

**HOTWIRE:
PRIVATE EQUITY FIRM SCORES
WITH DISCOUNT TRAVEL WEBSITE**

Start-up Taps Experience, Commitment, and Access to Capital

In January 2000, the global private equity investment firm Texas Pacific Group (now TPG) launched Hotwire, a discount travel Website, with a \$75 million initial investment. At the time, TPG saw a market opportunity because of the then-relatively low online penetration by the travel industry, despite the fact that consumer spending on the internet was increasing exponentially. TPG saw a promising business with low processing costs and the potential for sharp growth in online sales of discounted airline tickets, hotel rooms, car rentals, and vacation packages.

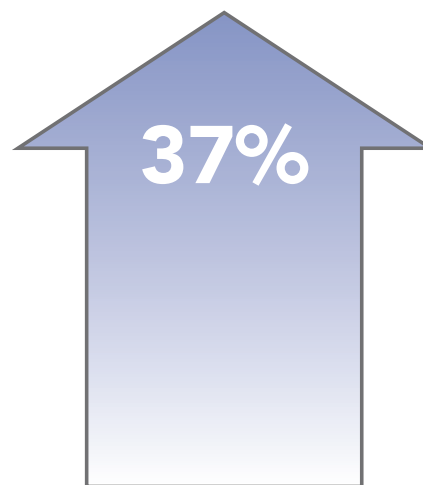
Though Hotwire competed against a larger, more well-known, and better-capitalized player (Priceline.com), the startup quickly gained on its competition thanks to TPG’s significant financial investment, extensive industry relationships, and business expertise.

Spot-on Execution

With many investments in airline and technology companies, TPG quickly pulled together a consortium of seasoned industry players to manage Hotwire. In addition, the private equity firm struck partnerships with hotels, rental car companies, and six major airline carriers — American Airlines, America West, Continental, Northwest, United, and U.S. Airways — to offer last-minute, unsold or unused inventory at significant savings.

The management team created a superior product that enabled consumers to purchase options — a far easier process than the competitor’s difficult, time-consuming auction process. With an eye toward controlling costs, Hotwire soon started scoring results. Since competitors had already stoked the appetite for online travel transactions, Hotwire was able to save on marketing costs. With only 180 employees, Hotwire sold more than \$1.3 billion in travel offerings in five million transactions during its early years. Annualized EBITDA (earnings before interest, taxes, depreciation and amortizations) increased by about \$37 million from 2002 to 2003.

Annualized EBITDA
(Earnings Before Interest,
Taxes, Depreciation
and Amortizations)



2002 – 2003

Weathering Crises

TPG stood ready to back Hotwire during hard times. The travel business suffered significant slumps in the early 2000s due to the terrorist attacks of September 11, 2001, the SARS scare and the outbreak of war in Iraq. Committed to long-term investment, TPG invested more capital in Hotwire, which quickly paid off.

By 2003, Hotwire achieved two more milestones by matching the airline travel volume of its largest competitor and achieving bottom line profitability. Late that same year, TPG sold Hotwire to Barry Diller's InterActivCorp for \$685 million in one of the most successful sales of an Internet business up to that time.

Today, Hotwire.com is a wholly owned subsidiary of Expedia, Inc., which is traded on the New York Stock Exchange (EXPE). Hotwire earned J.D. Power and Associates' "Highest Customer Satisfaction for Independent Travel Web Sites" in 2006, while continuing to broaden its product offerings. In particular, Hotwire ranked first among users of independent travel Web sites on the qualities they most cared about: price and ease of booking.

Outlook: Hotwire is a leading travel site

TPG created an exciting business by leveraging its deep understanding of the travel and tourism industries, installing top-notch managers, creating a winning strategy, and standing by its investment during times of crisis. Hotwire is expected to continue on its current trajectory as a profitable Internet business.