

FINAL TRANSCRIPT

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OWW - Q2 2007 ORBITZ WORLDWIDE INC Earnings Conference Call

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PRESENTATION

Operator

Thank you for calling into the Orbitz Worldwide earnings conference call reporting our results for the second quarter of 2007. This call is being simulcast online via the Orbitz Worldwide investor site at www.orbitz.com. At this time, all participants are in a listen-only mode. (OPERATOR INSTRUCTIONS). Today's conference is being recorded. If you have any objections, you may disconnect at this time. At this time, I would like to hand the call over to Brian Hoyt, Senior Director of Corporate Communications for Orbitz Worldwide.

Brian Hoyt - *ORBITZ WORLDWIDE INC - Senior Director, PR*

Hello, everyone. Thank you for joining us this afternoon for the Orbitz Worldwide second quarter earnings call. My name is Brian Hoyt, Senior Director of PR for Orbitz Worldwide. Following today's call, should you have questions, please visit the Investor Relations section of our website at www.orbitz.com. The site includes news, management bios, SEC filings, and media and investor contact information. On the line this afternoon, we have Steve Barnhart, President and CEO of Orbitz Worldwide, and Marsha Williams, the company's Chief Financial Officer.

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Before we get started, I would like to remind you of a few items. First, the rebroadcast, reproduction and retransmission of this conference call or the Webcast without the express written consent of Orbitz Worldwide are strictly prohibited. Second, if you did not receive a copy of our press release, it is available in the Investor Relations section of our website at Orbitz.com. Additionally, this call and the Webcast will be archived for a period of 30 days. Information on where you can access this recorded call is also available on our investor site.

Third, some of our comments during this call constitute forward-looking statements that involve known and unknown risks, uncertainties and other factors, including if factors described in our prospectus filed with the Securities and Exchange Commission on July 20th, 2007, which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Except to the extent required by applicable securities law, we undertake no obligation to publicly update or revise any forward-looking statements.

Finally, during the call, we will be using certain non-GAAP financial measures as defined under SEC rules. Where required, we have provided a reconciliation of those measures to the most directly comparable GAAP measures in our press release, which is available on our website. At this time, I would like to turn the call over to Steve Barnhart, President and CEO of Orbitz Worldwide.

Steve Barnhart - ORBITZ WORLDWIDE INC - CEO, President

Thank you, Brian. Good afternoon, everyone, and thank you for joining us today. I'm very pleased to be here along with Marsha Williams, CFO of Orbitz Worldwide, to share our second quarter results for 2007. For many of you this may be the first you have heard directly from us at Orbitz Worldwide since we were acquired in November, 2004 by Cendant Corporation. As a newly public company, we're excited to be delivering our quarterly financial results for the first time as Orbitz Worldwide, a global online travel company, with a portfolio of brands including Orbitz, CheapTickets and the Away Network in the Americas, ebookers in Europe, and and HotelClub and RatesToGo, based in Sydney, Australia with operations globally.

As a global organization, Orbitz Worldwide is committed to three key initiatives that support our continued growth in the Americas and in international markets. First is enhancing the global travel experience for our customers. This is a large part of what has made us the fastest growing online agency in the U.S. for the past 12 to 18 months, and we are now extending these benefits globally. Second is leveraging our core strengths to grow in lesser developed areas. We will extend from our strength in air as we build our hotel and dynamic packaging businesses, and we are leveraging our strong U.S. businesses by taking best practices from the U.S. and applying them globally. Third is extending our leadership in marketing and technology through continued innovation and service. This will enable us to continue to drive both productivity and growth.

I'm pleased to report that we have progressed nicely on these key initiatives during the second quarter, and I will highlight a few of those accomplishments. First on the list is our recent IPO. Orbitz Worldwide began trading on the New York Stock Exchange on July 20th. After the IPO, Travelport owns approximately 60% of our outstanding shares, and in conjunction with the IPO, we entered into a \$600 million term loan and an \$85 million revolving line of credit to support our liquidity needs going forward. Second, in late July, we rolled out our new global technology platform to ebookers customers in the U.K. We believe we are the first major online travel agency to roll out such a global platform. This launch was a culmination of a development process that involved hundreds of our employees.

