Analysis of Three Third Party Agencies

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HSP M 433

5/2/2017

I. Introduction:

For this paper, the main purpose is to compare with three large third party online booking agencies, Priceline, Expedia, and TripAdvisor by using five years' period's income statement and balance sheet from 2011 to 2015. In addition, by analysis the different trend of among companies in different ratios, current ratio, average collection period, times interest earned, fixed assets turnover, returns on assets, profit margin, return on investment, and WACC ratios.

II. Priceline:

In 1998, Priceline.com was established by Jay Walker, who left after 2000. Priceline, one of largest third-party agencies, has the first feature called Name Your Own Price, which was established in the same year as Priceline.com was founded. Moreover, the Priceline.com involved other features, such as, See winning bids, Last minute deals, and Hotel on sale, which are able to save 60 % in their original price by using mobile device, laptop, and desktop. In addition, the Priceline.com is part of Priceline Group, which involves Booking.com, Agoda.com, Rentalcars.com, Kayak.com, and OpenTable. Among of groups operate 224 countries in Europe, North America, South America, and the Asia pacific area, with 24/7 customer service. Throughout the piceline.com launch, customers have saved over 10 billion dollars throughout its travel reservation system and has empowered over 100 million hotels,

flight, and car rental reservation system.

III. Expedia:

Expedia was founded in 1996 before the Priceline.com has been established. It initially was a small division in Microsoft that gave customers a new way to search and book a trip. It has localized sites in 33 countries and are able to use by an award mobile app. The Expedia is a part of Expedia Inc., which made up of Expedia, Hotels.com, Orbitz Worldwide, Expedia Affiliate Network(EAN), Trivago, HomeAway, Egencia, Travelocity, Hotwire, Expedia Media Solutions, Wotif Group, Classic Vacations, CarRentals.com, Expedia Local Expert, Venere, and Expedia CruiseShipCentres. The Expedia Inc. has almost 200 travel booking sites in over 75countries, 150 mobile websites in nearly 70 countries with 35 languages, and 43% of international revenue. The Expedia INC. offers almost 321 thousand hotels, 475 airlines, and 12 of rental car companies and cruise lines.

IV. TripAdvisor:

TripAdvisor has been established since 2000 by Stephen Kaufer, who was originally organized CDS, Inc., an independent software vendor. The TripAdvisor was originally part of Expedia. While after 2011, the TripAdvisor was spilt from Expedia. The TripAdvisor is offering a site that customers would provide their reviews and opinions under of each hotel, restaurant, and other stores. From past to now,

TripAdvisor has almost 500 million reviews and opinions covering 7 million accommodations, restaurants, attractions, and other travel options.

V. Individual Analysis

Table 1 Priceline Financial Ratios

Priceline	2015	2014	2013	2012	2011
Current Ratio	2.47	3.82	5.41	3.89	2.77
Average collection period	1.08	1.18	1.22	1.08	0.94
Times Interest Earned	19.52	33.84	27.57	28.39	43.12
Fixed Asset Turnover	33.57	42.43	50.30	58.93	67.72
Return on Assets	14.65%	16.21%	18.12%	21.68%	26.67%
Profit Margin	27.66%	28.69%	27.86%	27.07%	24.32%
Return on Investment	35.27%	34.02%	33.31%	45.82%	52.12%
WACC	-1.14%	7.52%	23.79%	6.07%	4.97%

Current ratio shows a corporate ability to meet short-term obligations. The current ratio of 2.77 in 2011 indicates that Priceline's' current assets is 2.77 times the current liabilities so that it can easily meet its short-term obligations. The five-year trend of this ratio shows that Priceline had a pretty high ratio in 2013, it increased slowly from 2011 to 2013, while after 2013, the ratio has reduced slowly as well. In addition, the number of 2015 was lowest one comparing with others. It indicates that the Priceline Company still has current assets enough to cover its current liabilities, but its current asset management became worse than before.

