UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2021
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________
Commission File Number: 001-37429

EXPEDIA GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware	**20-2705720**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

1111 Expedia Group Way W.
Seattle, WA 98119
(Address of principal executive office) (Zip Code)
(206) 481-7200
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common stock, $0.0001 par value	EXPE	The Nasdaq Global Select Market
Expedia Group, Inc. 2.500% Senior Notes due 2022	EXPE22	New York Stock Exchange

The number of shares outstanding of each of the registrant's classes of common stock as of October 22, 2021 was:

Common stock, $0.0001 par value per share	146,004,186	shares
Class B common stock, $0.0001 par value per share	5,523,452	shares

Expedia Group, Inc.

Form 10-Q

For the Quarter Ended September 30, 2021

Contents

Part I. Item 1. Consolidated Financial Statements

EXPEDIA GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except share and per share data)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Revenue	$ 2,962	$ 1,504	$ 6,319	$ 4,279
Costs and expenses:				
Cost of revenue (exclusive of depreciation and amortization shown separately below) (1)	442	363	1,127	1,373
Selling and marketing (1)	1,314	525	3,177	2,021
Technology and content (1)	277	242	800	828
General and administrative (1)	182	132	522	466
Depreciation and amortization	201	220	615	681
Impairment of goodwill	—	14	—	799
Impairment of intangible assets	—	41	—	172
Legal reserves, occupancy tax and other	10	2	1	(11)
Restructuring and related reorganization charges	12	78	54	206
Operating income (loss)	524	(113)	23	(2,256)
Other income (expense):				
Interest income	2	3	5	16
Interest expense	(86)	(113)	(267)	(258)
Loss on debt extinguishment	—	—	(280)	—
Other, net	25	(1)	10	(158)
Total other expense, net	(59)	(111)	(532)	(400)
Income (loss) before income taxes	465	(224)	(509)	(2,656)
Provision for income taxes	(87)	24	129	319
Net income (loss)	378	(200)	(380)	(2,337)
Net (income) loss attributable to non-controlling interests	(2)	8	6	108
Net income (loss) attributable to Expedia Group, Inc.	376	(192)	(374)	(2,229)
Preferred stock dividend	(14)	(29)	(64)	(46)
Loss on redemption of preferred stock	—	—	(107)	—
Net income (loss) attributable to Expedia Group, Inc. common stockholders	$ 362	$ (221)	$ (545)	$ (2,275)
Earnings (loss) per share attributable to Expedia Group, Inc. available to common stockholders				
Basic	$ 2.40	$ (1.56)	$ (3.67)	$ (16.13)
Diluted	2.26	(1.56)	(3.67)	(16.13)
Shares used in computing earnings (loss) per share (000's):				
Basic	151,019	141,306	148,453	141,068
Diluted	160,460	141,306	148,453	141,068

(1) Includes stock-based compensation as follows:				
Cost of revenue	$ 6	$ 3	$ 17	$ 9
Selling and marketing	29	12	78	37
Technology and content	32	15	91	53
General and administrative	49	17	133	57

See accompanying notes.

EXPEDIA GROUP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In millions)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Net income (loss)	$ 378	$ (200)	$ (380)	$ (2,337)
Currency translation adjustments, net of tax[(1)]	(44)	48	(62)	(8)
Comprehensive income (loss)	334	(152)	(442)	(2,345)
Less: Comprehensive income (loss) attributable to non-controlling interests	(7)	6	(25)	(94)
Less: Preferred stock dividend	14	29	64	46
Less: Loss on redemption of preferred stock	—	—	107	—
Comprehensive income (loss) attributable to Expedia Group, Inc. common stockholders	$ 327	$ (187)	$ (588)	$ (2,297)

(1) Currency translation adjustments include tax expense of $5 million and $11 million associated with net investment hedges for the three and nine months ended September 30, 2021 and tax benefit of $7 million and $8 million for the three and nine months ended September 30, 2020.

See accompanying notes.

EXPEDIA GROUP, INC.
CONSOLIDATED BALANCE SHEETS
(In millions, except number of shares, which are reflected in thousands, and par value)

	September 30, 2021 (Unaudited)	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,031	$ 3,363
Restricted cash and cash equivalents	1,587	772
Short-term investments	—	24
Accounts receivable, net of allowance of $81 and $101	1,485	701
Income taxes receivable	102	120
Prepaid expenses and other current assets	838	654
Total current assets	9,043	5,634
Property and equipment, net	2,264	2,257
Operating lease right-of-use assets	441	574
Long-term investments and other assets	655	671
Deferred income taxes	798	659
Intangible assets, net	1,425	1,515
Goodwill	7,318	7,380
TOTAL ASSETS	$ 21,944	$ 18,690
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable, merchant	$ 1,264	$ 602
Accounts payable, other	769	496
Deferred merchant bookings	5,844	3,107
Deferred revenue	161	172
Income taxes payable	45	50
Accrued expenses and other current liabilities	915	979
Current maturities of long-term debt	753	—
Total current liabilities	9,751	5,406
Long-term debt, excluding current maturities	7,712	8,216
Deferred income taxes	55	67
Operating lease liabilities	386	513
Other long-term liabilities	438	462
Commitments and contingencies		
Series A Preferred Stock: $.001 par value, Authorized shares: 100,000; Shares issued and outstanding: 600 and 1,200	511	1,022
Stockholders' equity:		
Common stock: $.0001 par value; Authorized shares: 1,600,000	—	—
Shares issued: 270,117 and 261,564; Shares outstanding: 145,924 and 138,074		
Class B common stock: $.0001 par value; Authorized shares: 400,000	—	—
Shares issued: 12,800 and 12,800; Shares outstanding: 5,523 and 5,523		
Additional paid-in capital	14,176	13,566
Treasury stock - Common stock and Class B, at cost; Shares 131,470 and 130,767	(10,205)	(10,097)
Retained earnings (deficit)	(2,147)	(1,781)
Accumulated other comprehensive income (loss)	(221)	(178)
Total Expedia Group, Inc. stockholders' equity	1,603	1,510
Non-redeemable non-controlling interests	1,488	1,494
Total stockholders' equity	3,091	3,004
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 21,944	$ 18,690

See accompanying notes.

EXPEDIA GROUP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In millions, except share and per share data)
(Unaudited)

Three months ended September 30, 2020	Common stock		Class B common stock		Additional paid-in capital	Treasury stock - Common and Class B		Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Non-redeemable non-controlling interest	Total
	Shares	Amount	Shares	Amount		Shares	Amount				
Balance as of June 30, 2020	259,084,932	$ —	12,799,999	$ —	$ 13,300	130,670,373	$ (10,087)	$ (1,206)	$ (273)	$ 1,469	$ 3,203
Net income (loss)								(192)		(8)	(200)
Other comprehensive income (loss), net of taxes									34	14	48
Proceeds from exercise of equity instruments and employee stock purchase plans	264,728	—			9						9
Treasury stock activity related to vesting of equity instruments						49,640	(5)				(5)
Other changes in ownership of non-controlling interests					(2)					5	3
Stock-based compensation expense					55						55
Other					(1)	—					(1)
Balance as of September 30, 2020	259,349,660	$ —	12,799,999	$ —	$ 13,361	130,720,013	$ (10,092)	$ (1,398)	$ (239)	$ 1,480	$ 3,112

Nine months ended September 30, 2020	Common stock		Class B common stock		Additional paid-in capital	Treasury stock - Common and Class B		Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Non-redeemable non-controlling interest	Total
	Shares	Amount	Shares	Amount		Shares	Amount				
Balance as of December 31, 2019	256,691,777	$ —	12,799,999	$ —	$ 12,978	126,892,525	$ (9,673)	$ 879	$ (217)	$ 1,569	$ 5,536
Net income (loss)								(2,229)		(108)	(2,337)
Other comprehensive income (loss), net of taxes									(22)	14	(8)
Payment of preferred dividends (declared at $14.58 per share)					(17)						(17)
Payment of dividends to common stockholders (declared at $0.34 per share)								(48)			(48)
Proceeds from exercise of equity instruments and employee stock purchase plans	2,657,883	—			105						105
Common stock warrants, net of issuance costs					110						110
Treasury stock activity related to vesting of equity instruments						442,739	(49)				(49)
Common stock repurchases						3,364,119	(370)				(370)
Adjustment to the fair value of redeemable non-controlling interests					4						4
Other changes in ownership of non-controlling interests					8					5	13
Stock-based compensation expense					173						173
Other					—	20,630					—
Balance as of September 30, 2020	259,349,660	$ —	12,799,999	$ —	$ 13,361	130,720,013	$ (10,092)	$ (1,398)	$ (239)	$ 1,480	$ 3,112

EXPEDIA GROUP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In millions, except share and per share data)
(Unaudited)

Three months ended September 30, 2021	Common stock		Class B common stock		Additional paid-in capital	Treasury stock - Common and Class B		Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Non-redeemable non-controlling interest	Total
	Shares	Amount	Shares	Amount		Shares	Amount				
Balance as of June 30, 2021	269,239,032	$ —	12,799,999	$ —	$ 13,995	131,318,418	$ (10,182)	$ (2,531)	$ (186)	$ 1,486	$ 2,582
Net income (loss)								376		2	378
Other comprehensive income (loss), net of taxes									(35)	(9)	(44)
Proceeds from exercise of equity instruments and employee stock purchase plans	878,243	—			42						42
Treasury stock activity related to vesting of equity instruments						151,203	(23)				(23)
Adjustment to the fair value of redeemable non-controlling interests					11			8			19
Other changes in ownership of non-controlling interests					(3)					9	6
Stock-based compensation expense					130						130
Other					1						1
Balance as of September 30, 2021	270,117,275	$ —	12,799,999	$ —	$ 14,176	131,469,621	$ (10,205)	$ (2,147)	$ (221)	$ 1,488	$ 3,091

Nine months ended September 30, 2021	Common stock		Class B common stock		Additional paid-in capital	Treasury stock - Common and Class B		Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Non-redeemable non-controlling interest	Total
	Shares	Amount	Shares	Amount		Shares	Amount				
Balance as of December 31, 2020	261,563,912	—	12,799,999	—	13,566	130,766,537	(10,097)	(1,781)	(178)	1,494	$ 3,004
Net income (loss)								(374)		(6)	(380)
Other comprehensive income (loss), net of taxes									(43)	(19)	(62)
Payment of preferred dividends (declared at $47.11 per share)					(50)						(50)
Proceeds from exercise of equity instruments and employee stock purchase plans	6,083,142	—			421						421
Exercise of common stock warrants	2,470,221	—			—						—
Loss on redemption of preferred stock					(107)						(107)
Withholding taxes for stock options					(7)						(7)
Treasury stock activity related to vesting of equity instruments						703,084	(108)				(108)
Adjustment to the fair value of redeemable non-controlling interests					—			8			8
Other changes in ownership of non-controlling interests					(3)					19	16
Stock-based compensation expense					355						355
Other					1						1
Balance as of September 30, 2021	270,117,275	$ —	12,799,999	$ —	$ 14,176	131,469,621	$ (10,205)	$ (2,147)	$ (221)	$ 1,488	$ 3,091

See accompanying notes.

EXPEDIA GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	Nine months ended September 30,	
	2021	2020
Operating activities:		
Net loss	$ (380)	$ (2,337)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation of property and equipment, including internal-use software and website development	538	559
Amortization of intangible assets	77	122
Impairment of goodwill and intangible assets	—	971
Amortization of stock-based compensation	319	156
Deferred income taxes	(158)	(368)
Foreign exchange loss on cash, restricted cash and short-term investments, net	76	27
Realized (gain) loss on foreign currency forwards	21	(89)
Loss on minority equity investments, net	7	202
Loss on debt extinguishment	280	—
Provision for credit losses and other, net	(33)	144
Changes in operating assets and liabilities:		
Accounts receivable	(781)	1,636
Prepaid expenses and other assets	(190)	(219)
Accounts payable, merchant	663	(1,340)
Accounts payable, other, accrued expenses and other liabilities	238	(272)
Tax payable/receivable, net	7	(62)
Deferred merchant bookings	2,787	(2,437)
Deferred revenue	(8)	(142)
Net cash provided by (used in) operating activities	3,463	(3,449)
Investing activities:		
Capital expenditures, including internal-use software and website development	(530)	(669)
Purchases of investments	(1)	(685)
Sales and maturities of investments	23	1,161
Other, net	2	86
Net cash used in investing activities	(506)	(107)
Financing activities:		
Revolving credit facility borrowings	—	2,672
Revolving credit facility repayments	—	(2,022)
Proceeds from issuance of long-term debt, net of issuance costs	1,964	3,946
Payment of long-term debt	(1,706)	(750)
Debt extinguishment costs	(258)	—
Net proceeds from issuance of preferred stock and warrants	—	1,132
Redemption of preferred stock	(618)	—
Purchases of treasury stock	(108)	(419)
Payment of dividends to common stockholders	—	(48)
Payment of preferred stock dividends	(50)	(17)
Proceeds from exercise of equity awards and employee stock purchase plan	421	105
Other, net	4	(28)
Net cash provided by (used in) financing activities	(351)	4,571
Effect of exchange rate changes on cash, cash equivalents and restricted cash and cash equivalents	(126)	(31)
Net increase in cash, cash equivalents and restricted cash and cash equivalents	2,480	984
Cash, cash equivalents and restricted cash and cash equivalents at beginning of period	4,138	4,097
Cash, cash equivalents and restricted cash and cash equivalents at end of period	$ 6,618	$ 5,081
Supplemental cash flow information		
Cash paid for interest	$ 298	$ 217
Income tax payments, net	15	103

See accompanying notes.

Notes to Consolidated Financial Statements

September 30, 2021

(Unaudited)

Note 1 – Basis of Presentation

Description of Business

Expedia Group, Inc. and its subsidiaries provide travel products and services to leisure and corporate travelers in the United States and abroad as well as various media and advertising offerings to travel and non-travel advertisers. These travel products and services are offered through a diversified portfolio of brands including: Brand Expedia®, Hotels.com®, Expedia® Partner Solutions, Vrbo®, Egencia®, trivago®, Orbitz®, Travelocity®, Hotwire®, Wotif®, ebookers®, CheapTickets®, Expedia Group™ Media Solutions, CarRentals.com™, Expedia Cruises™, Traveldoo®, and VacationRentals.com. In addition, many of these brands have related international points of sale. We refer to Expedia Group, Inc. and its subsidiaries collectively as "Expedia Group," the "Company," "us," "we" and "our" in these consolidated financial statements.

COVID-19

During 2020, the COVID-19 pandemic severely restricted the level of economic activity around the world, and, is continuing to have an unprecedented effect on the global travel industry. The various government measures implemented to contain the COVID-19 pandemic, such as imposing restrictions on travel and business operations and advising or requiring individuals to limit or forgo their time outside of their homes, initially led to unprecedented levels of cancellations and continues to have a negative impact on the number of new travel bookings. While many countries have continued vaccinating their residents against COVID-19 during 2021, vaccine hesitancy as well as uncertainty over the impact of the delta or other new variants of the virus, including the efficacy of the vaccines against such variants, has contributed, and may continue to contribute to, delays in economic recovery. Overall, the full duration and total impact of COVID-19 remains uncertain and it is difficult to predict how the recovery will unfold for the travel industry and, in particular, our business, going forward.

Basis of Presentation

These accompanying financial statements present our results of operations, financial position and cash flows on a consolidated basis. The unaudited consolidated financial statements include Expedia Group, Inc., our wholly-owned subsidiaries, and entities we control, or in which we have a variable interest and are the primary beneficiary of expected cash profits or losses. We have eliminated significant intercompany transactions and accounts.

We have prepared the accompanying unaudited consolidated financial statements in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial reporting. We have included all adjustments necessary for a fair presentation of the results of the interim period. These adjustments consist of normal recurring items. Our interim unaudited consolidated financial statements are not necessarily indicative of results that may be expected for any other interim period or for the full year. These interim unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2020, previously filed with the Securities and Exchange Commission ("SEC"). trivago is a separately listed company on the Nasdaq Global Select Market and, therefore is subject to its own reporting and filing requirements, which could result in possible differences that are not expected to be material to Expedia Group.

Accounting Estimates

We use estimates and assumptions in the preparation of our interim unaudited consolidated financial statements in accordance with GAAP. Our estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of our interim unaudited consolidated financial statements. These estimates and assumptions also affect the reported amount of net income or loss during any period. Our actual financial results could differ significantly from these estimates. The significant estimates underlying our interim unaudited consolidated financial statements include revenue recognition; recoverability of current and long-lived assets, intangible assets and goodwill; income and transactional taxes, such as potential settlements related to occupancy and excise taxes; loss contingencies; deferred loyalty rewards; acquisition purchase price allocations; stock-based compensation; accounting for derivative instruments and provisions for credit losses, customer refunds and chargebacks.