Beginning in early summer, we gradually shifted traffic to the site, and by the end of July, we had migrated virtually 100% of our U.K. business to this new platform. We expect to migrate all of our 13 ebookers sites in Europe onto this platform over the next 18 months, during which time we expect to see both significant growth and efficiencies from this investment through better site conversion and lower operating expenses. We are pleased to have achieved this critical milestone. This new platform provides us with a single scalable technology infrastructure that has multi-language and multi-currency functionality. We believe that these capabilities will enable us to more easily expand our European businesses and will help facilitate the integration of any future acquisitions. Both the IPO and the platform launch required significant effort by our employees, and I want to recognize and thank them for their hard work and dedication to these initiatives.

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In addition to the public offering and the launch of our new technology platform, there are a few other key commercial accomplishments that I would like to share with you. The first is the sale of Travelbag, a U.K. offline travel agency, that had been owned by our ebookers' subsidiary. Because our strategic focus is the online travel agency business, it made sense for us to exit this offline business. We closed the sale of Travelbag to a strategic buyer on July 18th. Second, we completed an extension of our agreement with ITA to license their QPX software for airfare searches. This is an important relationship for us, and we are pleased to have extended the license agreement. Third, building upon our growth in the Americas, our Orbitz brand has entered into a new strategic relationship with TripHub to offer our customers more group travel planning tools and capabilities.

Let me move on to give you a high level overview of our results for the second quarter. Our net revenue was \$229 million, and our adjusted EBITDA was \$34 million. These results were in line with our expectations for the quarter. These results include Travelbag, which was sold after the end of the quarter. Without Travelbag, adjusted EBITDA would have been \$35 million. In terms of our key operating metrics, gross bookings were up 9% for the quarter, and up 15% for the first half of 2007, as compared to the same period in 2006. Air bookings, the largest part of our total gross bookings, increased 10% for the quarter, and were up 14% for the first half of 2007 as compared to the same periods last year. Non air bookings were up 9% for the quarter, and 17% for the first half of this year, again, as compared to the same periods last year.

Looking at gross bookings by geography, domestic bookings increased 8% for the quarter, and 13% for the first half of 2007, as compared to the same periods in 2006, while our international bookings increased 24% for the quarter, and 29% for the first half of this year as compared to the same periods in 2006. To help put our international performance into context, these businesses were contracting on a year-over-year basis at this time last year, and we are very pleased with the progress we have made in turning these businesses around. This was accomplished through a combination of operational improvements to the sites, better online marketing, and improved content. As we roll out the new technology platform internationally, we expect that this will provide us with a strong foundation for the future growth of these businesses.

In May 2007, we launched a new television advertising campaign for Orbitz, highlighting the brand's Orbitz TLC Customer Service experience; a communication of how our technology and employees help customers stay a step ahead when they book with Orbitz. We are pleased with results with this campaign to date, and we'll be rolling out the next phase of creative new ads this fall. In the second quarter, CheapTickets continued to perform well, and we believe that it remains the fastest growing full service online travel agency in the U.S. for the third consecutive year.

Now, Marsha Williams will review the financial results for the quarter in greater detail. Marsha?

Marsha Williams - ORBITZ WORLDWIDE INC - SVP, CFO

Thank you, Steve and good afternoon.

For the quarter, net revenue and adjusted EBITDA were \$229 million and \$34 million respectively. Our adjusted EBITDA during the second quarter of 2007 was down slightly as compared to the same period last year, primarily due to spending to launch our new advertising campaign. In 2006, we broke our new ads in the first quarter of the year. This change in timing of our offline marketing spend added about \$2 million to \$3 million of expense in the second quarter of this year. Our overall marketing expense increased \$13 million over last year, primarily due to higher transaction volume and our expanded offline spending.