Average collection period shows how long does account receivable will turn into cash. During this five years, the ratios increased until 2013, from 0.94 days to1.22 days. While after 2013, the number slowly decreased from 1.22 days in 2013 to 1.08 days in 2015. Comparing with 2011 and 2015, the ratio of 2015 is higher than 2011, it indicates that the account receivable spends more time to become cash in 2015.

Time Interest Earned illustrates a corporate ability to cover it interest payments and their creditors will follow it to determine business' solvency. Between 2011 and 2015, the number continue decrease in the first three years, later on it up and down, then stop at lowest point, 19.52 in 2015. In the last, Priceline could pay its interest expense more than nineteen times over, in whereas, it could pay more than forty times of interest expense in 2011. It indicates that Priceline company still has ability to pay their interest expense, but its pay back of interest becomes weakness than before.

Fixed asset turnover shows that a corporate ability to create a revenue in every dollar of fixed assets. During this five years, 2011 to 2015. The ratios continue to decrease from 67.72 to 33.57. It indicates that Pericline company couldn't generate more revenue in each month, from using a dollar of fixed asset generates $67.72 revenue in 2011 to $33.57 revenue in 2015.

Return on assets shows a corporate ability to produce profits by managing its assets. Between 2011 and 2015, the ratios are keeping reduced from 26.67% in 2011

to14.65% in 2015. It indicates that Priceline generates less net income in every dollar's assets from year to year, from $0.26 dollars to $0.14 dollars. The overall of ROA in Priceline Company, its assets in terms of generating profits has reduced, the company should carefully analysis in order to keep the ratio increases.

Profit margin shows how a corporate efficiency manage its expense by using the total revenue. By comparing this five years, it keeps increase from 24.32% in 2011 to 28.69% in 2014; however, it dropped into 27.66 % in 2015. It indicates that Priceline has ability to earn more in net income by using total revenue from $0.24 to $27.66 in 2015. In addition, comparing 2011 and 2015, the profitability of Priceline in 2015 is more secure than 2011.

Return on investment illustrate how do investors efficiently invested each dollar in a business that producing profits. From 2011 to 2015, the ratio decreased in the first three years, and later on it increased from 33.31 in 2013 % to 35.27% in 2015. While, since the number of 2011 is larger than 2015, investors are more willing to invest in 2011 rather than 2015.

Finally, WACC shows how much money should the corporation pay to investors when adding additional $1. Comparing this five years, the ratios dramatically in the first three years, especially between 2012 and 2013, from 6.07% to 23.79 %. While, after 2013, the number completely dropped from 23.79% in 2013 to -1.145% in 2015.

It indicate that the investors of Priceline are able to get the highest payback in 2013, $0.23 in return for every $ 1 in extra funding. Unfortunately, those investors wouldn't satisfy their payback in 2015 because the negative ratios.

Table 2 Expedia Financial Ratios

Expedia	2015	2014	2013	2012	2011
Current Ratio	0.50	0.70	0.67	0.88	0.89
Average collection period	4.32	3.75	3.50	3.08	2.77
Times Interest Earned	7.34	4.74	3.44	3.99	4.43
Fixed Asset Turnover	6.27	10.42	9.93	9.85	10.77
Return on Assets	4.66%	4.13%	2.80%	3.96%	7.30%
Profit Margin	10.83%	6.47%	4.53%	6.96%	13.76%
Return on Investment	27.75%	72.18%	33.79%	51.78%	35.82%
WACC	-0.09%	2.61%	7.85%	2.83%	2.63%

Current ratio shows a corporate ability to meet short-term obligations. The current ratio of 0.89 in 2011 indicates that Starbucks' current assets is 0.89 times the current liabilities so that it might not really easily meet its short-term obligations. The five-year trend of this ratio shows that Expedia had down and up trend between 2011 and 2015. In the 2011, Expedia has highest ratio in 2011, later on the ratio dropped by 0.01 between first three years. While the company has dramatically dropped from 0.88 in 2012 to 0.67 in 2013. After 2013, the trend completely changed, it started to increase from 0.67 in 2013 to 0.50 in 2015. In here, even the current ratio is continuing to rise, but the ratio of 2015 is still less than the ratio of 2011. It indicates that Expedia's current liability become larger than current assets in every year, so

Expedia might not have ability to pay off their debt in the short-term period.