The COVID-19 pandemic has created and may continue to create significant uncertainty in macroeconomic conditions, which may cause further business disruptions and adversely impact our results of operations. As a result, many of our estimates and assumptions required increased judgment and carry a higher degree of variability and volatility. As events continue to evolve and additional information becomes available, our estimates may change materially in future periods.

Reclassifications

We have reclassified prior period financial statements to conform to the current period presentation. During the first quarter of 2021, we centralized the management of our licensing and maintenance costs and reclassified certain expenses to technology and content expense from within our other operating expense line items on our consolidated statements of operations. The following table presents a summary of the amounts as reported and as reclassified in our consolidated statements of operations for the three and nine months ended September 30, 2020:

	Three months ended September 30, 2020		Nine months ended September 30, 2020	
	As reported	As reclassified	As reported	As reclassified
	(In millions)			
Cost of revenue	$ 375	$ 363	$ 1,393	1,373
Selling and marketing	529	525	2,035	2,021
Technology and content	224	242	787	828
General and administrative	134	132	473	466

Seasonality

We generally experience seasonal fluctuations in the demand for our travel services. For example, traditional leisure travel bookings are generally the highest in the first three quarters as travelers plan and book their spring, summer and winter holiday travel. The number of bookings typically decreases in the fourth quarter. Because revenue for most of our travel services, including merchant and agency hotel, is recognized as the travel takes place rather than when it is booked, revenue typically lags bookings by several weeks for our hotel business and can be several months or more for our alternative accommodations business. Historically, Vrbo has seen seasonally stronger bookings in the first quarter of the year, with the relevant stays occurring during the peak summer travel months. The seasonal revenue impact is exacerbated with respect to income by the nature of our variable cost of revenue and direct sales and marketing costs, which we typically realize in closer alignment to booking volumes, and the more stable nature of our fixed costs. Furthermore, operating profits for our primary advertising business, trivago, have typically been experienced in the second half of the year, particularly the fourth quarter, as selling and marketing costs offset revenue in the first half of the year as we typically increase marketing during the busy booking period for spring, summer and winter holiday travel. As a result on a consolidated basis, revenue and income are typically the lowest in the first quarter and highest in the third quarter. The growth of our international operations, advertising business or a change in our product mix, including the growth of Vrbo, may influence the typical trend of the seasonality in the future.

Impacts from COVID-19 disrupted our typical seasonal pattern for bookings, revenue, profit and cash flows during 2020. Significantly higher cancellations and reduced booking volumes, particularly in the first half of 2020, resulted in material operating losses and negative cash flow. Although travel volumes remain materially lower than historic levels, booking and travel trends normalized during the second half of 2020, and first nine months of 2021. This resulted in working capital benefits and positive cash flow more akin to typical historical trends. It remains difficult to forecast the seasonality for the upcoming quarters, given the uncertainty related to the duration of the impact from COVID-19 and the shape and timing of any sustained recovery.

Note 2 – Summary of Significant Accounting Policies

Recently Adopted Accounting Policies

Simplifying the Accounting for Income Taxes. As of January 1, 2021, we adopted the Accounting Standards Updates (“ASU”) guidance to simplify the accounting for income taxes. This new standard eliminated certain exceptions in current guidance related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period, and the recognition of deferred tax liabilities for outside basis differences. It also clarified and simplified other aspects of the accounting for income taxes. The adoption of this new guidance did not have a material impact on our consolidated financial statements.

Investments - equity securities; Investments - Equity Method and Joint Ventures; Derivatives and Hedging. As of January 1, 2021, we adopted the new ASU guidance which clarified the interaction between the accounting for investments in equity securities, equity method investments and certain derivative instruments. The adoption of this new guidance did not have a material impact on our consolidated financial statements.

Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity. As of January 1, 2021, we adopted the new ASU guidance which simplified the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. Specifically, the standard simplified accounting for convertible instruments by removing major separation models required under current GAAP, removing certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception, which permitted more equity contracts to qualify for it, and simplified the diluted earnings per share calculation in certain areas. The adoption of this new guidance did not have a material impact on our consolidated financial statements. The convertible senior notes issued in February 2021 are accounted for in accordance with this new guidance. See Note 4 – Debt for additional information.

Significant Accounting Policies

Below are the significant accounting policies with interim disclosure requirements. For a comprehensive description of our accounting policies, refer to our Annual Report on Form 10-K for the year ended December 31, 2020.

Revenue

Prepaid Merchant Bookings. We classify payments made to suppliers in advance of Vrbo performance obligations as prepaid merchant bookings included within prepaid and other current assets. Prepaid merchant bookings was $591 million as of September 30, 2021 and $389 million as of December 31, 2020.

Deferred Merchant Bookings. We classify cash payments received in advance of our performance obligations as deferred merchant bookings. At December 31, 2020, $2.3 billion of advance cash payments was reported within deferred merchant bookings, $1.6 billion of which was recognized resulting in $292 million of revenue during the nine months ended September 30, 2021. At September 30, 2021, the related balance was $5.1 billion.

At December 31, 2020, $769 million of deferred loyalty rewards was reported within deferred merchant bookings, $394 million of which was recognized within revenue during the nine months ended September 30, 2021. At September 30, 2021, the related balance was $790 million.

Deferred Revenue. At December 31, 2020, $172 million was recorded as deferred revenue, $97 million of which was recognized as revenue during the nine months ended September 30, 2021. At September 30, 2021, the related balance was $161 million.

Practical Expedients and Exemptions. We have used the portfolio approach to account for our loyalty points as the rewards programs share similar characteristics within each program in relation to the value provided to the traveler and their breakage patterns. Using this portfolio approach is not expected to differ materially from applying the guidance to individual contracts. However, we will continue to assess and refine, if necessary, how a portfolio within each rewards program is defined.

We do not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which we recognize revenue at the amount to which we have the right to invoice for services performed.

Cash, Restricted Cash and Cash Equivalents

Our cash and cash equivalents include cash and liquid financial instruments, including money market funds and term deposit investments, with maturities of three months or less when purchased. Restricted cash includes cash and cash equivalents that is restricted through legal contracts, regulations or our intention to use the cash for a specific purpose. Our restricted cash primarily relates to certain traveler deposits and to a lesser extent collateral for office leases. The following table reconciles cash, cash equivalents and restricted cash reported in our consolidated balance sheets to the total amount presented in our consolidated statements of cash flows:

	September 30, 2021	December 31, 2020
	(in millions)	
Cash and cash equivalents	$ 5,031	$ 3,363
Restricted cash and cash equivalents	1,587	772
Restricted cash included within long-term investments and other assets	—	3
Total cash, cash equivalents and restricted cash and cash equivalents in the consolidated statement of cash flow	$ 6,618	$ 4,138

Accounts Receivable and Allowances

Accounts receivable are generally due within thirty days and are recorded net of an allowance for expected uncollectible amounts. We consider accounts outstanding longer than the contractual payment terms as past due. The risk characteristics we generally review when analyzing our accounts receivable pools primarily include the type of receivable (for example, credit card vs hotel collect), collection terms and historical or expected credit loss patterns. For each pool, we make estimates of expected credit losses for our allowance by considering a number of factors, including the length of time trade accounts receivable are past due, previous loss history continually updated for new collections data, the credit quality of our customers, current economic conditions, reasonable and supportable forecasts of future economic conditions and other factors that may affect our ability to collect from customers. The provision for estimated credit losses is recorded as cost of revenue in our consolidated statements of operations. During the nine months ended September 30, 2021, we recorded approximately $2 million of recovery on previously expected uncollectible amounts as well as $18 million of write-offs during the nine months ended September 30, 2021. Actual future bad debt could differ materially from this estimate resulting from changes in our assumptions of the duration and severity of the impact of the COVID-19 pandemic.

Note 3 – Fair Value Measurements

Financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2021 are classified using the fair value hierarchy in the table below:

	Total	Level 1	Level 2
		(In millions)	
Assets			
Cash equivalents:			
Money market funds	$ 79	$ 79	$ —
Mutual funds	23	23	—
Term deposits	276	—	276
Investments:			
Marketable equity securities	115	115	—
Total assets	$ 493	$ 217	$ 276
Liabilities			
Derivatives:			
Foreign currency forward contracts	$ 2	$ —	$ 2

Financial assets measured at fair value on a recurring basis as of December 31, 2020 are classified using the fair value hierarchy in the table below:

	Total	Level 1	Level 2
		(In millions)	
Assets			
Cash equivalents:			
Money market funds	$ 147	$ 147	$ —
Term deposits	49	—	49
U.S. treasury securities	150	150	—
Investments:			
Term deposits	24	—	24
Marketable equity securities	123	123	—
Total assets	$ 493	$ 420	$ 73
Liabilities			
Derivatives:			
Foreign currency forward contracts	$ 14	$ —	$ 14

We classify our cash equivalents and investments within Level 1 and Level 2 as we value our cash equivalents and investments using quoted market prices or alternative pricing sources and models utilizing market observable inputs. Valuation of the foreign currency forward contracts is based on foreign currency exchange rates in active markets, a Level 2 input.

As of September 30, 2021 and December 31, 2020, our cash and cash equivalents consisted primarily of U.S. treasury securities, term deposits and mutual funds with maturities of three months or less and bank account balances.

We hold term deposit investments with financial institutions. Term deposits with original maturities of less than three months are classified as cash equivalents and those with remaining maturities of less than one year are classified within short-term investments.

Our marketable equity securities consist of our investment in Despegar, a publicly traded company, which is included in long-term investments and other assets in our consolidated balance sheets. During the nine months ended September 30, 2021 and 2020, we recognized a loss of approximately $7 million and approximately $68 million within other, net in our consolidated statements of operations related to the fair value changes of this equity investment.

Derivative instruments are carried at fair value on our consolidated balance sheets. We use foreign currency forward contracts to economically hedge certain merchant revenue exposures, foreign denominated liabilities related to certain of our loyalty programs and our other foreign currency-denominated operating liabilities. Our goal in managing our foreign exchange risk is to reduce, to the extent practicable, our potential exposure to the changes that exchange rates might have on our earnings, cash flows and financial position. Our foreign currency forward contracts are typically short-term and, as they do not qualify for hedge accounting treatment, we classify the changes in their fair value in other, net. As of September 30, 2021, we were party to outstanding forward contracts hedging our liability and revenue exposures with a total net notional value of $2.8 billion. We had a net forward liability of $2 million ($24 million gross forward liability) as of September 30, 2021 and $14 million ($23 million gross forward liability) as of December 31, 2020 recorded in accrued expenses and other current liabilities. We recorded $15 million and $(1) million in net gains (losses) from foreign currency forward contracts during the three months ended September 30, 2021 and 2020 as well as $(8) million and $99 million in net gains (losses) from foreign currency forward contracts during the nine months ended September 30, 2021 and 2020.

Assets Measured at Fair Value on a Non-recurring Basis

Our non-financial assets, such as goodwill, intangible assets and property and equipment, as well as equity method investments, are adjusted to fair value when an impairment charge is recognized or the underlying investment is sold. Such fair value measurements are based predominately on Level 3 inputs. We measure our minority investments that do not have readily determinable fair values at cost less impairment, adjusted by observable price changes with changes recorded within other, net on our consolidated statements of operations.

Goodwill. During 2020, due to the severe and persistent negative effect COVID-19 had on global economies, the travel industry and our business, as well as the uncertainty and high variability in anticipated versus actual rates of recovery, in addition to our annual assessment on October 1, 2020, we deemed it necessary to perform various interim assessments of goodwill. As a result of assessments during the nine months ended September 30, 2020, we recognized goodwill impairment charges of $799 million, of which $559 million related to our Retail segment, primarily our Vrbo reporting unit, and $240 million related to our trivago segment.

Our assessment compared the fair value of the reporting units to their carrying value. The fair value estimates for all reporting units, except trivago, were based on a blended analysis of the present value of future discounted cash flows and market value approach, Level 3 inputs. The significant estimates used in the discounted cash flows model included our weighted average cost of capital, projected cash flows and the long-term rate of growth. Our assumptions were based on the actual historical performance of the reporting unit and took into account operating result trends, the anticipated duration of COVID-19 impacts and rates of recovery, and implied risk premiums based on market prices of our equity and debt as of the assessment dates. Our significant estimates in the market approach model included identifying similar companies with comparable business factors such as size, growth, profitability, risk and return on investment and assessing comparable revenue and earnings multiples in estimating the fair value of the reporting unit. The fair value estimate for the trivago reporting unit was based on trivago's stock price, a Level 1 input, adjusted for an estimated control premium. The excess of the reporting unit's carrying value over our estimate of the fair value was recorded as goodwill impairment charges during 2020. As of December 31, 2020, the applicable reporting units within our Retail segment had $2.3 billion goodwill remaining after the impairments incurred in 2020 and our trivago segment had $337 million goodwill remaining.

Intangible Assets. During the nine months ended September 30, 2020, we recognized intangible asset impairment charges of $172 million within our Retail segment primarily related to indefinite-lived trade names that resulted from changes in estimated future revenues of the related brands and, to a lesser extent, supplier relationship assets that were entirely written off in connection with a decision to streamline a smaller brand as well as intangible assets related to held-for-sale assets. The indefinite-lived assets, classified as Level 3 measurements, were valued using the relief-from-royalty method, which includes unobservable inputs, including royalty rates and projected revenues.

The full duration and total impact of COVID-19 remains uncertain and it is difficult to predict how the recovery will continue to unfold (in general and versus our expectations) for global economies, the travel industry or our business. Additionally, as the stock of our trivago segment is publicly traded, it is difficult to predict market dynamics and the extent or duration of any stock price declines. As a result, we may continue to record impairment charges in the future due to the potential long-term economic impact and near-term financial impacts of the COVID-19 pandemic.

Minority Investments without Readily Determinable Fair Values. As of both September 30, 2021 and December 31, 2020, the carrying values of our minority investments without readily determinable fair values totaled $330 million. During the nine months ended September 30, 2021, we had no material gains or losses recognized related to these minority investments. During the nine months ended September 30, 2020, we recorded $134 million of impairment losses related to a minority investment, which had recent observable and orderly transactions for similar investments, using an option pricing model that utilizes judgmental inputs such as discounts for lack of marketability and estimated exit event timing. As of September 30, 2021, total cumulative adjustments made to the initial cost basis of these investments included $2 million in unrealized upward adjustments and $105 million in unrealized downward adjustments (including impairments).

Note 4 – Debt

The following table sets forth our outstanding debt:

	September 30, 2021	December 31, 2020
	(In millions)	
2.5% (€650 million) senior notes due 2022	$ 753	$ 798
3.6% senior notes due 2023	497	496
4.5% senior notes due 2024	498	497
6.25% senior notes due 2025	1,032	1,972
7.0% senior notes due 2025	—	740
5.0% senior notes due 2026	745	744
0% convertible senior notes due 2026	985	—
4.625% senior notes due 2027	744	743
3.8% senior notes due 2028	993	993
3.25% senior notes due 2030	1,235	1,233
2.95% senior notes due 2031	983	—
Long-term debt(1)	8,465	8,216
Current maturities of long-term debt	(753)	—
Long-term debt, excluding current maturities	$ 7,712	$ 8,216

(1) Net of applicable discounts and debt issuance costs.

Long-term Debt

Extinguishment of Debt. During the nine months ended September 30, 2021, we used the net proceeds from the February and March 2021 private placements discussed below, to (i) finance a redemption of all of our outstanding 7.0% senior notes due 2025 (the “7.0% Notes”), (ii) finance a tender offer for a portion of our issued and outstanding 6.25% senior notes due 2025 (the “6.25% Notes”) and (iii) to pay fees and expenses related to the foregoing. On March 3, 2021, we completed the redemption of all of our outstanding 7.0% Notes as well as settled the tender offer to purchase $956 million in aggregate principal of our 6.25% Notes, which resulted in the recognition of a loss on debt extinguishment of $280 million during the nine months ended September 30, 2021. This loss primarily reflected the payment of early payment premiums and fees associated with the tender offer as well as the write-off of unamortized debt issuance costs. The cash payments related to the debt extinguishment were classified as cash outflows from financing activities on the consolidated statement of cash flows and were $258 million during the nine months ended September 30, 2021, which reflected the $280 million loss on debt extinguishment adjusted for the non-cash write-off of debt issuance costs of approximately $23 million. In addition, we paid accrued and unpaid interest on the 7.0% and tendered portion of the 6.25% Notes up to the date of settlement.