Looking at our EBITDA results on a year-to-date basis, which eliminates these timing issues, adjusted EBITDA was \$64 million for the first half of 2007, an increase of 39% over adjusted EBITDA of \$46 million in the first half of 2006. In an attempt to provide more meaningful year-over-year comparisons, we have calculated adjusted EBITDA consistent with the way that management runs the business. We have provided a reconciliation between EBITDA and adjusted EBITDA in our press release.

With respect to the second quarter 2007 adjustments, I'm going to give you a little detail about what's included in each major category. The biggest adjustment to EBITDA was to add back a one-time charge of \$13 million related to our decision to change

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vendors for one of our marketing programs. In connection with this change, we will make annual cash payments to our former vendor over the next nine years. However, accounting rules required that we recognize this charge in the second quarter, this entire charge in the second quarter of 2007. We made this change in vendors because we believe that the opportunity with the new vendor will be more profitable, both in absolute terms and on a net present value basis than our former arrangement.

The next major adjustment to EBITDA related to costs we incurred in connection with the IPO. While some of the IPO-related costs have been capitalized, we expensed about \$6 million in the second quarter for consulting and audit-related costs. We also adjusted EBITDA for charges we incurred from Travelport for shared corporate services of roughly \$3 million, but those charges were offset by our estimate of what we would have incurred on a stand-alone basis for these same services. That number is also about \$3 million, so these two items essentially offset one another. We also added back to EBITDA about \$2 million of one-time costs associated with building and running two technology platforms in Europe. As we finalize the rollout of the new platform that Steve discussed earlier, we expect that these duplicative costs will be eliminated. We expect that this will occur by the end of 2008. And lastly, we adjusted EBITDA for non-cash stock based compensation expenses of about \$2 million. It should be noted that a relatively small portion of this adjustment relates to restricted cash that was granted when we were a private company.

Net revenue in the second quarter of 2007 increased 11% over the second quarter of 2006. Non air and other revenue grew by 14%, as compared to an increase in air revenue of 7%. The increase in air revenue was driven by solid growth in year-over-year air transactions, which was led by our CheapTickets brand in the U.S. and ebookers internationally. Lower average air commissions and reduced paper ticket fees partially offset the volume driven revenue increase.

One of the drivers of the lower air commissions was the final contractual step down in commissions paid to us by airlines, with which we have charter associate agreements. Since this was the final step down, we do not expect to see as significant a decline in average air commissions in future quarters. The increase in non air and other revenue in the quarter were due to a couple of factors, including a shift to merchant bookings from retail bookings, higher dynamic packaging and hotel bookings, and higher revenue from travel insurance and attractions and services bookings.

Our cost of revenue in the second quarter was \$42 million, or about 18% of revenue. The year-over-year increase in cost of revenue was due primarily to higher global transaction volume, including higher dynamic packaging and merchant hotel volumes that create incremental credit card processing costs. We expect that our cost of revenue will be somewhere in the 17 to 18% range, give or take, for the balance of 2007.

Selling, general and administrative expenses increased 16%, or \$24 million, over the second quarter of 2006. That increase was made up of three items. The \$13 million increase in marketing expenses, the one-time contract exit charge, which is also \$13 million, associated with changing one of our marketing vendors, and the one-time audit and consulting fees associated with the IPO. These expense increases were partially offset by lower wages and benefits, and other operating expenses across all of our businesses.

The only other item I would highlight on the second quarter income statement is interest expense of \$28 million, relating to our note payable to Travelport, which was repaid on the IPO date. In conjunction with our IPO, we entered into a new, \$600 million term loan, and an \$85 million revolving credit facility. The term loan bears interest at a floating rate of LIBOR plus 300 basis points. We have entered into interest rate swaps converting half of our floating rate exposure to fixed rates. Our revolving credit line is LIBOR plus 250 basis points. We currently have no amounts outstanding under the revolving credit line.

Turning to the cash flow statement, during the six months ended June 30th, we generated \$180 million in cash flow from operating activities, primarily from the favorable working capital dynamics associated with our merchant hotel business. The first half of the year is typically the strongest part of our cash cycle. Capital expenditures for the six months -- for the first six months of 2007 were \$26 million, which included approximately \$14 million spent for the new global technology platform.