During the five years, the average collection period's ratios has upward trends from 2.77 in 2011 to 4.31 in 2015. Comparing with 2011 and 2015, the ratio of 2015 is higher than 2011, it indicates that the account receivable spends more time to become cash in 2015, from spending 2.77 days to 4.31 days.

In the Time Interest Earned ratios, the number keeps decreased from 2011 to 2013 and then stabilize increased after 2013. It indicates that Priceline could pay its interest expense more than four times in 2011, pays its interest expense more than three times in 2013, and pay its interest expense more than seven times in 2015. By comparing the first and last year, Priceline has ability to pay their interest expense from year to year.

While in the fixed asset turnover, the ratios slightly up and down between this five years, while it dropped dramatically in the last year, from 10.42 in 2014 to 6.27 2015. It indicates Priceline generates more revenue in 2011 and 2014, while it generates less revenue in 2015.

Turning to Return on assets, the number decreased dramatically in 2011 to 2012, from 7.3% to 3.66%. Later on, the ratios continue to drop, but after 2013, the number starts to increase from 2.8% in 2013 to 4.66 % in 2015. It indicates that Priceline generates less net income in every dollar's assets from year to year, from $0.07

dollars in 2011 to $0.04 dollars in 2015. The overall of ROA in Priceline company, its assets in terms of generating profits has reduced, the company should carefully analysis in order to keep the ratio increases.

Next, the Profit margin, the trends of ratios have U shape. Its ratios decrease from 13% in 2011 to 4.53 % in 2013, then after 2013, its start increased into 10.83% in 2015. By looking at this five years' ratios, it indicates that Priceline has ability to earn more in net income by using total revenue from $0.13 in 2011 to $0.453 in 2013, while later on, even the number rises from $ 0.453 to $0.10 between 2013 and 2015. But, by comparing 2011 with 2015, Priceline has become less ability to earn net income.

Turning to Return on investment ratio, the trend of it ups and downs, from 35.82% in 2011 to 51.78% in 2012. Then it decreased by 20% to 33.79%, in 2013. After 2013, it suddenly increased by 40 % to 72.18% in 2014. In the last year, the number decreased by around 45 % in 2015. It indicates that investors are keeping chanign their mind in investment because the number up and downs. While, investors are willing to invest in 2014 rather than 2015 due to its have higher return on investment ratio.

Finally, the WACC shows the opposite of U shape, it slightly rise in the first three years, from 2.63% to 7.85%. However, after 2013, the number starts to drop

from 7.815% in 2013 to 2.61% in 2014, and -0.09% in 2015. By looking at this five years, it is clearly to understand that Priceline investors are able to have highest pay back in 2013, in whereas, investors couldn't get pack back in 2015 because the negative ratios.

Table 3 TripAdvisor Financial Ratios

TripAdvisor	2015	2014	2013	2012	2011
Current Ratio	2.77	1.93	2.59	3.23	2.13
Average collection period	3.44	3.09	2.93	3.04	2.90
Times Interest Earned	23.90	35.78	185.35	81.73	216.82
Fixed Asset Turnover	6.04	6.39	11.59	17.42	18.33
Return on Assets	9.30%	11.60%	13.95%	14.98%	21.27%
Profit Margin	13.27%	18.14%	21.75%	25.50%	27.91%
Return on Investment	29.60%	36.18%	40.43%	32.89%	74.23%
WACC	-3.28%	10.12%	29.00%	6.89%	3.16%

Current ratio shows a corporate ability to meet short-term obligations. The current ratio of 2.13 in 2011 indicates that TripAdvisor current assets is 2.13 times the current liabilities so that it can easily meet its short-term obligations. The five-year trend of this ratio shows that TripAdvisor had a lowest ratio in 2014, while it had a highest ratio in 2012. Comparing 2011 and 2015, you would see the ratio of 2015 is larger than 2011, it indicates that Expedia has able to pay its short-term debt since its current assets are enough to cover the current liabilities. In addition, its current asset management became better than before.