February 2021 Convertible Senior Notes Private Placement. On February 19, 2021, we completed our private placement of $1 billion aggregate principal amount of unsecured 0% convertible senior notes due 2026 (the “Convertible Notes”). The net proceeds from the issuance of the Convertible Notes was approximately $983 million after deducting debt issuance costs.

The Convertible Notes are unsecured, unsubordinated obligations and rank equally in right of payment with each other and with all of our existing and future unsecured and unsubordinated obligations, including our existing senior notes. The Convertible Notes are fully and unconditionally guaranteed by the subsidiary guarantors, which include each domestic subsidiary that is a borrower under or guarantees the obligations under our existing senior secured credit agreement. So long as the guarantees are in effect, each subsidiary guarantor’s guarantee will be the unsecured, unsubordinated obligation of such subsidiary guarantor and will rank equally in right of payment with each other and with all of such subsidiary guarantor’s existing and future unsecured and unsubordinated obligations, including such subsidiary guarantor's guarantees of our existing senior notes.

The Convertible Notes will mature on February 15, 2026, unless earlier converted, redeemed or repurchased. The Convertible Notes will not bear regular interest, and the principal amount of the Convertible Notes will not accrete.

The Convertible Notes have an initial conversion rate of 3.9212 shares of common stock of Expedia Group with a par value $0.0001 per share (referred to as "our common stock" herein), per $1,000 principal amount of Convertible Notes, which is equal to an initial conversion price of approximately $255.02 per share of our common stock. The conversion rate is subject to adjustment from time to time upon the occurrence of certain events, including, but not limited to, the issuance of stock dividends and payment of cash dividends. At any time prior to the close of business on the business day immediately preceding November 15, 2025, holders may convert their Convertible Notes at their option only under the following circumstances:

- during any calendar quarter commencing after the calendar quarter ending on March 31, 2021 (and only during such calendar quarter), if the last reported sale price of our common stock for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is equal to or greater than 130% of the conversion price then in effect on each applicable trading day;
- during the five business day period immediately after any five consecutive trading day period (the "measurement period") in which the trading price per $1,000 principal amount of Convertible Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate on each such trading day;
- if the Company calls any or all of the Convertible Notes for redemption, at any time prior to the close of business on the business day immediately prior to the redemption date, but only with respect to the Convertible Notes called for redemption (or deemed called for redemption); or
- upon the occurrence of specified corporate events.

Irrespective of the foregoing conditions, holders may convert their Convertible Notes on or after November 15, 2025 and prior to the close of business on the second scheduled trading day immediately preceding the maturity date. Additionally, upon the occurrence of a corporate event that constitutes a "make-whole fundamental change" per the indenture, or if we call the Convertible Notes for redemption, and a holder elects to convert its Convertible Notes in connection with such make-whole fundamental change or during the related redemption period, as the case may be, such holder may be entitled to an increase in the conversion rate in certain circumstances as described in the indenture. Upon conversion, holders will receive cash, shares of our common stock or a combination of cash and shares of our common stock, at our election.

We may not redeem the Convertible Notes prior to February 20, 2024. On or after February 20, 2024 and prior to the 41st scheduled trading day immediately preceding the maturity date, if the last reported sale price per share of our common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which we provide notice of redemption, we may redeem for cash all or part of the Convertible Notes at a redemption price equal to 100% of the principal amount of the Convertible Notes to be redeemed, plus accrued and unpaid special interest, if any, to, but excluding, the redemption date, except as otherwise described in the indenture.

The net carrying amount of the Convertible Notes as of September 30, 2021 was $985 million, which reflects the $1 billion in principal less unamortized debt issuance costs of $15 million. Interest expense related to the amortization of the debt issuance costs for the Convertible Notes was $2 million during the nine months ended September 30, 2021.

March 2021 Senior Note Private Placement. On March 3, 2021, we privately placed $1 billion of senior unsecured notes that are due in March 2031 that bear interest at 2.95%. In May 2021, we completed an offer to exchange these notes for registered notes having substantially the same financial terms and covenants as the original notes (the unregistered and registered notes collectively, the "2.95% Notes"). The 2.95% Notes were issued at a price of 99.081% of the aggregate principal amount. Interest is payable semi-annually in arrears in March and September of each year, beginning September 15, 2021, and the interest rate is subject to adjustment based on certain ratings events. We may redeem some or all of the 2.95% Notes at any time prior to December 15, 2030 by paying a "make-whole" premium plus accrued and unpaid interest, if any. We may redeem some or all of the 2.95% Notes on or after December 15, 2030 at par plus accrued and unpaid interest, if any. The net proceeds from the issuance of the 2.95% Notes was approximately $982 million after deducting the discount and debt issuance costs.

In addition to registering the 2.95% Notes in May 2021, we also completed an offer to exchange the $500 million of senior unsecured notes due December 2023 bearing interest at 3.6% and the $750 million of senior unsecured notes due August

2027 bearing interest at 4.625%, both privately placed in July 2020, for registered notes having substantially the same financial terms and covenants as the original notes.

Additional information about our outstanding senior notes (collectively the "Senior Notes"), see Note 8 – Debt of the Notes to Consolidated Financial Statements in our 2020 Form 10-K.

All of our outstanding Senior Notes are senior unsecured obligations issued by Expedia Group and guaranteed by certain domestic Expedia Group subsidiaries. The Senior Notes rank equally in right of payment with all of our existing and future unsecured and unsubordinated obligations of Expedia Group and the guarantor subsidiaries. In addition, the Senior Notes include covenants that limit our ability to (i) create certain liens, (ii) enter into sale/leaseback transactions and (iii) merge or consolidate with or into another entity or transfer substantially all of our assets. The Senior Notes are redeemable in whole or in part, at the option of the holders thereof, upon the occurrence of certain change of control triggering events at a purchase price in cash equal to 101% of the principal plus accrued and unpaid interest. Accrued interest related to the Senior Notes was $63 million and $110 million as of September 30, 2021 and December 31, 2020.

Estimated Fair Value. The total estimated fair value of our Senior Notes was approximately $8.1 billion and $9.1 billion as of September 30, 2021 and December 31, 2020. Additionally, the estimated fair value of the Convertible Notes was $1.1 billion as of September 30, 2021. The fair value was determined based on quoted market prices in less active markets and is categorized according as Level 2 in the fair value hierarchy.

Credit Facilities

Revolving Credit Facility. As of September 30, 2021, Expedia Group maintained a $1.145 billion revolving credit facility with a group of lenders that expires on May 31, 2023 (the "Revolving Credit Facility"). Obligations under the Revolving Credit Facility are secured by substantially all of the assets of the Company and its subsidiaries that guarantee the facility (subject to certain exceptions, including for our headquarters located in Seattle, WA) up to the maximum amount permitted under the indentures governing the Senior Notes without securing such Senior Notes.

Loans under the Revolving Credit Facility bear interest (A) in the case of eurocurrency loans, at rates ranging from (i) prior to December 31, 2021, 2.25% per annum and (ii) on and after December 31, 2021, or prior to such date for each quarter that the leverage ratio, as of the end of the most recently ended fiscal quarter for which financial statements have been delivered, calculated on an annualized basis using consolidated EBITDA for the two most recently ended fiscal quarters included in such financial statements multiplied by two, is not greater than 5.00:1.00, from 1.00% to 1.75% depending on the Company's credit ratings, and (B) in the case of base rate loans, at rates (i) prior to December 31, 2021, 1.25% per annum and (ii) on and after December 31, 2021, or prior to such date if the leverage ratio condition referred to above is satisfied, from 0.00% to 0.75% per annum depending on the Company's credit ratings.

The Revolving Credit Facility contains covenants including a minimum liquidity requirement and, as of December 31, 2021, a maximum leverage ratio.

As of September 30, 2021 and December 31, 2020, we had no Revolving Credit Facility borrowings outstanding. The amount of stand-by letters of credit ("LOC") issued under the Revolving Credit Facility reduced the credit amount available. As of both September 30, 2021 and December 31, 2020, there was $13 million of outstanding stand-by LOCs issued under the facility.

Foreign Credit Facility. As of September 30, 2021, the Company and Expedia Group International Holdings III, LLC (the "Borrower") also maintained an $855 million credit facility with a group of lenders that expires on May 31, 2023 (the "Foreign Credit Facility"). Obligations under the Foreign Credit Facility are unsecured. Such obligations are guaranteed by the Company, its subsidiaries that guarantee obligations under the Revolving Credit Facility, as mentioned above, and certain of the Company's additional subsidiaries.

Loans under the Foreign Credit Facility bear interest at a rate equal to an index rate plus a margin (A) in the case of eurocurrency loans, (i) prior to December 31, 2021, equal to 2.50% per annum and (ii) on and after December 31, 2021, or prior to such date for each quarter that the leverage ratio, as of the end of the most recently ended fiscal quarter for which financial statements have been delivered, calculated on an annualized basis using consolidated EBITDA for the two most recently ended fiscal quarters included in such financial statements multiplied by two, is not greater than 5.00:1.00, ranging from 1.25% to 2.00% per annum, depending on the Company's credit ratings, and (B) in the case of base rate loans, (i) prior to December 31, 2021, equal to 1.50% per annum and (ii) on and after December 31, 2021, or prior to such date if the leverage ratio condition referred to above is satisfied, ranging from 0.25% to per 1.00% annum, depending on the Company's credit ratings.

The covenants, events of default and other terms and conditions in the Foreign Credit Facility are substantially similar to those in the Revolving Credit Facility, but include additional limitations on the Borrower and certain other entities that are not obligors under the Revolving Credit Facility.

As of September 30, 2021 and December 31, 2020, we had no Foreign Credit Facility borrowings outstanding.

Note 5 – Capital Stock

Preferred Stock and Warrants

On May 5, 2020, we issued and sold to (1) AP Fort Holdings, L.P., an affiliate of Apollo Global Management, Inc. (the "Apollo Purchaser"), 600,000 shares of the Company's newly created Series A Preferred Stock, par value $0.001 per share (the "Series A Preferred Stock") and Warrants (the "Warrants") to purchase 4.2 million shares of our common stock for an aggregate purchase price of $588 million and (2) SLP V Fort Holdings II, L.P., affiliates of Silver Lake Group, L.L.C. (the "Silver Lake Purchasers"), 600,000 shares of Series A Preferred Stock and Warrants to purchase 4.2 million shares of common stock, for an aggregate purchase price of $588 million.

Certificate of Designations for Series A Preferred Stock. Dividends on each share of Series A Preferred Stock accrued daily on the Preference Amount (as defined below) at the then-applicable Dividend Rate (as defined below) and were payable semi-annually in arrears. As used herein, "Dividend Rate" with respect to the Series A Preferred Stock meant from the closing until the day immediately preceding the fifth anniversary of the closing, 9.5% per annum. The Dividend Rate was also subject to certain adjustments if the Company incurred indebtedness causing its leverage to exceed certain thresholds. Dividends were payable until the third anniversary of the closing, either in cash or through an accrual of unpaid dividends ("Dividend Accrual"), at the Company's option.

At any time after the first anniversary of the closing but on or prior to the second anniversary of the closing, we could redeem all or any portion of the Series A Preferred Stock in cash at a price equal to 103% of the sum of the original liquidation preference of $1,000 per share of Series A Preferred Stock plus any Dividend Accruals (the "Preference Amount"), plus accrued and unpaid distributions as of the redemption date.

The Series A Preferred Stock was classified within temporary equity on our consolidated balance sheets due to provisions that could cause the equity to be redeemable at the option of the holder. As of December 31, 2020, the carrying value of the Series A Preferred Stock was $1,022 million, net of $68 million in initial discount and issuance costs as well as $110 million allocated on a relative fair value basis to the concurrently issued Warrants recorded to additional paid-in capital (as described below). On May 20, 2021, we redeemed 50% of the outstanding Series A Preferred Stock at a price equal to 103% of the Preference Amount, plus accrued and unpaid distributions as to the redemption date using cash on-hand of $640 million, including an $18 million redemption premium and $22 million of accrued dividends. The loss on redemption of Preferred Stock was $107 million during the nine months ended September 30, 2021, which included a charge to additional paid-in capital for the redemption premium as well as $89 million related to 50% of the original issuance discount, issuance costs and the Warrants value.

As of September 30, 2021, the carrying value of the remaining Series A Preferred Stock was $511 million. The Series A Preferred Stock accumulated $14 million and $64 million in total dividends during the three and nine months ended September 30, 2021, of which we paid $50 million (or $47.11 per share of Series A Preferred Stock) in dividends, including those mentioned above, during the nine months ended September 30, 2021.

On October 15, 2021, we redeemed the remaining 50% of the outstanding Series A Preferred Stock at a price equal to 103% of the Preference Amount, plus accrued and unpaid distributions as to the redemption date using cash on-hand of $635 million, including an $18 million redemption premium and $17 million of accrued dividends. We anticipate the loss on redemption of Preferred Stock to be $107 million during the three months ended December 31, 2021, which will include a charge to additional paid-in capital for the redemption premium as well as $89 million related to 50% of the original issuance discount, issuance costs and the Warrants value.

Warrants to Purchase Company Common Stock. Pursuant to the investment agreements, we issued to each of (1) the Silver Lake Purchasers (in the aggregate) and (2) the Apollo Purchaser, Warrants to purchase 4.2 million shares of our common stock at an exercise price of $72.00 per share, subject to certain customary anti-dilution adjustments provided under the Warrants, including for stock splits, reclassifications, combinations and dividends or distributions made by the Company on our common stock. The Warrants are exercisable on a net share settlement basis and expire ten years after the closing date. In May 2021, the Apollo Purchaser exercised all of the Warrants it held and received approximately 2.5 million shares of our common stock in respect thereof. As of September 30, 2021, the Silver Lake Purchasers' warrants remain outstanding.

Dividends on our Common Stock

The Executive Committee, acting on behalf of the Board of Directors, declared and paid the following common stock dividend during the nine months ended September 30, 2020:

Declaration Date	Dividend Per Share	Record Date	Total Amount (in millions)	Payment Date
February 13, 2020	$ 0.34	March 10, 2020	$ 48	March 26, 2020

During the second quarter of 2020, we suspended quarterly dividends on our common stock. At this time, we do not currently expect to declare future dividends on our common stock. Future declarations of dividends are subject to final determination by our Board of Directors.

Treasury Stock

As of September 30, 2021, the Company's treasury stock was comprised of approximately 124.2 million common stock and 7.3 million Class B shares. As of December 31, 2020, the Company's treasury stock was comprised of approximately 123.5 million shares of common stock and 7.3 million Class B shares.

Share Repurchases. In April 2018, the Executive Committee, acting on behalf of the Board of Directors, authorized a repurchase of up to 15 million outstanding shares of our common stock. In December 2019, the Board of Directors authorized a repurchase of up to 20 million outstanding shares of our common stock. We made no share repurchases during the nine months ended September 30, 2021. During the nine months ended September 30, 2020, we repurchased, through open market transactions, 3.4 million shares under these authorizations for the total cost of $370 million, excluding transaction costs, representing an average repurchase price of $109.88 per share. As of September 30, 2021, there were approximately 23.3 million shares remaining under the 2018 and 2019 repurchase authorizations. There is no fixed termination date for the repurchases.

Accumulated Other Comprehensive Loss

The balance of accumulated other comprehensive loss as of September 30, 2021 and December 31, 2020 was comprised of foreign currency translation adjustments. These translation adjustments include foreign currency transaction losses at September 30, 2021 of $34 million ($45 million before tax) and $69 million ($90 million before tax) at December 31, 2020 associated with our 2.5% Notes. The 2.5% Notes are Euro-denominated debt designated as hedges of certain of our Euro-denominated net assets.