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Finally, while we do not anticipate issuing formal earnings guidance, we do want to provide some benchmarks you can use to gauge our progress from quarter to quarter. Going forward, you should expect to see a 9 to 12% increase in worldwide gross bookings and revenue, apart from the impact on gross bookings of any material decline in airline pricing. We also expect steady modest increases in our non air mix, both as a percentage of revenue and as a percentage of gross bookings. Again, this would exclude any material impact from airline ticket pricing on gross bookings. It is unlikely that we'll see such a shift in the third quarter of 2007, as we overlap the third quarter of 2006 because air bookings in that period were depressed by terrorist concerns in London. Lastly, we expect an improvement in an was EBITDA margins increasing to a mid-20% EBITDA margin over the next four to five years.

That concludes my recap of our financial results and I believe Steve has some final comments. Steve?

Steve Barnhart - ORBITZ WORLDWIDE INC - CEO, President

Thank you, Marsha. Let me close by reiterating some of the themes I mentioned up front. As a global company, across our portfolio of brands around the world, we remain focused on three key areas to better serve our customers and suppliers, and ultimately grow our business. First, at the core of our business, is our ability to enhance and enrich the global travel experience day after day, year after year. From core capabilities like Orbitz TLC, and newer capabilities like selling tickets to concerts and events on CheapTickets, we remain committed to making travel easier for customers.

Second is leveraging our core strengths to grow in lesser-developed areas. Orbitz Worldwide has been the fastest growing online travel company in the Americas, and we are building our capabilities for strong growth around the world. We have been a recognized leader of air travel in North America, and our focus on expanding our sales of hotels and vacation packages, and we're using our technology and expertise from the U.S. market to drive growth in our businesses around the world. Finally, all along the way from startup to global travel company, Orbitz Worldwide has been a leader in using technology and innovation to making travel easier, more economical and more fun. We will strive to stay at the leading edge of technology and marketing, and continue to innovate for our customers around the world.

With that, we would like to open the line for questions.

QUESTIONS AND ANSWERS

Operator

Thank you. We will now begin the question-and-answer session. (OPERATOR INSTRUCTIONS). Our first question comes from Anthony Noto with Goldman Sachs. Sir, your line is open.

Megan Barker - Goldman Sachs - Analyst

Hi, its Megan Barker in for Anthony. Two quick questions. First, can you give an update on the transition to the technology platform in the U.S., the timing there, and then secondly, just any color you can give on whether the tightening of the credit markets limits you in any way. Thank you.

Steve Barnhart - ORBITZ WORLDWIDE INC - CEO, President

Sure, Megan. In terms of the global technology platform, our focus right now is on Europe. As we said, we launched the U.K., and over the next 18 months, we will be launching the rest of the countries in Europe. In terms of the U.S. transfer transition, we would -- we'll schedule that in as we proceed with Europe and relative to other opportunities we have in the U.S. So I'm not

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going to give you specific timing on completing that transition for the U.S. markets. But that is -- we will schedule that in as it's appropriate, given our other alternatives for building our businesses in the U.S. On the credit markets, I'll turn it over to Marsha.

Marsha Williams - ORBITZ WORLDWIDE INC - SVP, CFO

Hi, Megan. We don't really anticipate any impact. We have as part of the IPO, we did arrange, as I mentioned, a \$600 million term loan. We also have an \$85 million revolving credit facility, both of which are longer term in nature. So we don't really anticipate any impact from the current turmoil in the credit markets.

Megan Barker - Goldman Sachs - Analyst

Great. Thank you.

Operator

Our next question comes from Michael Millman with Soleil Securities. Sir, your line is open.

Michael Millman - Soleil Securities - Analyst

Thank you. I have a couple questions. First, can you give us an idea of the difference between CTIX and Orbitz in the U.S. regarding their conversion rates and their non air to air revenues?

