152 West 57th Street, New York, New York, 10019, Attention: Investor Relations, free copies of Expedia's filings may be obtained by directing a request to Expedia, Inc. 13810 SE Eastgate Way, Suite 400, Bellevue, Washington 98005, Attention: Investor Relations, and free copies of Hotels.com's filings may be obtained by directing a request to Hotels.com, 8140 Walnut Hill Lane, Suite 203, Dallas, TX 75231, Attention: Investor Relations.

This presentation refers to budgeted data from the USA 2003 budget released on February 6, 2003. The budgeted data is as of February 6, 2003 and is not being updated or confirmed as of the date hereof. Pro forma financial information includes the results from Expedia as of January 1, 2001, and is pro forma for the exchange of Holdco shares by Liberty, the Vivendi transaction and the Ticketmaster merger as if they had occurred on January 1, 2001.

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EBITA is defined as defined as operating income plus amortization of (1) non-cash compensation, (2) non-cash distribution and marketing and (3) other intangibles (and goodwill in 2001), (4) non-recurring items and (5) HSN disengagement costs. Adjusted Net Income generally captures all income statement items that have been, or will ultimately be, settled in cash and is defined as net income available to common shareholders plus: (1) amortization of non-cash distribution and marketing expense, (2) amortization of non-cash compensation expense, (3) amortization of intangibles (and goodwill in 2001), net of related tax and minority interest expense, (4) equity income or loss from USA's 5.44% interest in VUE, and (5) non-recurring items and / or restructuring charges. Adjusted EPS is defined as Adjusted Net Income divided by fully diluted shares outstanding for Adjusted EPS purposes For reconciliations from non-GAAP to GAAP metrics, please refer to www.usainteractive.com.

[USA INTERACTIVE LOGO]

*Engaging worldwide in the business of interactivity
via the Internet, the television and the telephone.*