Note 6 – Earnings (Loss) Per Share

The following table presents our basic and diluted earnings (loss) per share:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	(In millions, except share and per share data)			
Net income (loss) attributable to Expedia Group, Inc.	$ 376	$ (192)	$ (374)	$ (2,229)
Preferred stock dividend	(14)	(29)	(64)	(46)
Loss on redemption of preferred stock	—	—	(107)	—
Net income (loss) attributable to Expedia Group, Inc. common stockholders	$ 362	$ (221)	$ (545)	$ (2,275)
Earnings (loss) per share attributable to Expedia Group, Inc. available to common stockholders:				
Basic	$ 2.40	$ (1.56)	$ (3.67)	$ (16.13)
Diluted	2.26	(1.56)	(3.67)	(16.13)
Weighted average number of shares outstanding (000's):				
Basic	151,019	141,306	148,453	141,068
Dilutive effect of:				
Convertible Notes	3,921	—	—	—
Stock-based awards	3,271	—	—	—
Warrants to purchase common stock	2,244	—	—	—
Other dilutive securities	5	—	—	—
Diluted	160,460	141,306	148,453	141,068

Basic earnings per share is calculated using our weighted-average outstanding common shares. The earnings per share amounts are the same for common stock and Class B common stock because the holders of each class are legally entitled to equal per share distributions whether through dividends or in liquidation.

Diluted earnings per share is calculated using our weighted-average outstanding common shares including the dilutive effect of stock awards and common stock warrants as determined under the treasury stock method and of our Convertible Notes using the if-converted method. In periods when we recognize a net loss, we exclude the impact of outstanding stock awards, common stock warrants and the potential share settlement impact related to our Convertible Notes from the diluted loss per share calculation as their inclusion would have an antidilutive effect. For the three months ended September 30, 2021, approximately 5 million of outstanding stock awards have been excluded from the calculations of diluted earnings per share attributable to common stockholders because their effect would have been antidilutive. For the nine months ended September 30, 2021, approximately 18 million of outstanding stock awards and common stock warrants and approximately 4 million shares related to the potential share settlement impact related to our Convertible Notes have been excluded from the calculations of diluted earnings per share attributable to common stockholders because their effect would have been antidilutive. For the three and nine months ended September 30, 2020, approximately 25 million of outstanding stock awards and common stock warrants were excluded.

Note 7 – Restructuring and Related Reorganization Charges

In 2020, we committed to restructuring actions intended to simplify our businesses and improve operational efficiencies, which have resulted in headcount reductions and office consolidations. As a result, we recognized $54 million and $206 million in restructuring and related reorganization charges during the nine months ended September 30, 2021 and 2020. Based on current plans, which are subject to change, we expect total reorganization charges in the remainder of 2021 of up to $10 million. However, we continue to actively evaluate additional cost reduction efforts and should we make decisions in future periods to take further actions we will incur additional reorganization charges.

The following table summarizes the restructuring and related reorganization activity for the nine months ended September 30, 2021:

	Employee Severance and Benefits	Other	Total
		(In millions)	
Accrued liability as of January 1, 2021	$ 103	$ —	$ 103
Charges	26	28	54
Payments	(64)	(6)	(70)
Non-cash items	(4)	(16)	(20)
Accrued liability as of September 30, 2021	$ 61	$ 6	$ 67

Note 8 – Income Taxes

We determine our provision for income taxes for interim periods using an estimate of our annual effective tax rate. We record any changes affecting the estimated annual effective tax rate in the interim period in which the change occurs, including discrete items.

For the three months ended September 30, 2021, the effective tax rate was an 18.7% expense on pre-tax income, compared to a 10.8% benefit on pre-tax loss for the three months ended September 30, 2020. The change in the effective tax rate was primarily due to discrete items in the prior year.

For the nine months ended September 30, 2021, the effective tax rate was a 25.3% benefit on a pre-tax loss, compared to a 12.0% benefit on pre-tax loss for the nine months ended September 30, 2020. The change in the effective tax rate was primarily due to nondeductible impairments and a valuation allowance recorded in the prior year.

We are subject to taxation in the United States and foreign jurisdictions. Our income tax filings are regularly examined by federal, state and foreign tax authorities. During the fourth quarter of 2019, the Internal Revenue Service (“IRS”) issued final adjustments related to transfer pricing with our foreign subsidiaries for our 2011 to 2013 tax years. The proposed adjustments would increase our U.S. taxable income by $696 million, which would result in federal tax of approximately $244 million, subject to interest. We do not agree with the position of the IRS. We filed a protest with the IRS for our 2011 to 2013 tax years and Appeals returned the case to Exam for further review. We are also under examination by the IRS for our 2014 to 2016 tax years. Subsequent years remain open to examination by the IRS. We do not anticipate a significant impact to our gross unrecognized tax benefits within the next 12 months related to these years.

Note 9 – Commitments and Contingencies

Legal Proceedings

In the ordinary course of business, we are a party to various lawsuits. Management does not expect these lawsuits to have a material impact on the liquidity, results of operations, or financial condition of Expedia Group. We also evaluate other potential contingent matters, including value-added tax, excise tax, sales tax, transient occupancy or accommodation tax and similar matters. We do not believe that the aggregate amount of liability that could be reasonably possible with respect to these matters would have a material adverse effect on our financial results; however, litigation is inherently uncertain and the actual losses incurred in the event that our legal proceedings were to result in unfavorable outcomes could have a material adverse effect on our business and financial performance.

Litigation Relating to Occupancy Taxes. One hundred three lawsuits have been filed by or against cities, counties and states involving hotel occupancy and other taxes. Ten lawsuits are currently active. These lawsuits are in various stages and we continue to defend against the claims made in them vigorously. With respect to the principal claims in these matters, we believe that the statutes or ordinances at issue do not apply to us or the services we provide and, therefore, that we do not owe the taxes that are claimed to be owed. We believe that the statutes or ordinances at issue generally impose occupancy and other taxes on entities that own, operate or control hotels (or similar businesses) or furnish or provide hotel rooms or similar accommodations. To date, forty-eight of these lawsuits have been dismissed. Some of these dismissals have been without prejudice and, generally, allow the governmental entity or entities to seek administrative remedies prior to pursuing further litigation. Thirty-four dismissals were based on a finding that we and the other defendants were not subject to the local tax ordinance or that the local government lacked standing to pursue its claims. As a result of this litigation and other attempts by certain jurisdictions to levy such taxes, we have established a reserve for the potential settlement of issues related to hotel occupancy and other taxes, consistent with applicable accounting principles and in light of all current facts and circumstances, in the amount of $50 million and $58 million as of September 30, 2021 and December 31, 2020, respectively. Our settlement reserve is based on our best estimate of probable losses and the ultimate resolution of these contingencies may be greater or less than the liabilities recorded. An estimate for a reasonably possible loss or range of loss in excess of the amount reserved cannot be made. Changes to the settlement reserve are included within legal reserves, occupancy tax and other in the consolidated statements of operations.

Pay-to-Play. Certain jurisdictions may assert that we are required to pay any assessed taxes prior to being allowed to contest or litigate the applicability of the ordinances. This prepayment of contested taxes is referred to as “pay-to-play.” Payment of these amounts is not an admission that we believe we are subject to such taxes and, even when such payments are made, we continue to defend our position vigorously. If we prevail in the litigation, for which a pay-to-play payment was made, the jurisdiction collecting the payment will be required to repay such amounts and also may be required to pay interest.

We are in various stages of inquiry or audit with various tax authorities, some of which, including in the City of Los Angeles regarding hotel occupancy taxes, may impose a pay-to-play requirement to challenge an adverse inquiry or audit result in court.

Matters Relating to International VAT. We are in various stages of inquiry or audit in multiple European Union jurisdictions regarding the application of VAT to our European Union related transactions. While we believe we comply with applicable VAT laws, rules and regulations in the relevant jurisdictions, the tax authorities may determine that we owe additional taxes. In certain jurisdictions, including the United Kingdom, we may be required to “pay-to-play” any VAT assessment prior to contesting its validity. While we believe that we will be successful based on the merits of our positions with regard to audits in pay-to-play jurisdictions, it is nevertheless reasonably possible that we could be required to pay any assessed amounts in order to contest or litigate the applicability of any assessments and an estimate for a reasonably possible amount of any such payments cannot be made.

Competition and Consumer Matters. On August 23, 2018, the Australian Competition and Consumer Commission, or "ACCC", instituted proceedings in the Australian Federal Court against trivago. The ACCC alleged breaches of Australian Consumer Law, or "ACL," relating to trivago’s advertisements in Australia concerning the hotel prices available on trivago’s Australian site, trivago’s strike-through pricing practice and other aspects of the way offers for accommodation were displayed on trivago's Australian website. The matter went to trial in September 2019 and, on January 20, 2020, the Australian Federal Court issued a judgment finding trivago had engaged in conduct in breach of the ACL. On March 4, 2020, trivago filed a notice of appeal of part of that judgment at the Australian Federal Court. On November 4, 2020, the Australian Federal Court dismissed trivago's appeal. On October 18 and 19, 2021, the Australian Federal Court heard submissions from the parties regarding penalties and other orders. In its submissions, the ACCC proposed a penalty of at least AU$90 million and an injunction restraining trivago from engaging in misleading conduct of the type found by the Australian Federal Court to be in contravention of the ACL. trivago submitted that an appropriate penalty for the court to impose would be in the order of up to AU$15 million. The parties await a ruling. We recorded an estimated probable loss of approximately $11 million with respect to these proceedings in a previous period. An estimate for the reasonable possible loss or range of loss in excess of the amount reserved cannot be made.

Note 10 – Divestitures

On May 4, 2021, we announced that American Express Global Business Travel ("GBT") made a binding offer to acquire Egencia, Expedia Group's corporate travel arm included within our B2B segment. On August 4, 2021, Expedia Group accepted that offer, and on November 1, 2021, the sale was completed. As part of the transaction, Expedia Group received a minority ownership position in the combined business, and entered into a 10-year lodging supply agreement with GBT. During the fourth quarter of 2021, we anticipate recognizing a significant gain on sale of the business.

In addition, during the third quarter of 2020, in connection with our efforts to focus on our core businesses and streamline our activities, we committed to a plan to divest certain smaller businesses within our Retail segment, one of which, SilverRail, completed its sale in October 2020. In addition, in April 2021, we completed the sale of Classic Vacations, which resulted in an immaterial gain within other, net in the consolidated statement of operations and net cash divested of approximately $56 million. In July 2021, we also completed the sale of another of our smaller businesses, Alice, within our Retail segment, which resulted in a gain of $53 million within other, net in the consolidated statement of operations and net cash received of $84 million.

As a result, the related assets and liabilities of the above disposal groups were considered held-for-sale and consisted of the following for each reporting period:

- Held-for-sale assets of $408 million as of September 30, 2021, which were primarily classified within cash of $40 million, accounts receivable of $137 million, property and equipment of $61 million, operating lease right-of-use asset of $16 million and goodwill of $122 million. Held-for-sale assets of $21 million as of December 31, 2020, which were primarily classified within cash of $5 million, accounts receivable of $2 million and prepaid expenses and other current assets of $12 million.
- Held-for-sale liabilities of $129 million as of September 30, 2021, which were primarily classified within merchant accounts payable of $27 million and accrued expenses and other current liabilities of $73 million. Held-for-sale liabilities of $53 million as of December 31, 2020, which were primarily classified within merchant accounts payable of $8 million, accrued expenses and other current liabilities of $5 million and deferred merchant bookings of $38 million.

Note 11 – Segment Information

We have the following reportable segments: Retail, B2B, and trivago. Our Retail segment, which consists of the aggregation of operating segments, provides a full range of travel and advertising services to our worldwide customers through a variety of consumer brands including: Expedia.com and Hotels.com in the United States and localized Expedia and Hotels.com websites throughout the world, Vrbo, Orbitz, Travelocity, Wotif Group, ebookers, CheapTickets, Hotwire.com, CarRentals.com and Expedia Cruises. Our B2B segment is comprised of our Expedia Business Services organization including Expedia Partner Solutions, which offers private label and co-branded products to make travel services available to travelers through third-party company branded websites, and Egencia, a full-service travel management company that provides travel services to businesses and their corporate customers. Our trivago segment generates advertising revenue primarily from sending referrals to online travel companies and travel service providers from its hotel metasearch websites.

We determined our operating segments based on how our chief operating decision makers manage our business, make operating decisions and evaluate operating performance. Our primary operating metric is Adjusted EBITDA. Adjusted EBITDA for our Retail and B2B segments includes allocations of certain expenses, primarily related to our global travel supply organization and the majority of costs from our product and technology platform, as well as facility costs and the realized foreign currency gains or losses related to the forward contracts hedging a component of our net merchant lodging revenue. We base the allocations primarily on transaction volumes and other usage metrics. We do not allocate certain shared expenses such as accounting, human resources, certain information technology and legal to our reportable segments. We include these expenses in Corporate and Eliminations. Our allocation methodology is periodically evaluated and may change.

Our segment disclosure includes intersegment revenues, which primarily consist of advertising and media services provided by our trivago segment to our Retail segment. These intersegment transactions are recorded by each segment at amounts that approximate fair value as if the transactions were between third parties, and therefore, impact segment performance. However, the revenue and corresponding expense are eliminated in consolidation. The elimination of such intersegment transactions is included within Corporate and Eliminations in the table below.

Corporate and Eliminations also includes unallocated corporate functions and expenses as well as Bodybuilding.com through its sale in May 2020. In addition, we record amortization of intangible assets and any related impairment, as well as stock-based compensation expense, restructuring and related reorganization charges, legal reserves, occupancy tax and other, and other items excluded from segment operating performance in Corporate and Eliminations. Such amounts are detailed in our segment reconciliation below.

The following tables present our segment information for the three and nine months ended September 30, 2021 and 2020. As a significant portion of our property and equipment is not allocated to our operating segments and depreciation is not included in our segment measure, we do not report the assets by segment as it would not be meaningful. We do not regularly provide such information to our chief operating decision makers.

	Three months ended September 30, 2021				
	Retail	B2B	trivago	Corporate & Eliminations	Total
	(In millions)				
Third-party revenue	$ 2,351	$ 490	$ 121	$ —	$ 2,962
Intersegment revenue	—	—	42	(42)	—
Revenue	$ 2,351	$ 490	$ 163	$ (42)	$ 2,962
Adjusted EBITDA	$ 867	$ 68	$ 18	$ (98)	$ 855
Depreciation	(130)	(24)	(3)	(20)	(177)
Amortization of intangible assets	—	—	—	(24)	(24)
Stock-based compensation	—	—	—	(116)	(116)
Legal reserves, occupancy tax and other	—	—	—	(10)	(10)
Restructuring and related reorganization charges	—	—	—	(12)	(12)
Realized (gain) loss on revenue hedges	8	—	—	—	8
Operating income (loss)	$ 745	$ 44	$ 15	$ (280)	524
Other expense, net					(59)
Income before income taxes					465
Provision for income taxes					(87)
Net income					378
Net income attributable to non-controlling interests					(2)
Net income attributable to Expedia Group, Inc.					376
Preferred stock dividend					(14)
Net income attributable to Expedia Group, Inc. common stockholders					$ 362

	Three months ended September 30, 2020				
	Retail	B2B	trivago	Corporate & Eliminations	Total
			(In millions)		
Third-party revenue	$ 1,246	$ 203	$ 55	$ —	$ 1,504
Intersegment revenue	—	—	15	(15)	—
Revenue	$ 1,246	$ 203	$ 70	$ (15)	$ 1,504
Adjusted EBITDA	$ 429	$ (52)	$ 7	$ (80)	$ 304
Depreciation	(136)	(30)	(4)	(13)	(183)
Amortization of intangible assets	—	—	—	(37)	(37)
Impairment of goodwill	—	—	—	(14)	(14)
Impairment of intangible assets	—	—	—	(41)	(41)
Stock-based compensation	—	—	—	(47)	(47)
Legal reserves, occupancy tax and other	—	—	—	(2)	(2)
Restructuring and related reorganization charges	—	—	—	(78)	(78)
Realized (gain) loss on revenue hedges	(15)	—	—	—	(15)
Operating income (loss)	$ 278	$ (82)	$ 3	$ (312)	(113)
Other expense, net					(111)
Loss before income taxes					(224)
Provision for income taxes					24
Net loss					(200)
Net loss attributable to non-controlling interests					8
Net loss attributable to Expedia Group, Inc.					(192)
Preferred stock dividend					(29)
Net loss attributable to Expedia Group, Inc. common stockholders					$ (221)