Steve Barnhart - ORBITZ WORLDWIDE INC - CEO, President

Michael, we don't share that brand-specific detail. The conversion rates we think are relatively competitively sensitive. So that's not information we're going to release at this time.

Michael Millman - Soleil Securities - Analyst

Could you tell about whether they're similar for each one, without giving us the number?

Steve Barnhart - ORBITZ WORLDWIDE INC - CEO, President

I don't think we even want to go down the path.

Michael Millman - Soleil Securities - Analyst

Okay. Can you talk about how they differ in their mix of business?

Steve Barnhart - ORBITZ WORLDWIDE INC - CEO, President

CheapTickets, by its nature, is more aerocentric than Orbitz. Orbitz does have more balanced mix of business across hotels and packaging in addition to air. But beyond that, Michael, no I don't think we want to go into detail on the specifics of Orbitz versus CheapTickets.

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Michael Millman - *Soleil Securities - Analyst*

Can you talk a little bit about why CheapTickets' growth has been faster than Orbitz?

Steve Barnhart - *ORBITZ WORLDWIDE INC - CEO, President*

We've done a lot of things to enhance the CheapTickets experience. In 2005, we moved it onto the same platform as Orbitz. That provided us with a lot of growth in 2006, and we have continued to enhance the CheapTickets experience for consumers, both with site capabilities and with content, and we feel those are the key things that have helped support the brand, along with the marketing that we've put behind it and the focus we bought into e-marketing on CheapTickets.

Michael Millman - *Soleil Securities - Analyst*

Okay. And could you also in the second quarter, your numbers, at least in gross bookings numbers and revenue growth, were similar to, if not slightly below in Europe, Expedia. I would imagine Expedia being a far larger company and much more mature in Europe and in the U.S. would have -- or you would have faster growth. Can you talk about why you think that your growth wasn't faster than their growth or if they're doing something to accelerate and in that connection you might want to talk about marketing spend.

Steve Barnhart - *ORBITZ WORLDWIDE INC - CEO, President*

Yes, Michael, I think we're -- look at the U.S. businesses. We had extraordinary growth in 2006. A lot of the things that we did to drive that strong growth continued in the first quarter. We drove 43% growth in gross bookings in Q2 of 2006 and 8% on top of that in the first quarter of 2007. So we're up over 50% over the last two years in the second quarter in gross bookings. We do think that's pretty respectable growth.

In terms of Europe, if you go back to the start of 2006, before we integrated our businesses globally, our businesses in Europe were contracting, and we've accelerating growth in those businesses, almost every quarter since then, and delivered 30% growth in Europe in the first half of this year. So we're quite pleased with the progress we've made in those international businesses and we think we have a great opportunity as we roll out our new technology platform to continue to grow this business quite strongly going forward.

Michael Millman - *Soleil Securities - Analyst*

So would you say that you basically this year had easy comps in Europe?

Steve Barnhart - *ORBITZ WORLDWIDE INC - CEO, President*

Well, you can look at it that way. But you don't change the underlying operating trajectory of the business if you don't make change to the business that -- an easy comp in and of itself isn't going to get you there.

Michael Millman - *Soleil Securities - Analyst*

Expedia, I hate to bring them up, but they're I guess the leader, they spent, as you did, about 37% of revenue in marketing in the second quarter. Do you believe that you have to sort of keep up with the Jones?

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Steve Barnhart - ORBITZ WORLDWIDE INC - CEO, President

No, Michael, we invest in our offline marketing based on what we think is adding value to our different businesses around the world, and we monitor our online marketing spending very carefully based on growth and profitability in our businesses. So we're not spending in reaction to our competitors but in reaction to what we see as the opportunities in the business and what is of value to communicating with our customers. I think we probably ought Michael to let some of the other people ask questions to the extent they have them.

Michael Millman - Soleil Securities - Analyst

Thank you.

Steve Barnhart - ORBITZ WORLDWIDE INC - CEO, President

Operator, are there other questions?

Operator

Our next question comes from Imran Khan with JPMorgan.