Turning to Average collection period, the number slightly increased by 0.14 in

the first two years, later on it slightly dropped between 2012 and 2013, from 3.04 to 2.93. After 2013, the number starts rise from 2.93 to 3.44. By comparing the first and last year, 2015's account receivable spends more time to become cash than 2011.

Next, Time Interest Earned, the number of ratios are extremely large in 2011 and 2013, 216.82 and 185.35. Between this five years, the numbers are dramatically increased and decreased. By comparing the first and last year, Priceline company has more ability to pay their interest expense in 2011 than 2015.

Moving to fixed asset turnover, it is clearly to noted that the numbers are keeping decreased from 18.33 in 2011 to 6.04 in 2015. By comparing the first and last year, Priceline couldn't generate more revenue in each month, from using a dollar of fixed asset generates $18.33 revenue in 2011 to $6.04 revenue in 2015.

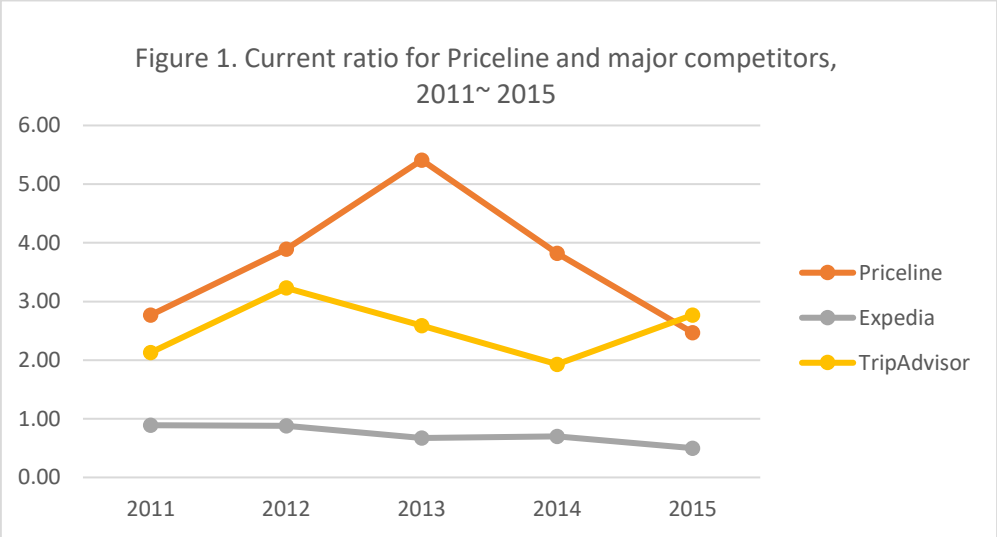
Next, the Return on assets has been decreased since 2011, from 21.27% in 2011 to 9.3% in 2015. Because of the numbers keep dropping from year to year, it indicates that Priceline generates less net income in every dollar's assets from year to year, from $0.21 dollars to $0.09 dollars.

Turning to the Profit margin, same as previous ratios, the numbers keep decreased from year to year, from 27.91% in 2011 to 13.27 % in 2015. By comparing this five years, Priceline has less ability to earn in net income by using total revenue from $0.27 in 2011 to $0.13 in 2015.

Moving to the Return on investment, the overall of trends are ups an downs, it decreased by 50% in the first two year. while, it started increased y 8 % to 40.43% in 2013. After 2013, the ratios keep decreased from 40.43% to 29.6% until 2015. As a result, investors would like to invest pericline in 2011 rather than 2015.