	Nine months ended September 30, 2021				
	Retail	B2B	trivago	Corporate & Eliminations	Total
	(In millions)				
Third-party revenue	$ 5,091	$ 979	$ 249	$ —	$ 6,319
Intersegment revenue	—	—	75	(75)	—
Revenue	$ 5,091	$ 979	$ 324	$ (75)	$ 6,319
Adjusted EBITDA	$ 1,264	$ —	$ 19	$ (285)	$ 998
Depreciation	(396)	(78)	(8)	(56)	(538)
Amortization of intangible assets	—	—	—	(77)	(77)
Stock-based compensation	—	—	—	(319)	(319)
Legal reserves, occupancy tax and other	—	—	—	(1)	(1)
Restructuring and related reorganization charges	—	—	—	(54)	(54)
Realized (gain) loss on revenue hedges	14	—	—	—	14
Operating income (loss)	$ 882	$ (78)	$ 11	$ (792)	23
Other expense, net					(532)
Loss before income taxes					(509)
Provision for income taxes					129
Net loss					(380)
Net loss attributable to non-controlling interests					6
Net loss attributable to Expedia Group, Inc.					(374)
Preferred stock dividend					(64)
Loss on redemption of preferred stock					(107)
Net loss attributable to Expedia Group, Inc. common stockholders					$ (545)

Notes to Consolidated Financial Statements – (Continued)

	Nine months ended September 30, 2020				
	Retail	B2B	trivago	Corporate & Eliminations	Total
			(In millions)		
Third-party revenue	$ 3,291	$ 756	$ 173	$ 59	$ 4,279
Intersegment revenue	—	—	69	(69)	—
Revenue	$ 3,291	$ 756	$ 242	$ (10)	$ 4,279
Adjusted EBITDA	$ 248	$ (154)	$ (10)	$ (292)	$ (208)
Depreciation	(400)	(96)	(10)	(53)	(559)
Amortization of intangible assets	—	—	—	(122)	(122)
Impairment of goodwill	—	—	—	(799)	(799)
Impairment of intangible assets	—	—	—	(172)	(172)
Stock-based compensation	—	—	—	(156)	(156)
Legal reserves, occupancy tax and other	—	—	—	11	11
Restructuring and related reorganization charges	—	—	—	(206)	(206)
Realized (gain) loss on revenue hedges	(42)	(3)	—	—	(45)
Operating loss	$ (194)	$ (253)	$ (20)	$ (1,789)	(2,256)
Other expense, net					(400)
Loss before income taxes					(2,656)
Provision for income taxes					319
Net loss					(2,337)
Net loss attributable to non-controlling interests					108
Net loss attributable to Expedia Group, Inc.					(2,229)
Preferred stock dividend					(46)
Net loss attributable to Expedia Group, Inc. common stockholders					$ (2,275)

Revenue by Business Model and Service Type

The following table presents revenue by business model and service type:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
		(in millions)		
Business Model:				
Merchant	$ 1,923	$ 1,032	$ 4,057	$ 2,740
Agency	800	329	1,696	996
Advertising, media and other	239	143	566	543
Total revenue	$ 2,962	$ 1,504	$ 6,319	$ 4,279
Service Type:				
Lodging	$ 2,300	$ 1,229	$ 4,736	$ 3,258
Air	61	27	189	67
Advertising and media	202	94	451	322
Other[(1)]	399	154	943	632
Total revenue	$ 2,962	$ 1,504	$ 6,319	$ 4,279

(1) Other includes car rental, insurance, destination services, cruise and fee revenue related to our corporate travel business, among other revenue streams, none of which are individually material. Other also includes product revenue of $59 million during the nine months ended September 30, 2020 related to Bodybuilding.com, which was sold in May 2020.

Our Retail and B2B segments generate revenue from the merchant, agency and advertising, media and other business models as well as all service types. trivago segment revenue is generated through advertising and media.

Part I. Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements reflect the views of our management regarding current expectations and projections about future events and are based on currently available information. Actual results could differ materially from those contained in these forward-looking statements for a variety of reasons, including, but not limited to, those discussed in our Annual Report on Form 10-K for the year ended December 31, 2020, Part I, Item 1A, "Risk Factors," as well as those discussed elsewhere in this report. COVID-19, and the volatile regional and global economic conditions stemming from it, and additional or unforeseen effects from the COVID-19 pandemic, could also give rise to or aggravate these risk factors, which in turn could materially adversely affect our business, financial condition, liquidity, results of operations (including revenues and profitability) and/or stock price. Further, COVID-19 may also affect our operating and financial results in a manner that is not presently known to us or that we currently do not consider to present significant risks to our operations. Other unknown or unpredictable factors also could have a material adverse effect on our business, financial condition and results of operations. Accordingly, readers should not place undue reliance on these forward-looking statements. The use of words such as "anticipates," "believes," "could," "estimates," "expects," "goal," "intends," "likely," "may," "plans," "potential," "predicts," "projected," "seeks," "should" and "will," or the negative of these terms or other similar expressions, among others, generally identify forward-looking statements; however, these words are not the exclusive means of identifying such statements. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. These forward-looking statements are inherently subject to uncertainties, risks and changes in circumstances that are difficult to predict. We are not under any obligation to, and do not intend to, publicly update or review any of these forward-looking statements, whether as a result of new information, future events or otherwise, even if experience or future events make it clear that any expected results expressed or implied by those forward-looking statements will not be realized. Please carefully review and consider the various disclosures made in this report and in our other reports filed with the SEC that attempt to advise interested parties of the risks and factors that may affect our business, prospects and results of operations.

The information included in this management's discussion and analysis of financial condition and results of operations should be read in conjunction with our consolidated financial statements and the notes included in this Quarterly Report, and the audited consolidated financial statements and notes and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended December 31, 2020.

Overview

Expedia Group's mission is to power global travel for everyone, everywhere. We believe travel is a force for good. Travel is an essential human experience that strengthens connections, broadens horizons and bridges divides. We help reduce the barriers to travel, making it easier, more enjoyable, more attainable and more accessible. We bring the world within reach for customers and partners around the globe. We leverage our supply portfolio, platform and technology capabilities across an extensive portfolio of consumer brands, and provide solutions to our business partners, to orchestrate the movement of people and the delivery of travel experiences on both a local and global basis. We make available, on a stand-alone and package basis, travel services provided by numerous lodging properties, airlines, car rental companies, activities and experiences providers, cruise lines, alternative accommodations property owners and managers, and other travel product and service companies. We also offer travel and non-travel advertisers access to a potential source of incremental traffic and transactions through our various media and advertising offerings on our websites. For additional information about our portfolio of brands, see the disclosure set forth in Part I, Item 1, Business, under the caption "Management Overview" in our Annual Report on Form 10-K for the year ended December 31, 2020.

All percentages within this section are calculated on actual, unrounded numbers.

Trends

The COVID-19 pandemic, and measures to contain the virus, including government travel restrictions and quarantine orders, have had a significant negative impact on the travel industry. COVID-19 has negatively impacted consumer sentiment and consumer's ability to travel, and many of our supply partners, particularly airlines and hotels, continue to operate at reduced service levels.

As the spread of the virus has been contained to varying degrees in certain countries, travel restrictions have been lifted and consumers have become more comfortable traveling, particularly to domestic locations. This led to a moderation of the declines in travel bookings and in cancellation rates since March and April 2020. However, travel bookings remain below and cancellation rates still remain elevated compared to pre-COVID levels.

The degree of containment of the virus, and the recovery in travel, has varied country by country. During the recovery period, there have been instances where cases of COVID-19 have started to increase again after a period of decline, which in some cases impacted the recovery of travel in certain countries. Additionally, there continues to be uncertainty over the impact of the delta or other new variants of the virus, including the efficacy of the vaccines against such variants, which has contributed, and may continue to contribute, to delays in economic recovery. COVID-19 has also had broader economic impacts, including an increase in unemployment levels and reduction in economic activity, which if COVID-19 starts to increase again, could lead to a reduction in consumer or business spending on travel activities, which may negatively impact the timing and level of a recovery in travel demand. Broader, sustained negative economic impacts could also put strain on our suppliers, business and service partners which increases the risk of credit losses and service level or other disruptions.

Our financial and operating results for 2020 were significantly impacted due to the decrease in travel demand related to COVID-19. While we have seen an improvement in trends during 2021, the impact to the overall travel market, and our business, has continued. The full duration and total impact of COVID-19 remains uncertain and it is difficult to predict how the recovery will unfold for the travel industry and, in particular, our business.

Additionally, further health-related events, political instability, geopolitical conflicts, acts of terrorism, significant fluctuations in currency values, sovereign debt issues, and natural disasters, are examples of other events that could have a negative impact on the travel industry in the future.

Prior to the onset of COVID-19, we began to execute a cost savings initiative aimed at simplifying the organization and increasing efficiency. Following the onset of COVID-19, we accelerated execution on several of these cost savings initiatives and took additional actions to reduce costs to help mitigate the impact to demand from COVID-19 and reduce our monthly cash usage. While some cost actions during COVID-19 are temporary and intended to minimize cash usage during this disruption, we expect to continue to benefit from the majority of the savings when business conditions return to more normalized levels. Overall, we continue to expect annualized run-rate fixed cost savings of $700 to $750 million compared to the fourth quarter of 2019 exit rate, and we continue to evaluate additional opportunities to increase efficiency and improve operational effectiveness across the Company. In addition to the actions to reduce fixed costs, we are executing initiatives to reduce certain variable costs and improve our marketing efficiency.

As a result of these cost savings initiatives, we expect Adjusted EBITDA margins to increase compared to historical levels when revenue returns to more normalized levels.

Online Travel

Increased usage and familiarity with the internet are driving rapid growth in online penetration of travel expenditures. According to Phocuswright, an independent travel, tourism and hospitality research firm, in 2019, approximately 49% of U.S., European and Latin American leisure and unmanaged corporate travel expenditures occurred online. As of January 2021, this figure was estimated to reach approximately 53% in 2022. Online penetration rates in the emerging markets, such as Asia Pacific and Latin American regions, have historically lagged behind that of the United States and Europe. These penetration rates increased over the past few years, and are expected to continue growing, which presents an attractive growth opportunity for our business, while also attracting many competitors to online travel. This competition intensified in recent years, and the industry is expected to remain highly competitive for the foreseeable future. In addition to the growth of online travel agencies, we see increased interest in the online travel industry from search engine companies such as Google, evidenced by continued product enhancements, including new trip planning features for users and the integration of its various travel products into the Google Travel offering, as well as further prioritizing its own products in search results. Competitive entrants such as "metasearch" companies, including Kayak.com (owned by Booking Holdings), trivago (in which Expedia Group owns a majority interest) as well as TripAdvisor, introduced differentiated features, pricing and content compared with the legacy online travel agency companies, as well as various forms of direct or assisted booking tools. Further, airlines and lodging companies are aggressively pursuing direct online distribution of their products and services. In addition, the increasing popularity of the "sharing economy," accelerated by online penetration, has had a direct impact on the travel and lodging industry. Businesses such as Airbnb, Vrbo (previously HomeAway, which Expedia Group acquired in December 2015) and Booking.com (owned by Booking Holdings) have emerged as the leaders, bringing incremental alternative accommodation and vacation rental inventory to the market. Many other competitors, including vacation rental metasearch players, continue to emerge in this space, which is expected to continue to grow as a percentage of the global accommodation market. Finally, traditional consumer ecommerce and group buying websites expanded their local offerings into the travel market by adding hotel offers to their websites.

The online travel industry also saw the development of alternative business models and variations in the timing of payment by travelers and to suppliers, which in some cases place pressure on historical business models. In particular, the agency hotel model saw rapid adoption in Europe. Expedia Group facilitates both merchant (Expedia Collect) and agency (Hotel Collect) hotel offerings with our hotel supply partners through both agency-only contracts as well as our hybrid Expedia

Traveler Preference ("ETP") program, which offers travelers the choice of whether to pay Expedia Group at the time of booking or pay the hotel at the time of stay.

In 2020, we shifted to managing our marketing investments holistically across the brand portfolio in our Retail segment to optimize results for the Company, and making decisions on a market by market and customer segment basis that we think are appropriate based on the relative growth opportunity, the expected returns and the competitive environment. Over time, intense competition historically led to aggressive marketing efforts by the travel suppliers and intermediaries, and a meaningful unfavorable impact on our overall marketing efficiencies and operating margins. During 2020, we increased our focus on opportunities to differentiate brands across customer and geographic segments, increase marketing efficiency, drive a higher proportion of transactions through direct channels and ultimately improve the balance of transaction growth and profitability.

Lodging

Lodging includes hotel accommodations and alternative accommodations. As a percentage of our total worldwide revenue in the third quarter of 2021, lodging accounted for 78%. As a result of the improvement in travel demand this year, stayed room nights grew 59% in the third quarter of 2021 and 25% in the first nine months of 2021, as compared to a decline of 55% in 2020 and growth of 11% in 2019. The timing of a further recovery in consumer sentiment on travel and on staying at hotels will be a factor in our level of room night growth, and as noted above, we expect that to vary by country. Average Daily Rates ("ADRs") for rooms booked on Expedia Group websites decreased 1% in 2019, increased 3% in 2020 and increased 20% in the first nine months of 2021. During 2020 and the first nine months of 2021, the year-over-year increase in ADRs for our Vrbo business remained elevated compared to years prior to the COVID-19 outbreak. Vrbo carries a higher ADR than hotels and has accounted for a higher percentage of room nights due to the faster recovery in alternative accommodations during this period.

The uncertain environment as a result of COVID-19, including travel restrictions and shifts in consumer behavior, the mix of our lodging bookings across geographies and types of accommodations, and general variability in supply and demand, make it difficult to predict ADR trends in the near-term.

As of September 30, 2021, our global lodging marketplace had approximately 3 million lodging properties available, including over 2 million online bookable alternative accommodations listings and approximately 885,000 hotels.

Hotel. We generate the majority of our revenue through the facilitation of hotel reservations (stand-alone and package bookings). After rolling out ETP globally over a period of several years, during which time we reduced negotiated economics in certain instances to compensate for hotel supply partners absorbing expenses such as credit card fees and customer service costs, our relationships and overall economics with hotel supply partners have been broadly stable in recent years. As we continue to expand the breadth and depth of our global hotel offering, in some cases we have reduced our economics in various geographies based on local market conditions. These impacts are due to specific initiatives intended to drive greater global size and scale through faster overall room night growth. Additionally, increased promotional activities such as growing loyalty programs contribute to declines in revenue per room night and profitability.

Since our hotel supplier agreements are generally negotiated on a percentage basis, any increase or decrease in ADRs has an impact on the revenue we earn per room night. Over the course of the last several years, occupancies and ADRs in the lodging industry generally increased on a currency-neutral basis in a gradually improving overall travel environment. However, due to COVID-19, current occupancy rates for hotels in the United States are at reduced levels. In addition, other factors could pressure ADR trends, including the continued growth in hotel supply in recent years and the increase in alternative accommodation inventory. Further, while the global lodging industry remains very fragmented, there has been consolidation in the hotel space among chains as well as ownership groups. In the meantime, certain hotel chains have been focusing on driving direct bookings on their own websites and mobile applications by advertising lower rates than those available on third-party websites as well as incentives such as loyalty points, increased or exclusive product availability and complimentary Wi-Fi.

Alternative Accommodations. With our acquisition of Vrbo (previously HomeAway) and all of its brands in December 2015, we expanded into the fast growing alternative accommodations market. Vrbo is a leader in this market and represents an attractive growth opportunity for Expedia Group. Vrbo has transitioned from a listings-based classified advertising model to an online transactional model that optimizes for both travelers and homeowner and property manager partners, with a goal of increasing monetization and driving growth through investments in marketing as well as in product and technology. Vrbo offers hosts subscription-based listing or pay-per-booking service models. It also generates revenue from a traveler service fee for bookings. In addition, we have actively moved to integrate Vrbo listings into our global Retail services, as well as directly add alternative accommodation listings to our offerings, to position our key global brands to offer a full range of lodging options for consumers.

Air

The airline industry has been dramatically impacted by COVID-19. As a result of the significantly reduced air travel demand due to government travel restrictions and the impact on consumer sentiment related to COVID-19, airlines have been operating with less capacity and passenger traffic has declined significantly. During the third and fourth quarter of 2020, air passenger traffic declines further moderated and remained stable, but continue to lag the recovery in lodging bookings. The recovery in air travel remains difficult to predict, and may not correlate with the recovery in lodging demand. According to the Transportation Security Administration ("TSA"), air traveler 7-day average throughput declined 95% in April 2020 compared to prior year levels. The declines moderated to 60 to 65% in mid-October 2020 and, as of mid-October 2021, further moderated to down 20 to 25% compared to 2019 levels.

In addition, there is significant correlation between airline revenue and fuel prices, and fluctuations in fuel prices generally take time to be reflected in air revenue. Given current volatility, it is uncertain how fuel prices could impact airfares. We could encounter pressure on air remuneration as air carriers combine, certain supply agreements renew, and as we continue to add airlines to ensure local coverage in new markets.