Bridget - JPMorgan - Analyst

This is actually [Bridget]. Imran's on a plane right now, and apologizes. We just had a quick question about your marketing spend. Could you talk about any trends you've seen in costs for marketing and what you've seen in terms of ROI?

Steve Barnhart - ORBITZ WORLDWIDE INC - CEO, President

Sure. Bridget, we do see that we continue to get very strong growth in our online marketing areas. We do see that there is inflation continuing in key words that we -- we're focused on offsetting as we expand our sources of traffic and continue to enhance our evaluation of our spend.

Bridget - JPMorgan - Analyst

And also could you give me any insight how packages and your business sales are performing?

Steve Barnhart - ORBITZ WORLDWIDE INC - CEO, President

Bridget, we gave in the earnings release, i believe we broke out air and non air gross bookings and revenue for you. That's the level of disclosure we're going to give in that area at this time.

Bridget - JPMorgan - Analyst

Okay. Thanks a lot. Congratulations.

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Operator

Our next question comes from [Jacob Fuller] with Thomas Weisel. Your line is open, sir.

Jacob Fuller - *Thomas Weisel Partners - Analyst*

Thank you. Question for you on ebookers. Have you rolled out the new technology platform yet? If so, what is the cost savings you're seeing or anticipating, had the losses begun to narrow at that site yet?

Steve Barnhart - *ORBITZ WORLDWIDE INC - CEO, President*

Jake, we rolled out to the U.K. in July. So the only site on it at this point is the U.K. We will begin to recognize savings as we roll to additional sites. But as we've just rolled to 100% U.K., we don't have savings to talk to you at this point. The plan will be to roll to the rest of the ebookers countries over the next 18 months.

Jacob Fuller - *Thomas Weisel Partners - Analyst*

Over that 18-month time frame you'll have the whole platform on the new system and you'll be able to reduce headcount. Is that the idea?

Steve Barnhart - *ORBITZ WORLDWIDE INC - CEO, President*

We would have all of our ebookers sites on the new platform and that would give us better back office efficiencies and better site functionality to drive the business.

Jacob Fuller - *Thomas Weisel Partners - Analyst*

Have you rolled out a new branding campaign for that site yet?

Steve Barnhart - *ORBITZ WORLDWIDE INC - CEO, President*

We have plans to do that later this year.

Jacob Fuller - *Thomas Weisel Partners - Analyst*

Any specific time frame?

Steve Barnhart - *ORBITZ WORLDWIDE INC - CEO, President*

No, nothing to talk to at this point.

Jacob Fuller - *Thomas Weisel Partners - Analyst*

Okay. Thank you very much.

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Steve Barnhart - ORBITZ WORLDWIDE INC - CEO, President

Thank you, Jake.

Operator

Our next question comes from Steve Weinstein with Pacific Crest. Sir, your line is open.

Steve Weinstein - Pacific Crest Securities - Analyst

Thank you. Just a couple questions for you. If we want to pro forma our numbers for the Travelbag sale, can you give us what the gross margin is for that business so we can make it match the rest of the P&L?

Marsha Williams - ORBITZ WORLDWIDE INC - SVP, CFO

We actually provide some numbers so that you can take Travelbag out. Those numbers are actually in the press release, toward the back. So I think you can probably use the numbers that are in the press release to back out Travelbag.

Steve Weinstein - Pacific Crest Securities - Analyst

I think you have revenue and EBITDA.

Marsha Williams - ORBITZ WORLDWIDE INC - SVP, CFO

Right.

Steve Weinstein - Pacific Crest Securities - Analyst

So you can't give more of the margin structure.

Marsha Williams - ORBITZ WORLDWIDE INC - SVP, CFO

We're probably going to limit it to what we already disclosed.

Steve Weinstein - Pacific Crest Securities - Analyst

Okay, no problem. With the platform being rolled out in the U.K., how quickly do you think you can start to gain the benefits of that? If you don't want to put a forecast out on that, when you roll CheapTickets out of the original Orbitz platform, how long did it take for you to start to see the benefits of the pick up in that business.