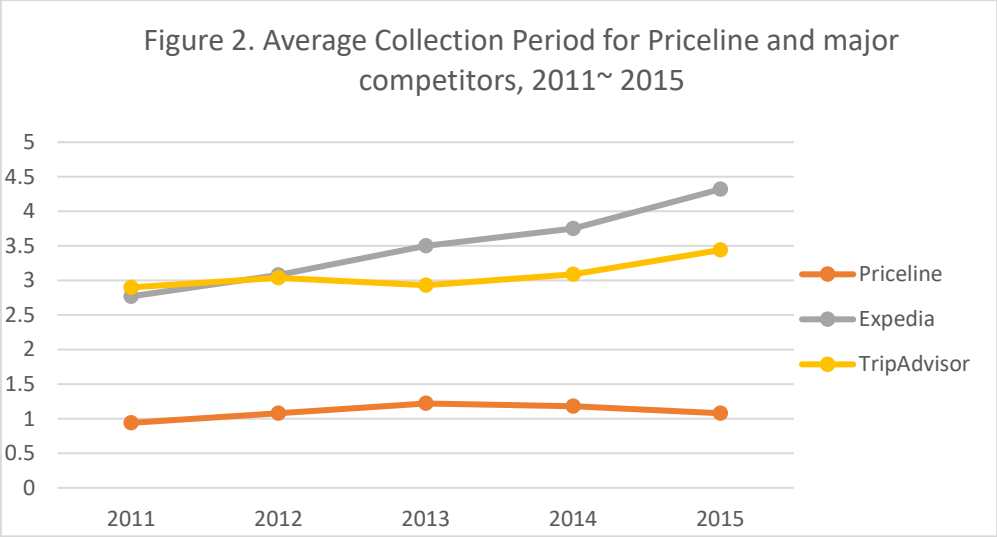
Finally, the trend of WACC is U Shape, from 3.16% in 2011 to 29.005 in 2013. Later on, the number begins drop from 29.00% to -3.28% in 2015. It indicates that the investors of Priceline are able to get the highest payback in 2013, $0.29 in return for every $ 1 in extra funding. While, the situation completely changes in 2015 due to negative ratios.

VI. Comparison analysis

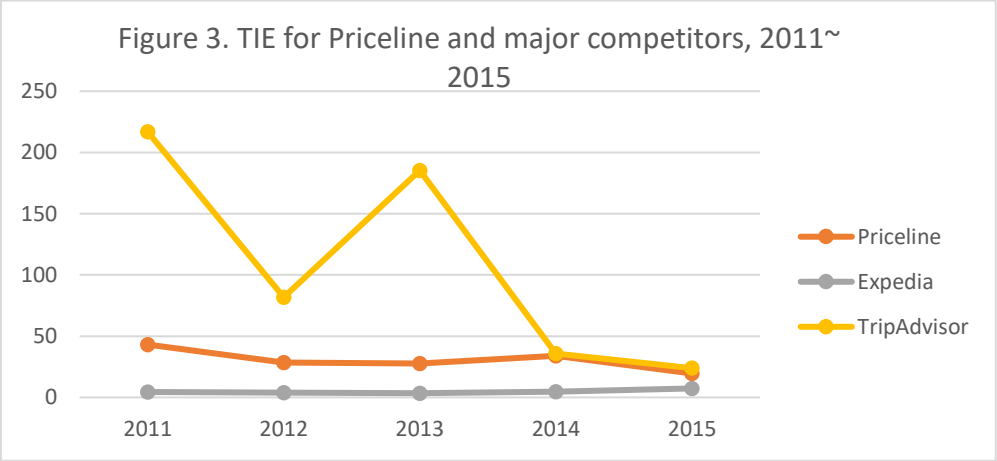


According to Figure 1, the current ratio of Priceline has higher ratios, 5.41, than other competitors, Expedia and TripAdvisor. While, TripAdvisor becomes higher ratio, 2.77 in 2015. Both Priceline and TripAdvisor has well performed because the

ratio is always above 1. While the Expedia didn't outperform the competitor, the ratios continue to decrease from year to year.