Air ticket volumes increased 132% during the third quarter of 2021 and 32% in first nine months of 2021 compared to a decline of 63% in 2020 and an increase of 7% in 2019. As a percentage of our total worldwide revenue in the third quarter of 2021, air accounted for 2%.

Advertising & Media

Our advertising and media business is principally driven by revenue generated by trivago, a leading hotel metasearch website, and Expedia Group Media Solutions, which is responsible for generating advertising revenue on our global online travel brands. In the third quarter of 2021, we generated $202 million of advertising and media revenue, a 116% increase from the same period in 2020, representing 7% of our total worldwide revenue. Given the decline in travel demand related to COVID-19, online travel agencies dramatically reduced marketing spend, including on trivago, and given the uncertain duration and impact of COVID-19 it is difficult to predict when spend will recover to normalized levels. In response, in 2020, trivago significantly reduced its marketing spend and took additional actions to lower operating expenses. We expect trivago to continue to experience pressure on revenue and profit until online travel agencies and other hotel suppliers see consumer demand that warrants increasing in their advertising spend with trivago.

Business Strategy

As we endeavor to power global travel for everyone, everywhere our focus is to: leverage our brand and supply strength, and our platform, to provide greater services and value to our travelers, suppliers and business partners, and generate sustained, profitable growth.

Leverage Brand and Supply Strength. We believe the strength of our brand portfolio and enhancements to product and service offerings, which when combined with our global scale and broad based supply, drive increasing value to customers and customer demand. With our significant global audience of travelers, and our deep and broad selection of travel products, there is a rich interplay between supply and demand in our global marketplace that helps us provide value to both travelers planning trips and supply partners wanting to grow their business through a better understanding of travel retailing and consumer demand in addition to reaching consumers in markets beyond their reach. Our multi-brand strategy and deep product and supply footprint allows us to tailor offerings to target different types of consumers and travel needs, employ geographic segmentation in markets around the world, and leverage brand differentiation, among other benefits. Additionally, we know that consumers typically visit multiple travel websites prior to booking travel, and having a multi-brand strategy increases the likelihood that those consumers will visit one or more of our websites. We also market to consumers through a variety of channels, including internet search, metasearch and social media websites, and having multiple brands appear in search results also increases the likelihood of attracting new visitors.

Leverage Our Platform. During 2020, Expedia Group shifted to a platform operating model with more centralized technology, product, data engineering and data science teams building services and capabilities that are leveraged across our business units to serve our end customers and provide value-add services to our travel suppliers. This model enables us to deliver more scalable services and operate more efficiently. All of our transaction-based businesses share and benefit from our platform infrastructure, including customer servicing and support, data centers, search capabilities and transaction processing functions, including payment processing and fraud operations.

As we continue to evolve our platform infrastructure, our focus is on developing technical capabilities that support various travel products while using common applications and frameworks. We believe this strategy will enable us to: build in parallel because of simpler, standard architecture; ship products faster; create more innovative solutions; and achieve greater scale. Over time, as we enable domains around application development frameworks, we believe we can unlock additional platform service opportunities beyond our internal brands and other business travel partners.

Seasonality

We generally experience seasonal fluctuations in the demand for our travel services. For example, traditional leisure travel bookings are generally the highest in the first three quarters as travelers plan and book their spring, summer and winter holiday travel. The number of bookings typically decreases in the fourth quarter. Because revenue for most of our travel services, including merchant and agency hotel, is recognized as the travel takes place rather than when it is booked, revenue typically lags bookings by several weeks for our hotel business and can be several months or more for our alternative accommodations business. Historically, Vrbo has seen seasonally stronger bookings in the first quarter of the year, with the relevant stays occurring during the peak summer travel months. The seasonal revenue impact is exacerbated with respect to income by the nature of our variable cost of revenue and direct sales and marketing costs, which we typically realize in closer alignment to booking volumes, and the more stable nature of our fixed costs. Furthermore, operating profits for our primary advertising business, trivago, have typically been experienced in the second half of the year, particularly the fourth quarter, as selling and marketing costs offset revenue in the first half of the year as we typically increase marketing during the busy booking period for spring, summer and winter holiday travel. As a result on a consolidated basis, revenue and income are typically the lowest in the first quarter and highest in the third quarter. The growth of our international operations, advertising business or a change in our product mix, including the growth of Vrbo, may influence the typical trend of the seasonality in the future.

Impacts from COVID-19 disrupted our typical seasonal pattern for bookings, revenue, profit and cash flows during 2020. Significantly higher cancellations and reduced booking volumes, particularly in the first half of 2020, resulted in material operating losses and negative cash flow. Although travel volumes remain materially lower than historic levels, booking and travel trends normalized during the second half of 2020, and first nine months of 2021. This resulted in working capital benefits and positive cash flow more akin to typical historical trends. It remains difficult to forecast the seasonality for the upcoming quarters, given the uncertainty related to the duration of the impact from COVID-19 and the shape and timing of any sustained recovery.

Critical Accounting Policies and Estimates

Critical accounting policies and estimates are those that we believe are important in the preparation of our consolidated financial statements because they require that we use judgment and estimates in applying those policies. We prepare our consolidated financial statements and accompanying notes in accordance with generally accepted accounting principles in the United States ("GAAP"). Preparation of the consolidated financial statements and accompanying notes requires that we make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements as well as revenue and expenses during the periods reported. We base our estimates on historical experience, where applicable, and other assumptions that we believe are reasonable under the circumstances. Actual results may differ from our estimates under different assumptions or conditions.

There are certain critical estimates that we believe require significant judgment in the preparation of our consolidated financial statements. We consider an accounting estimate to be critical if:

- It requires us to make an assumption because information was not available at the time or it included matters that were highly uncertain at the time we were making the estimate; and
- Changes in the estimate or different estimates that we could have selected may have had a material impact on our financial condition or results of operations.

The COVID-19 pandemic has created and may continue to create significant uncertainty in macroeconomic conditions, which may cause further business disruptions and adversely impact our results of operations. As a result, many of our estimates and assumptions required increased judgment and carry a higher degree of variability and volatility. As events continue to evolve and additional information becomes available, our estimates may change materially in future periods

For additional information about our other critical accounting policies and estimates, see the disclosure included in our Annual Report on Form 10-K for the year ended December 31, 2020 as well as updates in the current fiscal year provided in Note 2 – Summary of Significant Accounting Policies in the notes to the consolidated financial statements.

Occupancy and Other Taxes

Legal Proceedings. We are currently involved in ten lawsuits brought by or against states, cities and counties over issues involving the payment of hotel occupancy and other taxes. We continue to defend these lawsuits vigorously. With respect to the principal claims in these matters, we believe that the statutes and/or ordinances at issue do not apply to us or the services we provide, namely the facilitation of travel planning and reservations, and, therefore, that we do not owe the taxes that are claimed to be owed. We believe that the statutes and ordinances at issue generally impose occupancy and other taxes on entities that own, operate or control hotels (or similar businesses) or furnish or provide hotel rooms or similar accommodations

For additional information on these and other legal proceedings, see Part II, Item 1, Legal Proceedings.

We have established a reserve for the potential settlement of issues related to hotel occupancy and other tax litigation, consistent with applicable accounting principles and in light of all current facts and circumstances, in the amount of $50 million as of September 30, 2021, and $58 million as of December 31, 2020.

Certain jurisdictions, including without limitation the states of New York, New Jersey, North Carolina, Minnesota, Oregon, Rhode Island, Maryland, Pennsylvania, Hawaii, Iowa, Massachusetts, Arizona, Wisconsin, Idaho, Arkansas, Indiana, Maine, Nebraska, Vermont, Mississippi, Virginia, the city of New York, and the District of Columbia, have enacted legislation seeking to tax online travel company services as part of sales or other taxes for hotel and/or other accommodations and/or car rental. In addition, in certain jurisdictions, we have entered into voluntary collection agreements pursuant to which we have agreed to voluntarily collect and remit taxes to state and/or local taxing jurisdictions. We are currently remitting taxes to a number of jurisdictions, including without limitation the states of New York, New Jersey, South Carolina, North Carolina, Minnesota, Georgia, Wyoming, West Virginia, Oregon, Rhode Island, Montana, Maryland, Kentucky, Maine, Pennsylvania, Hawaii, Iowa, Massachusetts, Arizona, Wisconsin, Idaho, Arkansas, Indiana, Nebraska, Vermont, Colorado, Mississippi, Virginia, the city of New York and the District of Columbia, as well as certain other jurisdictions.

Pay-to-Play

Certain jurisdictions may assert that we are required to pay any assessed taxes prior to being allowed to contest or litigate the applicability of the ordinances. This prepayment of contested taxes is referred to as “pay-to-play.” Payment of these amounts is not an admission that we believe we are subject to such taxes and, even when such payments are made, we continue to defend our position vigorously. If we prevail in the litigation, for which a pay-to-play payment was made, the jurisdiction collecting the payment will be required to repay such amounts and also may be required to pay interest. However, any significant pay-to-play payment or litigation loss could negatively impact our liquidity.

Other Jurisdictions. We are also in various stages of inquiry or audit with various tax authorities, some of which, including the City of Los Angeles regarding hotel occupancy taxes, may impose a pay-to-play requirement to challenge an adverse inquiry or audit result in court.

Segments

We have the following reportable segments: Retail, B2B, and trivago. Our Retail segment provides a full range of travel and advertising services to our worldwide customers through a variety of consumer brands including: Expedia.com and Hotels.com in the United States and localized Expedia and Hotels.com websites throughout the world, Vrbo, Orbitz, Travelocity, Wotif Group, ebookers, CheapTickets, Hotwire.com, CarRentals.com and Expedia Cruises. Our B2B segment is comprised of our Expedia Business Services organization including Expedia Partner Solutions, which offers private label and co-branded products to make travel services available to travelers through third-party company branded websites, and Egencia, a full-service travel management company that provides travel services to businesses and their corporate customers. Our trivago segment generates advertising revenue primarily from sending referrals to online travel companies and travel service providers from its hotel metasearch websites.

Operating Metrics

Our operating results are affected by certain metrics, such as gross bookings and revenue margin, which we believe are necessary for understanding and evaluating us. Gross bookings generally represent the total retail value of transactions booked for agency and merchant transactions, recorded at the time of booking reflecting the total price due for travel by travelers, including taxes, fees and other charges, and are reduced for cancellations and refunds. Revenue margin is defined as revenue as a percentage of gross bookings.

Gross Bookings and Revenue Margin

	Three months ended September 30,			Nine months ended September 30,		
	2021	2020	% Change	2021	2020	% Change
	($ in millions)			($ in millions)		
Gross bookings	$ 18,725	$ 8,631	117 %	$ 54,962	$ 29,228	88 %
Revenue margin [(1)]	15.8 %	17.4 %		11.5 %	14.6 %	

(1) trivago, which is comprised of a hotel metasearch business that differs from our transaction-based websites, does not have associated gross bookings or revenue margin. However, third-party revenue from trivago is included in revenue used to calculate total revenue margin.

During the three and nine months ended September 30, 2021, gross bookings increased 117% and 88%, compared to the same periods in 2020. Booking trends for our lodging, air and other travel products all improved sequentially in the second quarter of 2021 from the first quarter, but decreased sequentially in the third quarter of 2021 from the second quarter largely due to the impact of the COVID-19 delta variant.

Revenue margin for the nine months ended September 30, 2020 was higher than in the current period due in part to significant lodging cancellations in the prior year period, which reduced gross bookings, creating an unusual mix of bookings and revenue.

Results of Operations

Revenue

	Three months ended September 30,			Nine months ended September 30,		
	2021	2020	% Change	2021	2020	% Change
	($ in millions)			($ in millions)		
Revenue by Segment						
Retail	$ 2,351	$ 1,246	89 %	$ 5,091	$ 3,291	55 %
B2B	490	203	142 %	979	756	30 %
trivago (Third-party revenue)	121	55	119 %	249	173	43 %
Corporate (Bodybuilding.com)	—	—	N/A	—	59	N/A
Total revenue	$ 2,962	$ 1,504	97 %	$ 6,319	$ 4,279	48 %

Revenue increased 97% and 48% for the three and nine months ended September 30, 2021, compared to the same periods in 2020. Our Retail, B2B and trivago segments revenue all increased compared to prior year periods with the growth reflecting improvements in travel trends during the current year.

	Three months ended September 30,			Nine months ended September 30,		
	2021	2020	% Change	2021	2020	% Change
	($ in millions)			($ in millions)		
Revenue by Service Type						
Lodging	$ 2,300	$ 1,229	87 %	$ 4,736	$ 3,258	45 %
Air	61	27	128 %	189	67	183 %
Advertising and media(1)	202	94	116 %	451	322	40 %
Other	399	154	159 %	943	632	49 %
Total revenue	$ 2,962	$ 1,504	97 %	$ 6,319	$ 4,279	48 %

(1) Includes third-party revenue from trivago as well as our transaction-based websites.

Lodging revenue increased 87% and 45% for the three and nine months ended September 30, 2021, compared to the same periods in 2020, on a 59% and 25% increase in room nights stayed and a 17% and 16% increase in revenue per room night across hotel and alternative accommodations. For the three and nine months ended September 30, 2021, revenue per room night benefited from higher ADRs driven by an increase in regional rates and a higher mix of U.S. hotels.

Air revenue increased for the three and nine months ended September 30, 2021 driven by an increase in air tickets sold of 132% and 32% as air travel demand improved.

Advertising and media revenue increased 116% and 40% for the three and nine months ended September 30, 2021, compared to the same periods in 2020, due to increases at both trivago and Expedia Group Media Solutions. All other revenue, which includes car rental, insurance, destination services, fee revenue related to our corporate travel business and Bodybuilding.com (through its sale in May 2020), increased 159% and 49% for the three and nine months ended September 30, 2021, compared to the same periods in 2020, from growth in car as well as travel insurance products.

In addition to the above segment and product revenue discussion, our revenue by business model is as follows:

	Three months ended September 30, 2021	Three months ended September 30, 2020	% Change	Nine months ended September 30, 2021	Nine months ended September 30, 2020	% Change
	($ in millions)			($ in millions)		
Revenue by Business Model						
Merchant	$ 1,923	$ 1,032	86 %	$ 4,057	$ 2,740	48 %
Agency	800	329	143 %	1,696	996	70 %
Advertising, media and other	239	143	67 %	566	543	4 %
Total revenue	$ 2,962	$ 1,504	97 %	$ 6,319	$ 4,279	48 %

Merchant revenue increased for the three and nine months ended September 30, 2021, compared to the same periods in 2020, primarily due to an increase in merchant hotel revenue driven by an increase in room nights stayed as well as an increase in Vrbo merchant alternative accommodations revenue.

Agency revenue increased for the three and nine months ended September 30, 2021, compared to the same periods in 2020, primarily due to an increase in agency hotel, car and air revenue.

Advertising, media and other increased for the three and nine months ended September 30, 2021, compared to the same periods in 2020, primarily due to an increase in advertising revenue. The year-to-date period increase was largely offset by declines related to our prior year sale of Bodybuilding.com and certain miscellaneous other declines.

In the below discussion, we reclassified certain prior period information to conform to the current period presentation primarily related to the classification of licensing and maintenance costs within our operating expenses. For additional information, see Note 1 – Basis of Presentation in the notes to the consolidated financial statements.

Cost of Revenue

	Three months ended September 30, 2021	Three months ended September 30, 2020	% Change	Nine months ended September 30, 2021	Nine months ended September 30, 2020	% Change
	($ in millions)			($ in millions)		
Direct costs	$ 339	$ 250	35 %	$ 806	$ 977	(17)%
Personnel and overhead	103	113	(8)%	321	396	(19)%
Total cost of revenue	$ 442	$ 363	22 %	$ 1,127	$ 1,373	(18)%
% of revenue	14.9 %	24.1 %		17.8 %	32.1 %	

Cost of revenue primarily consists of direct costs to support our customer operations, including our customer support and telesales as well as fees to air ticket fulfillment vendors; credit card processing, including merchant fees, fraud and chargebacks; and other costs, primarily including data center and cloud costs to support our websites, supplier operations, destination supply, certain transactional level taxes, costs related to Bodybuilding.com during our period of ownership as well as related personnel and overhead costs, including stock-based compensation.

Cost of revenue increased $79 million during the three months ended September 30, 2021, compared to the same period in 2020, primarily due to increased expenses from significantly higher transaction volumes, including merchant fees.