Steve Barnhart - ORBITZ WORLDWIDE INC - CEO, President

Steve, the situations are a little different. When we put CheapTickets on the Orbitz platform, there was only one site to convert. So we saw the benefits much more quickly than we will in Europe where we essentially have 13 different sites to convert. As we convert each site, we will begin to see some benefits for that portion of the business. So there are some benefits we'll

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recognize as we roll each additional country along the way. But there's some platform level benefits we won't realize until we're fully able to convert all the countries and sunset the old technology infrastructure.

Steve Weinstein - *Pacific Crest Securities - Analyst*

All right. Thanks.

Operator

Our next question comes from [Peter Gingold] with Angelo Gordon. Your line is open, sir.

Peter Gingold - *Angelo Gordon - Analyst*

I was wondering if you could speak to the macro trends in terms of competing with the direct content suppliers themselves, such as the airlines and sort of how the channel shift is affecting your business at all. I noticed Delta for instance recently talked about a new program to increase fees. I wasn't sure if you were affected by that for anyone who books not through their website. I didn't know if that was impacting your business, if you could speak to that turn, that would be great.

Steve Barnhart - *ORBITZ WORLDWIDE INC - CEO, President*

Yes, the supplier dot-com sites, Peter, certainly are very credible competitors. They all continue to enhance their capabilities across air, hotel and car. So we expect to continue to see them as developing their businesses and trying to bring business to their sites directly. But that's really not different than we've been competing against over the last four or five years. So we'll continue to innovate and drive our marketing, we'll continue to focus on the service offering we have with Orbitz TLC, expanding capabilities we have like hotel reviews, things we have like packaging, which we don't feel that the supplier dot-com sites can compete with us effectively.

Peter Gingold - *Angelo Gordon - Analyst*

Did you see given sort of the total that you have that there is -- are they sort of growing in line with your growth rates or are they growing faster than your rates in terms of their direct bookings or is it hard to tell?

Steve Barnhart - *ORBITZ WORLDWIDE INC - CEO, President*

I'm not sure that I have a data source that I can tell you with certainly how fast they're growing relative to what we are. I think if you look at some of the general industry pundits they are looking as supplier sites bring their offline customers online, that that will provide them with some additional growth, sort of above market growth, if you will, as they're simply taking a book to business that's offline and bringing it online.

Peter Gingold - *Angelo Gordon - Analyst*

Okay. Great.

Operator

(OPERATOR INSTRUCTIONS).

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Steve Barnhart - ORBITZ WORLDWIDE INC - CEO, President

If there are no more questions, then I think we'll conclude the call at this point.

Operator

We have had a couple questions. It will be just one moment, please. Michael Millman with Soleil Securities, your line is open.

Michael Millman - Soleil Securities - Analyst

Could you tell us what the deferred booking revenue was in the quarter compared with last year?

Steve Barnhart - ORBITZ WORLDWIDE INC - CEO, President

Michael, that's not something we're going to talk to you directly.

Michael Millman - Soleil Securities - Analyst

Thank you.

Operator

Our next question comes from Marianne Wolk with [Shapina]. Your line is open.

Marianne Wolk - Susquehanna - Analyst

Thanks, it's Susquehanna Just a quick question about the merchant hotel business. Can you talk about whether that grew faster than the overall non air business and whether it increased as a percentage of the mix this quarter versus last? Thanks.

Steve Barnhart - ORBITZ WORLDWIDE INC - CEO, President

If you look at what we included in the Earnings Release, you can see the relative growth rates of our air business and our non air business. You see that overall, our air business for the quarter grew at 10% and our non air business grew at 9%. The hotel business would be the largest component of the non air business.

Marianne Wolk - Susquehanna - Analyst

And so did it grow as a percentage of your mix this quarter? The hotel part?

Steve Barnhart - ORBITZ WORLDWIDE INC - CEO, President

Again, we're going to disclose at the air and non air level both for gross bookings and revenue. You can see on a revenue basis, our non-air business grew at 14% versus our air business at 7. on a gross bookings basis, non air grew at 9 versus our air business at 10%.