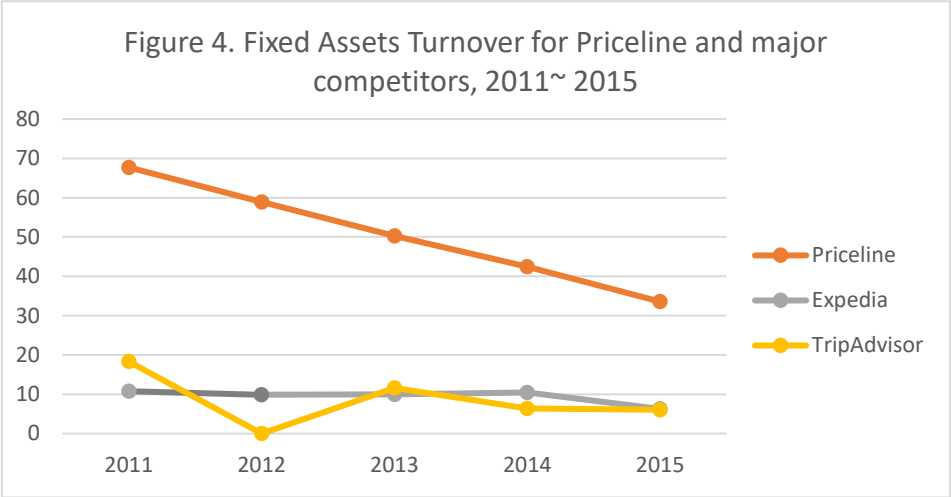


By comparing with others, even though Priceline has lowest ratios in every year, below 1.5, but its performed better than others because it could pay back the short-term liability much quickly, merely 1.5 days from 2011 to 2015. On the other hand, even the ratio of Expedia is increasing yearly; however, it should spend more time to return the short-term liability, nearly 4 days in 2015.