Cost of revenue decreased $246 million during the nine months ended September 30, 2021, compared to the same period in 2020, primarily due to a decrease in bad debt expense, which was significantly elevated in the first nine months of 2020 due to the initial impacts of COVID-19, decreased customer service and personnel costs, and the absence of expenses related to Bodybuilding.com, which was disposed of in the second quarter of 2020. These decreases were partially offset by an increase in merchant fees resulting from recovering transaction volumes.

Selling and Marketing

	Three months ended September 30,		% Change	Nine months ended September 30,		% Change
	2021	2020		2021	2020	
	($ in millions)			($ in millions)		
Direct costs	$ 1,132	$ 337	236 %	$ 2,621	$ 1,381	90 %
Indirect costs	182	188	(3)%	556	640	(13)%
Total selling and marketing	$ 1,314	$ 525	150 %	$ 3,177	$ 2,021	57 %
% of revenue	44.3 %	35.0 %		50.3 %	47.2 %	

Selling and marketing expense primarily relates to direct costs, including traffic generation costs from search engines and internet portals, television, radio and print spending, private label and affiliate program commissions, public relations and other costs. The remainder of the expense relates to indirect costs, including personnel and related overhead in our various brands and global supply organization, as well as stock-based compensation costs.

Selling and marketing expenses increased $789 million and $1.2 billion during the three and nine months ended September 30, 2021, compared to the same periods in 2020, primarily due to an increase in direct costs as marketing spend increased in response to improved demand. The change in indirect costs reflect lower personnel costs in connection with previously announced cost savings initiatives, partially offset by higher stock-based compensation expense.

Technology and Content

	Three months ended September 30,		% Change	Nine months ended September 30,		% Change
	2021	2020		2021	2020	
	($ in millions)			($ in millions)		
Personnel and overhead	$ 205	$ 166	24 %	$ 583	$ 580	1 %
Other	72	76	(5)%	217	248	(12)%
Total technology and content	$ 277	$ 242	15 %	$ 800	$ 828	(3)%
% of revenue	9.4 %	16.1 %		12.7 %	19.4 %	

Technology and content expense includes product development and content expense, as well as information technology costs to support our infrastructure, back-office applications and overall monitoring and security of our networks, and is principally comprised of personnel and overhead, including stock-based compensation, as well as other costs including cloud expense and licensing and maintenance expense.

Technology and content expense increased $35 million during the three months ended September 30, 2021, compared to the same period in 2020, primarily reflecting higher personnel and related costs resulting largely from compensation change impacts, which shifted discretionary bonuses to salary in the current year, as well as higher stock-based compensation expense.

Technology and content expense decreased $28 million during the nine months ended September 30, 2021, compared to the same period in 2020, primarily reflecting lower personnel and related costs as well as license and maintenance expense in connection with previously announced cost savings initiatives, partially offset by higher stock-based compensation.

General and Administrative

	Three months ended September 30,		% Change	Nine months ended September 30,		% Change
	2021	2020		2021	2020	
	($ in millions)			($ in millions)		
Personnel and overhead	$ 145	$ 102	43 %	$ 413	$ 348	19 %
Professional fees and other	37	30	23 %	109	118	(9)%
Total general and administrative	$ 182	$ 132	38 %	$ 522	$ 466	12 %
% of revenue	6.2 %	8.8 %		8.3 %	10.9 %	

General and administrative expense consists primarily of personnel-related costs, including our executive leadership, finance, legal and human resource functions and related stock-based compensation as well as fees for external professional services.

General and administrative expense increased $50 million and $56 million during the three and nine months ended September 30, 2021, compared to the same periods in 2020, mainly due to an increase in stock-based compensation. To a lesser extent, the increase during the quarterly period was also due to an increase in other personnel costs. The increase in the year-to-date period was partially offset by a decrease in personnel costs in connection with previously announced savings initiatives.

Depreciation and Amortization

	Three months ended September 30,			Nine months ended September 30,		
	2021	2020	% Change	2021	2020	% Change
	($ in millions)			($ in millions)		
Depreciation	$ 177	$ 183	(3)%	$ 538	$ 559	(4)%
Amortization of intangible assets	24	37	(36)%	77	122	(37)%
Total depreciation and amortization	$ 201	$ 220	(9)%	$ 615	$ 681	(10)%

Depreciation decreased $6 million and $21 million during the three and nine months ended September 30, 2021, compared to the same periods in 2020. Amortization of intangible assets decreased $13 million and $45 million during the three and nine months ended September 30, 2021, compared to the same periods in 2020 primarily due to the completion of amortization related to certain intangible assets as well as the impact of definite-lived intangible impairments in the prior year.

Impairment of Goodwill and Intangible Assets

During the three and nine months ended September 30, 2020, as a result of the significant negative impact related to COVID-19, which had a severe effect on the entire global travel industry, we recognized goodwill impairment charges of $14 million and $799 million as well as intangible asset impairment charges of $41 million and $172 million. See Note 3 – Fair Value Measurements in the notes to the consolidated financial statements for further information.

Legal Reserves, Occupancy Tax and Other

	Three months ended September 30,			Nine months ended September 30,		
	2021	2020	% Change	2021	2020	% Change
	($ in millions)			($ in millions)		
Legal reserves, occupancy tax and other	$ 10	$ 2	452 %	$ 1	$ (11)	N/A
% of revenue	0.3 %	0.1 %		— %	(0.3)%	

Legal reserves, occupancy tax and other consists of changes in our reserves for court decisions and the potential and final settlement of issues related to hotel occupancy and other taxes, expenses recognized related to monies paid in advance of occupancy and other tax proceedings (“pay-to-play”) as well as certain other legal reserves.

Legal reserves, occupancy tax and other for three months ended September 30, 2021 primarily included a charge for certain other legal reserves. For the nine months ended September 30, 2021, these charges were mostly offset by net reductions to our reserve related to hotel occupancy and other taxes. During the nine months ended September 30, 2020, we recorded a $25 million gain in relation to a legal settlement, which was partially offset by changes in our reserve related to hotel occupancy and other taxes.

Restructuring and Related Reorganization Charges

In 2020, we committed to restructuring actions intended to simplify our businesses and improve operational efficiencies, which have resulted in headcount reductions and office consolidations. As a result, we recognized $12 million and $78 million in restructuring and related reorganization charges during the three months ended September 30, 2021 and 2020 and, during the nine months ended September 30, 2021 and 2020, we recognized $54 million and $206 million. Based on current plans, which are subject to change, we expect total reorganization charges in the remainder of 2021 of up to $10 million. However, we continue to actively evaluate additional cost reduction efforts and should we make decisions in future periods to take further actions we will incur additional reorganization charges.

Operating Income (Loss)

	Three months ended September 30,			Nine months ended September 30,		
	2021	2020	% Change	2021	2020	% Change
	($ in millions)			($ in millions)		
Operating income (loss)	$ 524	$ (113)	N/A	$ 23	$ (2,256)	N/A
% of revenue	17.7 %	(7.5)%		0.4 %	(52.7)%	

During the three and nine months ended September 30, 2021, we had operating income of $524 million and $23 million, compared to operating losses of $113 million and $2.3 billion for the same periods in 2020. The improvement in the current year periods was primarily due to growth in revenue in excess of operating costs. The change for the year-to-date period was also impacted by the prior year goodwill and intangible impairment charges mentioned above.

Adjusted EBITDA by Segment

	Three months ended September 30,			Nine months ended September 30,		
	2021	2020	% Change	2021	2020	% Change
	($ in millions)			($ in millions)		
Retail	$ 867	$ 429	102 %	$ 1,264	$ 248	411 %
B2B	68	(52)	N/A	—	(154)	N/A
trivago	18	7	170 %	19	(10)	N/A
Unallocated overhead costs (Corporate) (1)	(98)	(80)	23 %	(285)	(292)	(2)%
Total Adjusted EBITDA (2)	$ 855	$ 304	181 %	$ 998	$ (208)	N/A

(1) Includes immaterial operating results of Bodybuilding.com through its sale in May 2020.
(2) Adjusted EBITDA is a non-GAAP measure. See "Definition and Reconciliation of Adjusted EBITDA" below for more information.

Adjusted EBITDA is our primary segment operating metric. See Note 11 – Segment Information in the notes to the consolidated financial statements for additional information on intersegment transactions, unallocated overhead costs and for a reconciliation of Adjusted EBITDA by segment to net income (loss) attributable to Expedia Group, Inc. for the periods presented above.

Our Retail, B2B and trivago segments all experienced improvements in Adjusted EBITDA in current year periods as a result of the recovering travel environment as well as impacts of the costs saving initiatives implemented in 2020.

Unallocated overhead costs increased $18 million during the three months ended September 30, 2021, compared to the same period in 2020, primarily due to an increase in general and administrative expenses. Unallocated overhead costs during the nine months ended September 30, 2021 was comparable to the same period in 2020.

Interest Income and Expense

	Three months ended September 30,			Nine months ended September 30,		
	2021	2020	% Change	2021	2020	% Change
	($ in millions)			($ in millions)		
Interest income	$ 2	$ 3	(25)%	$ 5	$ 16	(66)%
Interest expense	(86)	(113)	(23)%	(267)	(258)	4 %
Loss on debt extinguishment	—	—	N/A	(280)	—	N/A

Interest income decreased for the three and nine months ended September 30, 2021, compared to the same periods in 2020, as a result of lower rates of return. Interest expense decreased for the three months ended September 30, 2021, compared to the same period in 2020, primarily as a result of interest related to high cost senior notes outstanding in the prior year but extinguished in March 2021, as well as interest related to our prior year draw on our revolving credit facility, which we fully repaid in December 2020. Interest expense increased for the nine months ended September 30, 2021, compared to the same period in 2020, primarily as a result of higher average debt balances due to additional debt issued since May 2020, partially offset by prior year interest expense related to the outstanding revolving credit facility.

As a result of the debt refinancing transactions during the nine months ended September 30, 2021, we recognized a loss on debt extinguishment of $280 million, which included the payment of early payment premiums and fees as well as the write-off of unamortized debt issuance costs. See Note 4 – Debt in the notes to the consolidated financial statements for further information.

Other, Net

Other, net is comprised of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	($ in millions)			
Foreign exchange rate gains (losses), net	$ (24)	$ 10	$ (42)	$ 52
Gains (losses) on minority equity investments, net	(11)	(7)	(7)	(202)
Gain (loss) on sale of businesses, net	54	—	55	(1)
Other	6	(4)	4	(7)
Total other, net	$ 25	$ (1)	$ 10	$ (158)

In July 2021, we completed the sale of one of our smaller businesses within our Retail segment, which resulted in a gain of $53 million. See Note 10 – Divestitures in the notes to the consolidated financial statements for further information.

During the nine months ended September 30, 2020, losses on minority equity investments, net included $134 million of impairment losses related to a minority investment as well as $68 million of mark-to-market losses related to our publicly traded marketable equity investment, Despegar. See Note 3 – Fair Value Measurements in the notes to the consolidated financial statements for further information.

Provision for Income Taxes

	Three months ended September 30,		% Change	Nine months ended September 30,		% Change
	2021	2020		2021	2020	
	($ in millions)			($ in millions)		
Provision for income taxes	$ 87	$ (24)	N/A	$ (129)	$ (319)	(60)%
Effective tax rate	18.7 %	10.8 %		25.3 %	12.0 %	

We determine our provision for income taxes for interim periods using an estimate of our annual effective tax rate. We record any changes affecting the estimated annual tax rate in the interim period in which the change occurs, including discrete items.

For the three months ended September 30, 2021, the effective tax rate was an 18.7% expense on pre-tax income, compared to a 10.8% benefit on pre-tax loss for the three months ended September 30, 2020. The change in the effective tax rate was primarily due to discrete items in the prior year.

For the nine months ended September 30, 2021, the effective tax rate was a 25.3% benefit on a pre-tax loss, compared to a 12.0% benefit on pre-tax loss for the nine months ended September 30, 2020. The change in the effective tax rate was primarily due to nondeductible impairments and a valuation allowance recorded in the prior year.

We are subject to taxation in the United States and foreign jurisdictions. Our income tax filings are regularly examined by federal, state and foreign tax authorities. During the fourth quarter of 2019, the Internal Revenue Service ("IRS") issued final adjustments related to transfer pricing with our foreign subsidiaries for our 2011 to 2013 tax years. The proposed adjustments would increase our U.S. taxable income by $696 million, which would result in federal tax of approximately $244 million, subject to interest. We do not agree with the position of the IRS. We filed a protest with the IRS for our 2011 to 2013 tax years and Appeals returned our case to Exam for further review. We are also under examination by the IRS for our 2014 to 2016 tax years. Subsequent years remain open to examination by the IRS. We do not anticipate a significant impact to our gross unrecognized tax benefits within the next 12 months related to these years.

Definition and Reconciliation of Adjusted EBITDA

We report Adjusted EBITDA as a supplemental measure to U.S. generally accepted accounting principles ("GAAP"). Adjusted EBITDA is among the primary metrics by which management evaluates the performance of the business and on which internal budgets are based. Management believes that investors should have access to the same set of tools that management uses to analyze our results. This non-GAAP measure should be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for or superior to GAAP. Adjusted EBITDA has certain limitations in that it does not take into account the impact of certain expenses to our consolidated statements of operations. We endeavor to compensate for the limitation of the non-GAAP measure presented by also providing the most directly comparable GAAP measure and a description of the reconciling items and adjustments to derive the non-GAAP measure. Adjusted EBITDA also excludes certain items related to transactional tax matters, which may ultimately be settled in cash, and we urge investors to review the detailed disclosure regarding these matters included above, in the Legal Proceedings section, as well as the notes to the financial statements. The non-GAAP financial measure used by the Company may be calculated differently from, and therefore may not be comparable to, similarly titled measures used by other companies.

Adjusted EBITDA is defined as net income (loss) attributable to Expedia Group adjusted for (1) net income (loss) attributable to non-controlling interests; (2) provision for income taxes; (3) total other expenses, net; (4) stock-based compensation expense, including compensation expense related to certain subsidiary equity plans; (5) acquisition-related impacts, including (i) amortization of intangible assets and goodwill and intangible asset impairment, (ii) gains (losses) recognized on changes in the value of contingent consideration arrangements, if any, and (iii) upfront consideration paid to settle employee compensation plans of the acquiree, if any; (6) certain other items, including restructuring; (7) items included in legal reserves, occupancy tax and other; (8) that portion of gains (losses) on revenue hedging activities that are included in other, net that relate to revenue recognized in the period; and (9) depreciation.

The above items are excluded from our Adjusted EBITDA measure because these items are noncash in nature, or because the amount and timing of these items is unpredictable, not driven by core operating results and renders comparisons with prior periods and competitors less meaningful. We believe Adjusted EBITDA is a useful measure for analysts and investors to evaluate our future on-going performance as this measure allows a more meaningful comparison of our performance and projected cash earnings with our historical results from prior periods and to the results of our competitors. Moreover, our management uses this measure internally to evaluate the performance of our business as a whole and our individual business segments. In addition, we believe that by excluding certain items, such as stock-based compensation and acquisition-related impacts, Adjusted EBITDA corresponds more closely to the cash operating income generated from our business and allows investors to gain an understanding of the factors and trends affecting the ongoing cash earnings capabilities of our business, from which capital investments are made and debt is serviced.

The reconciliation of net income (loss) attributable to Expedia Group, Inc. to Adjusted EBITDA is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	(In millions)			
Net income (loss) attributable to Expedia Group, Inc.	$ 376	$ (192)	$ (374)	$ (2,229)
Net income (loss) attributable to non-controlling interests	2	(8)	(6)	(108)
Provision for income taxes	87	(24)	(129)	(319)
Total other expense, net	59	111	532	400
Operating income (loss)	524	(113)	23	(2,256)
Gain (loss) on revenue hedges related to revenue recognized	(8)	15	(14)	45
Restructuring and related reorganization charges	12	78	54	206
Legal reserves, occupancy tax and other	10	2	1	(11)
Stock-based compensation	116	47	319	156
Depreciation and amortization	201	220	615	681
Impairment of goodwill	—	14	—	799
Impairment of intangible assets	—	41	—	172
Adjusted EBITDA	$ 855	$ 304	$ 998	$ (208)

Financial Position, Liquidity and Capital Resources

Our principal sources of liquidity are typically cash flows generated from operations, cash available under our credit facilities as well as our cash and cash equivalents and short-term investment balances, which were $5.0 billion and $3.4 billion at September 30, 2021 and December 31, 2020. As of September 30, 2021, the total cash and cash equivalents and short-term investments held outside the United States was $840 million ($614 million in wholly-owned foreign subsidiaries and $226 million in majority-owned subsidiaries). Our credit facilities were essentially untapped at September 30, 2021 and December 31, 2020.