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Marianne Wolk - *Susquehanna - Analyst*

Okay. Thank you.

Steve Barnhart - *ORBITZ WORLDWIDE INC - CEO, President*

Thank you, Marianne.

Operator

Our next question comes from [Matt Hall with 4068]. Sir, your line is open.

Matt Hall - *4068 - Analyst*

Just a couple quick questions on the balance sheet. Do you have any other data outstanding currently outside of the term loan and then just quickly a cash balance and how much was the dividend up to Travelport from the IPO proceeds?

Marsha Williams - *ORBITZ WORLDWIDE INC - SVP, CFO*

You'll see in the Q that we're just about to file. The dividend was approximately about \$115 million, the dividend up to Travelport, 112 to 115. We have no other debt. I mean, other than some surety bonds, but basically the \$600 million new revolver is the only -- or excuse me, new term loan is the only debt on the balance sheet and we do have a revolving credit agreement which is again, \$85 million, and that is completely undrawn.

Matt Hall - *4068 - Analyst*

Then cash balance?

Marsha Williams - *ORBITZ WORLDWIDE INC - SVP, CFO*

Cash balance, the cash balance was about \$61 million at the end of the quarter. What we have said was that at the IPO date, we anticipated starting at the IPO date with about \$75 million in cash.

Matt Hall - *4068 - Analyst*

Okay. And so the no payable to Travelport is totally eliminated?

Marsha Williams - *ORBITZ WORLDWIDE INC - SVP, CFO*

Yes, that's correct.

Matt Hall - *4068 - Analyst*

Thank you.

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Operator

Our last question comes from Brendan MacMillan with Capital International. Sir, your line is open.

Brendan MacMillan - *Capital International - Analyst*

Could you just talk a little bit about the non seasonal advertising uptick so the part of marketing spending that was not in seasonal advertising and just what you plan on doing with that going forward, will that grow at or be at an absolute level that was similar to Q2 going forward?

Steve Barnhart - *ORBITZ WORLDWIDE INC - CEO, President*

Sure. The transition was really that last year we launched our new ads in Q1 and we had somewhat heavier advertising as we supported that. This year we launched a brand-new ad campaign. We launched in Q2. We had our heavier spending in Q2. So you essentially had a year-over-year transition of marketing spending from Q1 to Q2 and that's -- I would expect what you'll see next year as we lap this, it will depend again on when we launch our new ads, whether that falls in Q1 or Q2.

Brendan MacMillan - *Capital International - Analyst*

I guess I was more talking about the non advertising component. So for example, you said that overall marketing spending was up about \$13 million outside of the charge, and I think that the advertising was only \$1 million to \$2 million, or \$2 million to \$3 million of that. So the remaining \$10 million, that's the increase year-over-year, can you just about what's in that and what will be the pattern of spending going forward, since you chose to compare the first half this year versus the first half last year but it looks like there might be some components as we go forward into Qs 3 and 4 that might be different year-over-year in that non seasonal component.

Steve Barnhart - *ORBITZ WORLDWIDE INC - CEO, President*

The largest components of our increase in spend are our continued investment in online marketing. We continue to see very strong performance from our online marketing spending. Because that is essentially on a per transaction basis. That will tend to grow relatively in line with the growth in our business volumes. Our offline spend, we also plan to increase and would plan to continue to increase, but based on our plans and in line with our somewhat below growth in the business.

Brendan MacMillan - *Capital International - Analyst*

Okay. Thank you.

Operator

Now I would like to turn the call back over to Mr. Steve Barnhart. Thank you.

Steve Barnhart - *ORBITZ WORLDWIDE INC - CEO, President*

With that, we will close. We thank you all for joining us for our first earnings release as a public company, and we look forward to working with you as we go forward and build the Orbitz Worldwide business.

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Marsha Williams - ORBITZ WORLDWIDE INC - SVP, CFO

Thank you.

Brian Hoyt - ORBITZ WORLDWIDE INC - Senior Director, PR

Thank you.

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