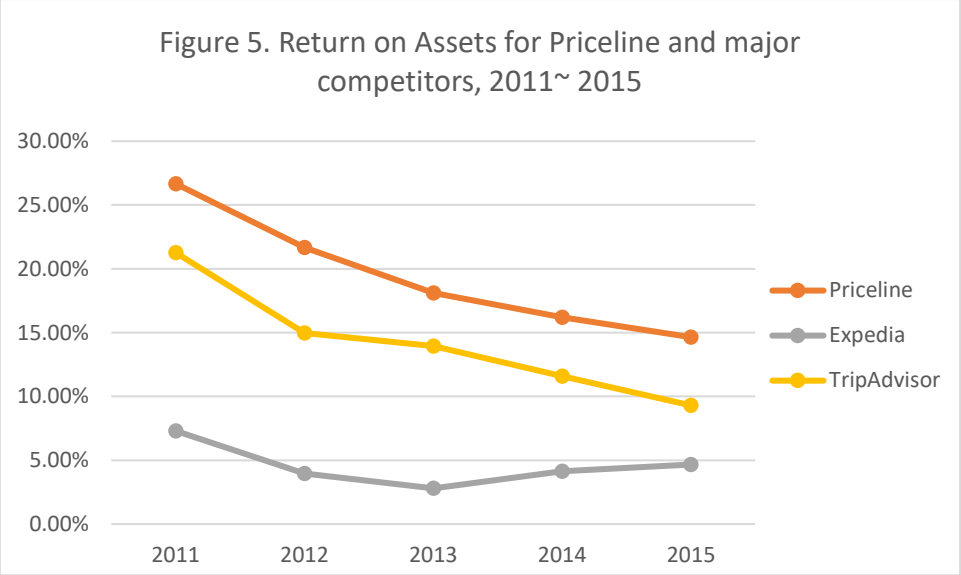


According to figure 3, Priceline had slightly ups and downs in this five years

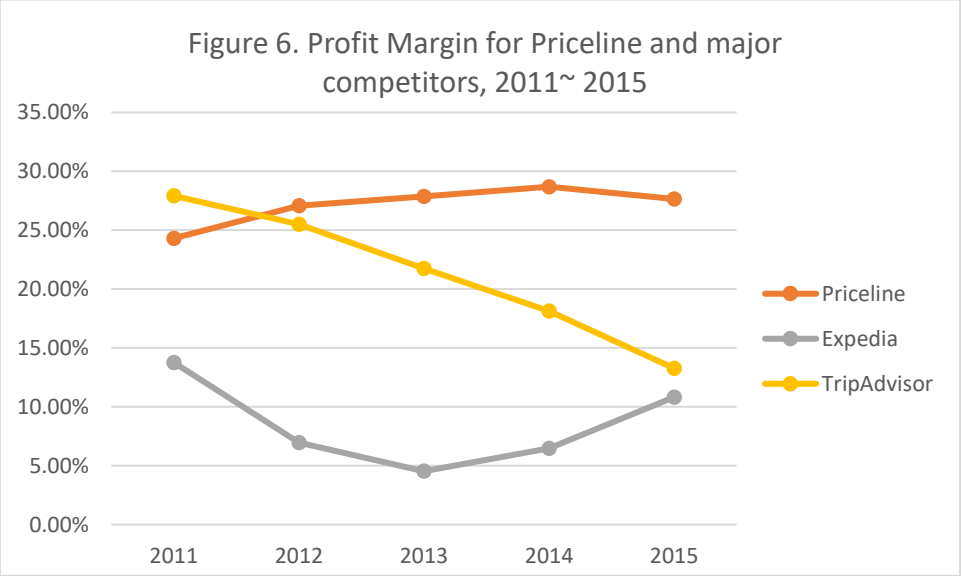
period. While, comparing with other competitors, the TripAdvisor had higher ratio in this five years periods, up to 200 in 2011 and around 23 in 2015. While it indicates Expedia had outperform than TripAdvisor, but performed well than Expedia because Priceline paid more than 40 times in interest expense, while Expedia was about 5 times.



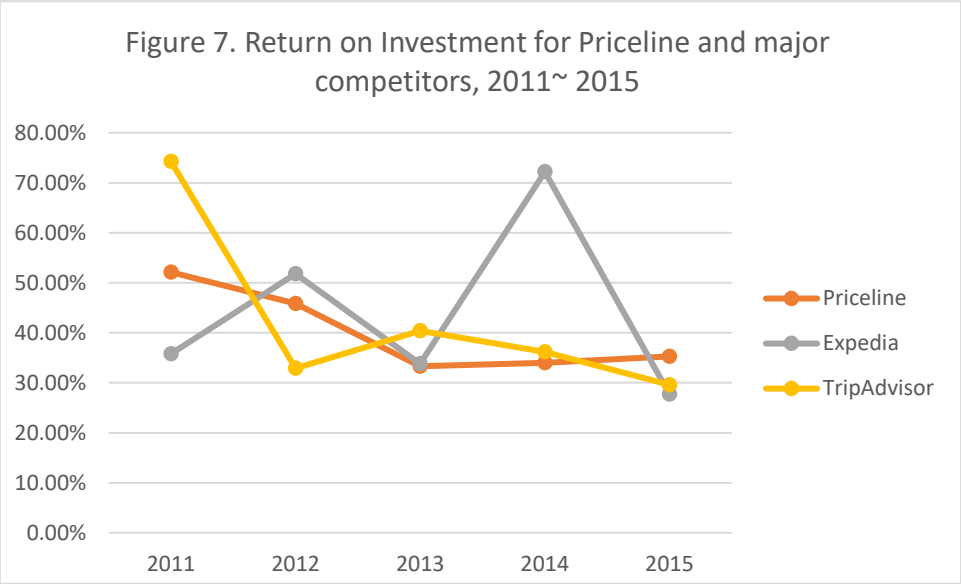
By comparing those companies, Priceline performed much better than others; it could generate around $67 of revenue in every $1 of fixed asset in 2011, while the Expedia and TripAdvisor was stayed at 19 and 10 respectively. In the overall of Expedia and TripAdvisor were stabilized, especially Expedia merely stayed at 10, excepted for 2015.