Managing our balance sheet prudently and maintaining appropriate liquidity are high priorities during the current COVID-19 pandemic. In 2020, in order to best position the Company to navigate our temporary working capital changes and depressed revenue, we took a number of actions to bolster our liquidity and preserve financial flexibility. During the nine months ended September 30, 2021, we continued these actions, including suspension of our share repurchases and quarterly common stock dividends as well as completed the following:

- *0% Convertible Notes Issuance.* On February 19, 2021, we completed our private placement of $1 billion aggregate principal amount of unsecured 0% convertible senior notes due 2026 (the "Convertible Notes"). The net proceeds from the issuance of the Convertible Notes was approximately $983 million after deducting debt issuance costs. The Convertible Notes will mature on February 15, 2026, unless earlier converted, redeemed or repurchased. The Convertible Notes will not bear regular interest. The Convertible Notes have an initial conversion rate of 3.9212 shares of common stock of Expedia Group with a par value $0.0001 per share, per $1,000 principal amount of Convertible Notes, which is equal to an initial conversion price of approximately $255.02 per share of our common stock. The conversion rate is subject to adjustment from time to time upon the occurrence of certain events, including, but not limited to, the issuance of stock dividends and payment of cash dividends.
- *2.95% Senior Notes Issuance.* On March 3, 2021, we privately placed $1 billion of senior unsecured notes that are due in March 2031 that bear interest at 2.95% (the "2.95% Notes"). The 2.95% Notes were issued at a price of 99.081% of the aggregate principal amount. Interest is payable semi-annually in arrears in March and September of each year, beginning September 15, 2021, and the interest rate is subject to adjustment based on certain ratings events. The net proceeds from the issuance of the 2.95% Notes was approximately $982 million after deducting the discount and debt issuance costs.
- *Extinguishment of High Cost Debt.* On March 3, 2021, we used the net proceeds from the Convertible Notes and 2.95% Notes and completed the redemption of all of our outstanding 7.0% Notes as well as settled the tender offer to purchase $956 million in aggregate principal of our 6.25% Notes, which resulted in the recognition of a loss on debt extinguishment of $280 million during the nine months ended September 30, 2021 comprised of early payment premiums and fees associated with the tender offer as well as the write-off of unamortized debt issuance costs.
- *Repayment of Preferred Stock*. On May 20, 2021, we completed the prepayment of 50% of the outstanding Series A Preferred Stock at a price equal to 103% of the Preference Amount, plus accrued and unpaid distributions as to the redemption date using cash on-hand. On October 15, 2021, we completed the prepayment of the remaining 50% of the outstanding Series A Preferred Stock also at a price equal to 103% of the Preference Amount, plus accrued and unpaid distributions as to the redemption date using cash on-hand.

Our credit ratings are periodically reviewed by rating agencies. As of September 30, 2021, Moody's rating was Baa3 with an outlook of "stable," S&P's rating was BBB- with an outlook of "negative" and Fitch's rating was BBB- with an outlook of "negative." Changes in our operating results, cash flows, financial position, capital structure, financial policy or capital allocations to share repurchase, dividends, investments and acquisitions could impact the ratings assigned by the various rating agencies. Should our credit ratings be adjusted downward, we may incur higher costs to borrow and/or limited access to capital markets and interest rates on the 6.25% Notes issued in May 2020, the 3.6% and 4.625% Notes issued in July 2020 as well as the 2.95% Notes issued in March 2021 will increase, which could have a material impact on our financial condition and results of operations.

As of September 30, 2021, we were in compliance with the covenants and conditions in our revolving credit facilities and outstanding debt as detailed in Note 4 – Debt in the notes to the consolidated financial statements.

Under the merchant model, we receive cash from travelers at the time of booking and we record these amounts on our consolidated balance sheets as deferred merchant bookings. We pay our airline suppliers related to these merchant model bookings generally within a few weeks after completing the transaction. For most other merchant bookings, which is primarily our merchant lodging business, we generally pay after the travelers' use and, in some cases, subsequent billing from the hotel suppliers. Therefore, generally we receive cash from the traveler prior to paying our supplier, and this operating cycle represents a working capital source of cash to us. Typically, the seasonal fluctuations in our merchant hotel bookings have affected the timing of our annual cash flows. Generally, during the first half of the year, hotel bookings have traditionally exceeded stays, resulting in much higher cash flow related to working capital. During the second half of the year, this pattern typically reverses and cash flows are typically negative. During 2020, impacts of COVID-19 disrupted our typical working capital trends. Significantly higher cancellations and reduced booking volumes, particularly in the first half of 2020, resulted in material operating losses and negative cash flow. Although travel volumes remain materially lower than historic levels, booking and travel trends normalized during the second half of 2020, and during the first nine months of 2021 have increased from 2020 levels, resulting in working capital benefits and positive cash flow in the current period more akin to typical historical trends. However, it remains difficult to forecast the working capital trends for the upcoming quarters, given the uncertainty related to the duration of the impact from COVID-19 and the shape and timing of any sustained recovery.

Prior to COVID-19, we embarked on an ambitious cost reduction initiative to simplify the organization and increase efficiency. In response to COVID-19, we took several additional actions to further reduce costs to help mitigate the financial impact from COVID-19 and continue to improve our long-term cost structure. We temporarily halted construction on our new headquarters during the initial quarantine order in March 2020 but restarted construction later in the year. We spent approximately $850 million on construction between 2016 and 2020 and approximately $23 million was spent during the nine months ended September 30, 2021. As of the end of the second quarter of 2021, the project was substantially complete and was within the expected total project spend of approximately $900 million.

Our cash flows are as follows:

	Nine months ended September 30,		
	2021	2020	$ Change
		(In millions)	
Cash provided by (used in):			
Operating activities	$ 3,463	$ (3,449)	$ 6,912
Investing activities	(506)	(107)	(399)
Financing activities	(351)	4,571	(4,922)
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash and cash equivalents	(126)	(31)	(95)

For the nine months ended September 30, 2021, net cash provided by operating activities was $3.5 billion compared to cash used in operations of $3.4 billion for the nine months ended September 30, 2020. In the prior year period, impacts from the COVID-19 pandemic resulted in a significant use of cash to fund working capital changes and operating losses compared to a current year cash benefit from working capital. The largest driver of the swing in working capital relates to a significant use of cash in the prior year for deferred merchant bookings as refunds for cancelled bookings exceeded new bookings compared to a meaningful increase in booking volumes and deferred merchant bookings in the current year period.

For the nine months ended September 30, 2021, cash used in investing activities increased $399 million compared to the prior year period largely due to lower net sales and maturities of investments, partially offset by lower capital expenditures, including those related to our new headquarters as our construction winds down.

For the nine months ended September 30, 2021, cash used in financing activities primarily included payments of approximately $2 billion related to the extinguishment of debt and $618 million for the 50% redemption of preferred stock both discussed above as well as $108 million of cash paid for treasury stock activity related to the vesting of equity instruments and $50 million in preferred stock dividends. These uses of cash were largely offset by approximately $2 billion of net proceeds from the issuance of Convertible Notes and 2.95% Notes issued in February and March 2020, respectively, as well as $421 million of proceeds from the exercise of options and employee stock purchase plans. For the nine months ended September 30, 2020, cash provided by financing activities primarily included $3.9 billion of net proceeds from the issuance of senior notes issued in May and July 2020, $1.1 billion of net proceeds from a private equity investment, $650 million of net proceeds from our revolving credit facilities draws, as well as $105 million of proceeds from the exercise of options and employee stock purchase plans. These sources were partially offset by cash paid to acquire shares of $419 million and cash dividend payments of $65 million.

During the nine months ended September 30, 2021, we paid $50 million (or $47.11 per share of Series A Preferred Stock) of dividends on our Series A Preferred Stock. At this time, we do not expect to make future quarterly dividend payments on our common stock. Future declarations of dividends are subject to final determination by our Board of Directors.

Foreign exchange rate changes resulted in a decrease of our cash and restricted cash balances denominated in foreign currency during the nine months ended September 30, 2021 and 2020 of $126 million and $31 million reflecting a net depreciation in foreign currencies relative to the U.S. dollar during the periods.

In our opinion, our liquidity position provides sufficient capital resources to meet our foreseeable cash needs. There can be no assurance, however, that the cost or availability of future borrowings, including refinancings, if any, will be available on terms acceptable to us.

Summarized Financial Information for Guarantors and the Issuer of Guaranteed Securities

Summarized financial information of Expedia Group, Inc. (the "Parent") and our subsidiaries that are guarantors of our debt facility and instruments (the "Guarantor Subsidiaries") is shown below on a combined basis as the "Obligor Group." The debt facility and instruments are guaranteed by certain of our wholly-owned domestic subsidiaries and rank equally in right of payment with all of our existing and future unsecured and unsubordinated obligations. The guarantees are full, unconditional, joint and several with the exception of certain customary automatic subsidiary release provisions. In this summarized financial information of the Obligor Group, all intercompany balances and transactions between the Parent and Guarantor Subsidiaries have been eliminated and all information excludes subsidiaries that are not issuers or guarantors of our debt facility and instruments, including earnings from and investments in these entities.

	September 30, 2021	December 31, 2020
	(In millions)	
Combined Balance Sheets Information:		
Current Assets (1)	$ 8,201	$ 5,076
Non-Current Assets	10,375	10,245
Current Liabilities	8,903	4,595
Non-Current Liabilities	8,247	8,804
Series A Preferred Stock	511	1,022
	Nine Months Ended September 30, 2021	**Year Ended December 31, 2020**
Combined Statements of Operations Information:		
Revenue	$ 5,251	$ 4,229
Operating loss (2)	(74)	(1,884)
Net loss	(338)	(1,890)
Net loss attributable to Obligors	(509)	(1,965)

(1) Current assets include intercompany receivables with non-guarantors of $1.4 billion as of September 30, 2021 and $1.2 billion as of December 31, 2020.

(2) Operating loss includes intercompany expenses with non-guarantors of $473 million for the nine months ended September 30, 2021 and $600 million for the year ended December 31, 2020.

Contractual Obligations, Commercial Commitments and Off-balance Sheet Arrangements

There have been no material changes outside the normal course of business to our contractual obligations and commercial commitments since December 31, 2020. Other than our contractual obligations and commercial commitments, we did not have any off-balance sheet arrangements as of September 30, 2021 or December 31, 2020.

Part I. Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market Risk Management

There have been no material changes in our market risk during the three and nine months ended September 30, 2021. For additional information, see Item 7A, Quantitative and Qualitative Disclosures About Market Risk, in Part II of our Annual Report on Form 10-K for the year ended December 31, 2020.

Part I. Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures.

As required by Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), our management, including our Chairman and Senior Executive, Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act). Based upon that evaluation, our Chairman and Senior Executive, Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective.

Changes in internal control over financial reporting.

There were no changes to our internal control over financial reporting that occurred during the quarter ended September 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. Item 1. Legal Proceedings

In the ordinary course of business, Expedia Group and its subsidiaries are parties to legal proceedings and claims involving property, tax, personal injury, contract, alleged infringement of third-party intellectual property rights and other claims. A discussion of certain legal proceedings can be found in the section titled "Legal Proceedings," of our Annual Report on Form 10-K for the year ended December 31, 2020 and our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2021 and June 30, 2021. The following are developments regarding, as applicable, such legal proceedings and/or new legal proceedings:

Litigation Relating to Occupancy and Other Taxes

Pine Bluff, Arkansas Litigation. On October 21, 2021, the Arkansas Supreme Court heard argument on the defendants' appeal from the trial court's decisions relating to certification of a damages class. On October 28, 2021, the court dismissed the appeal as premature based on its conclusion that the trial court had not yet issued a final judgment or order.

State of Louisiana/City of New Orleans Litigation. On August 26, 2021, the defendants filed writ applications with the Louisiana Supreme Court, which remain pending. Trial in the case is scheduled to begin April 4, 2022.

Jefferson Parish, Louisiana Litigation. The Louisiana Court of Appeals heard argument on October 13, 2021, and the parties await a ruling.

Clark County, Nevada Litigation. On July 13, 2021, defendants removed the case to federal court and plaintiffs subsequently filed a motion to remand. The court denied Plaintiff's motion. On September 13, 2021, defendants filed a motion to dismiss the County's common law and Nevada Deceptive Trade Practices Act claims. The motion to dismiss remains pending.

Broward County, Florida Litigation. The parties have reached a tentative settlement agreement.

Jasper County Development District #1, Texas Litigation. The parties have reached a tentative settlement agreement.

City of Charleston, South Carolina Litigation. On May 27, 2021, plaintiffs filed an amended complaint.

Non-Tax Litigation and Other Legal Proceeding

Helms-Burton Litigation. On October 4, 2021, the U.S. Court of Appeals for the Eleventh Circuit heard argument on plaintiff's appeal of the dismissal of the *Del Valle* matter. On September 30, 2021, a new lawsuit was filed against Expedia, *Eduardo Soto, as Personal Representative of the Estate of Osvaldo Soto v. Expedia Group, Inc., Booking.com B.V., and Booking Holdings Inc.*, No. 1:20-cv-24044-MGC, in the U.S. District Court for the Southern District of Florida, asserting similar claims under Title III of the Cuban Liberty and Democratic Solidarity Act.

Stockholder Litigation

In re Expedia Group, Inc. Stockholders Litigation. On November 2, 2021, the parties to the litigation and the Special Committee entered into a Stipulation of Compromise and Settlement which sets forth the terms and conditions for the proposed settlement and dismissal with prejudice of the litigation, subject to review and approval by the court upon notice to the stockholder class and the current stockholders of the Company. On November 3, 2021, the court entered its Scheduling Order with Respect to Notice of Settlement Hearing (the "Order"), which scheduled a hearing on the proposed settlement for January 19, 2022 to determine, among other things, whether the proposed settlement is fair, reasonable, adequate and in the best interests of the Company, the class and the current stockholders of the Company, and to consider an application for an award of attorneys' fees and expenses by plaintiff's counsel.

The Order also approved the form of Notice of Pendency and Proposed Settlement of Class and Derivative Action, Settlement Hearing and Right to Appear (the "Notice"), which will be mailed to stockholders and posted to the "Investors/ Resources" section of the Company's corporate website. The Notice describes the background and terms of the proposed settlement, which, if finally approved by the court following the settlement hearing, will result in the entry of a judgment, among other things, dismissing the litigation with prejudice and extinguishing and releasing the claims that were or would have been asserted in the litigation against the defendants and related persons.

Competition and Consumer Matters

On October 18 and 19, 2021, the Australian Federal Court heard submissions from the parties regarding penalties and other orders. In its submissions, the ACCC proposed a penalty of at least AU$90 million and an injunction restraining trivago from engaging in misleading conduct of the type found by the Australian Federal Court to be in contravention of the ACL. trivago submitted that an appropriate penalty for the court to impose would be in the order of up to AU$15 million. The parties await a ruling.

Part II. Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2020, which could materially affect our business, financial condition or future results. These are not the only risks facing the Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

Part II. Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Part II. Item 6. Exhibits

The exhibits listed below are filed as part of this Quarterly Report on Form 10-Q.

Exhibit No.	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	SEC File No.	Exhibit	Filing Date
22	List of Guarantor Subsidiaries of Expedia Group, Inc.	X				
31.1	Certification of the Chairman and Senior Executive pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X				
31.2	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X				
31.3	Certification of the Chief Financial Officer pursuant Section 302 of the Sarbanes-Oxley Act of 2002	X				
32.1	Certification of the Chairman and Senior Executive pursuant Section 906 of the Sarbanes-Oxley Act of 2002	X				
32.2	Certification of the Chief Executive Officer pursuant Section 906 of the Sarbanes-Oxley Act of 2002	X				
32.3	Certification of the Chief Financial Officer pursuant Section 906 of the Sarbanes-Oxley Act of 2002	X				
101	The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021, formatted in XBRL: (i) Consolidated Statements of Operations, (ii) Consolidated Statements of Comprehensive Income (Loss), (iii) Consolidated Balance Sheets, (iv) Consolidated Statements of Changes in Stockholders' Equity, (v) Consolidated Statements of Cash Flows, and (vi) Notes to Consolidated Financial Statements.	X				

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

November 4, 2021

Expedia Group, Inc.

By: /s/ Eric Hart

Eric Hart

Chief Financial Officer