Table of Contents

	December 31,				
	2013	2012	2011	2010	2009
	(in thousands)				
Consolidated Balance Sheet Data [(1)]:					
Cash and cash equivalents	$ 324,608	$ 189,478	$ 118,208	$ 65,697	$ 92,425
Working capital (deficit)	220,429	121,990	72,331	(20,484)	32,804
Total assets	1,080,672	722,675	604,631	489,742	427,095
Total liabilities	246,733	205,642	163,622	127,851	97,420
Total redeemable and convertible preferred stock	-	-	-	478,965	451,749
Total stockholders' equity (deficit)	823,355	517,033	441,009	(117,074)	(122,074)

	December 31,				
	2013	2012	2011	2010	2009
	(in thousands)				
Other Financial Data [(1)]:					
Adjusted EBITDA [(2)]	$ 96,722	$ 80,348	$ 66,756	$ 43,220	$ 30,568
Free cash flow [(3)]	92,972	85,265	64,499	51,452	32,563
Capital expenditures	19,616	17,260	12,978	10,396	12,617
Non- GAAP net income [(4)]	49,820	40,617	29,237	32,186	17,738

(1) Acquisitions of businesses we have made are included in our consolidated financial statements beginning on the dates of acquisition. Acquisitions we have made for the periods included above consist of: Homelidays.com in France in January 2009; AlugueTemporada.com.br in Brazil in March 2010; BedandBreakfast.com in the United States in March 2010; Escapia, Inc. in the United States in October 2010; Instant Software in the United States in October 2010; RealHolidays.com.au in Australia in April 2011; Second Porch, Inc. in the United States in April 2011; Toprural.com in Spain in April 2012; travelmob Pte. Ltd. in Singapore in August 2013; Bookabach Limited in New Zealand in November 2013; and Stayz Pty Limited in Australia in December 2013.

(2) We define Adjusted EBITDA as net income (loss) attributable to HomeAway, Inc. plus depreciation, amortization of intangible assets; interest expense, net; income tax expense (benefit); stock- based compensation expense; net loss attributable to noncontrolling interests, all net of any foreign exchange income or expense.

The following table presents a reconciliation of net income attributable to HomeAway, Inc. to Adjusted EBITDA:

	Year Ended December 31,				
	2013	2012	2011	2010	2009
	(in thousands)				
Net income attributable to HomeAway, Inc.	$ 17,686	$ 14,961	$ 6,178	$ 16,934	$ 7,667
Depreciation and amortization	25,067	23,489	19,971	15,841	13,612
Stock- based compensation	37,887	27,033	23,933	13,512	5,978
Interest expense	-	-	-	22	3
Interest income	(1,211)	(928)	(374)	(208)	(261)
Foreign exchange (income) expense	5,964	2,618	4,555	3,433	(1,423)
Income tax expense (benefit)	11,724	13,175	12,493	(6,314)	4,992
Net loss attributable to noncontrolling interests	(395)	-	-	-	-
Adjusted EBITDA	$ 96,722	$ 80,348	$ 66,756	$ 43,220	$ 30,568

force if they wanted to, but management has made it clear that they don't want to sacrifice profitability as a result.

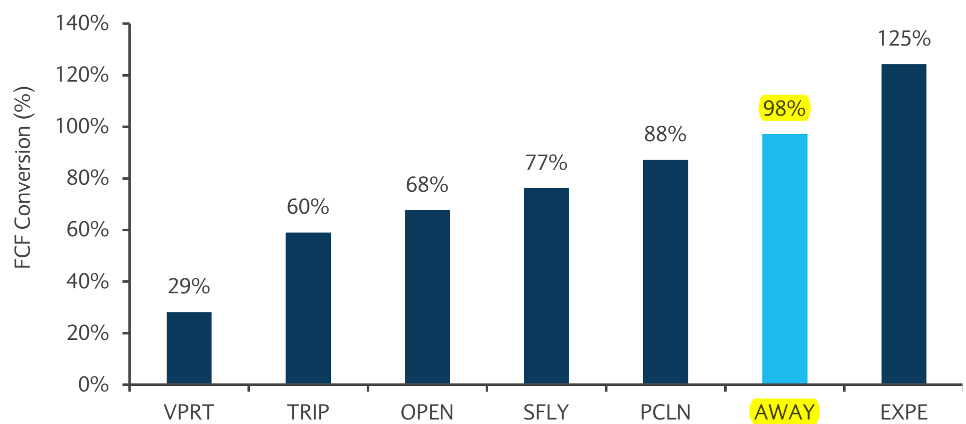
Recent product initiatives like tiered pricing and bundling are both 100% margin, and so are some of the ancillary products like insurance. But pay per booking will not be 100% margin due to the costs of acquiring enough traffic to offset the increase in supply. Either way, we expect the PPB product to be margin accretive for HomeAway and consequently are bullish on the long-term margin structure of the business. At our Internet Connect Conference in early March of last year, management mentioned its intention to deliver a little bit more margin every year to investors. In our model, we expect EBITDA margins to roughly flat in 2013, but we have them expanding by ~75 bps in 2014 and ~30 bps in 2015.

8) Favorable FCF characteristics set HomeAway apart from peers

Due to the subscription nature of its business, HomeAway generates cash earnings upfront and then books revenue stably over the course of the fiscal year. Since its inception, HomeAway has always been a free cash flow positive company, with a focus on profitability that is an aberration in the context of many Silicon Valley companies that eschew profits for faster top line growth.

FIGURE 72

HomeAway free cash flow conversion vs. peers, 2012A



Source: Company Documents, Barclays Research.

Risk Factors

We believe the three main risk factors for HomeAway are: 1) competitive risks from Airbnb,, 2) volatility in foreign exchange rates, and 3) exposure to the macro environment. First, HomeAway currently targets secondary homes in the vacation rental market, while Airbnb focuses on primary homes in more urban areas. If Airbnb decides to aggressively expand into the vacation rental business in the future, it may impact listings growth for HomeAway. Second, we believe adverse movements in FX rates could affect the company's profitability as 38% of HomeAway's revenue originated from its international segment in 2012. Lastly, a macroeconomic downturn could negatively impact consumer demand for vacation rentals.

Estimates and Financial Outlook

3Q13 Projections

We expect 3Q13 net revenue of $89.2 million (up 22% y/y), adjusted EBITDA of $27.2 million (up 12% y/y), and adjusted EPS of $0.17. This compares to the guidance of $88.6-