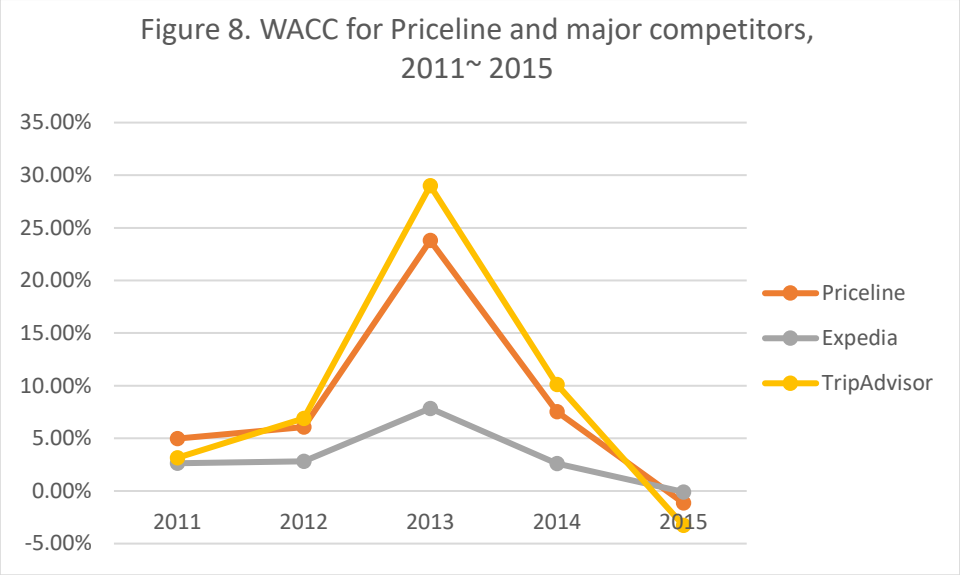
By following figure 5, it's clearly to see that Priceline had outstanding performance in every year, with highest return on assets ratio than Expedia and TripAdvisor from 2011 and 2015. Priceline generated $0.26 in net income, but Expedia and TripAdvisor were generated $0.07 and 0.21 in 2011. Turning to 2015, the trend was kind of similar, Priceline had highest ratio than others, with $0.14 in net income. Comparing with Expedia and TripAdvisor, generating $0.04 and $0.09 in net income respectively.



According to figure 6, among of three companies trends different ways. Priceline tended to increase from 24.31% in 2011 to 27.66% in 2015, TripAdvisor dramatically decreased from 27.91% to 13.27%, and Expedia tended to have U shape in this five years. The overall of Pericline performed better than others except for 2011.



By following figure 7, Expedia's trend tended to up and down, while TripAdvisor's trend tended to do the opposite way, downs and ups. While, Priceline had slightly decreased until 2013 and increased to 2015. While the overall of Priceline didn't performed well in this five years because its number didn't higher than others, except for 2015 with 35.27% of return on investment.



According to figure 8., you would see among of three companies had same trends, especially the Priceline and TripAdvisor. Both were 4.97 % and 2.63% in 2011, later on dramatically increased from 6.07% and 2.83% in 2012 to the highest points 23.79% and 7.855 in 2013. After 2013, the number started drop into negative percentage in 2015, with -1.14% and -0.09 % respectively. As a result, the Priceline didn't perform well because TripAdvisor had highest payback from 2012 to 2014, with $0.06, $0.29, and $0.1 in return in extra funding.

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