FINAL TRANSCRIPT

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PRESENTATION

Operator

Good afternoon. My name is Christian, and I'll be your conference operator today. At this time, I would like to welcome everyone to the Orbitz Worldwide third quarter earnings conference call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. (OPERATOR INSTRUCTIONS). Thank you. Ms. Burns, you may begin your conference.

Shannon Burns - *Orbitz Worldwide, Inc. - Director of IR*

Thank you. Good afternoon, and thank you for joining us on the Orbitz Worldwide third quarter 2008 earnings call. I'm Shannon Burns, Director of IR for Orbitz Worldwide. On the call this afternoon are Steve Barnhart, President and CEO of Orbitz Worldwide and Marsha Williams, the company's Chief Financial Officer. Before we get started, I would like to remind you of a few items. First, the rebroadcast, reproduction or retransmission of this conference call or the webcast without the expressed written consent of Orbitz Worldwide is strictly prohibited. Second, we filed a press release this afternoon detailing our third quarter results. If you have not received this press release, it is available on our Investor Relations website at www.orbitz-ir.com. Additionally, this webcast will archived on this site for a period of at least 30 days and an MP3 file of the call and the transcript will also be posted on our site. Third, some of statements made during this call constitute forward-looking statements that involve known and unknown risks, uncertainties and other factors including the risk factors described on our Form 10K/A filed with the Securities and Exchange Commission on August 28, 2008. These risks and uncertainties 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. We undertake no obligation to publicly update or revise any forward-looking statements.

Also, I would remind you that some media are participating in this call in a listen-only mode. Finally, during the call, we will be referencing certain non-GAAP financial measures as defined by the SEC rules. Where required, we have provided in our press release or on our website a reconciliation of those measures to the GAAP financial measures we consider to be the most comparable. This reconciliation is available on our Investor Relations website. In order to give everyone an opportunity to ask questions during the Q&A, we request that you please limit yourself to one question and one follow-up question. At this time, I'd like to turn the call over to Steve Barnhart, President and CEO of Orbitz Worldwide.

Steve Barnhart - *Orbitz Worldwide, Inc. - CEO, President*

Thank you, Shannon. We are pleased with our solid third quarter results. We hit our long-term target range for revenue growth and would have reported the net profit for the quarter without the impairment charge. Growth rates for hotel and car revenues accelerated over the second quarter in both the U.S. and at ebookers. Our European businesses also posted growth in their revenues, and we continue to achieve significant growth in our highly profitable advertising and insurance businesses. I will review details around our performance in U.S. and then talk about ebookers and HotelClub. Finally, I will discuss the outlook for the travel business, which given the current economic industry conditions, is quite different from when we last spoke. Then Marsha will review our third quarter financial results and we will take your questions.

We've have stated in our calls this year that accelerating growth in our U.S. business was a key goal for Orbitz Worldwide and that we expected to show improved growth each quarter throughout the year. Third quarter results show that our initiatives have been successful. These initiatives included launching Orbitz Price Assurance, creating more effective offline advertising that would drive more customers to book their travel with us and other site enhancements. We also won the MSN business and now provide travel services on their travel sites in the U.S. and the U.K. In addition, we began to benefit from lapping the pullback in search marketing, which we started in the third quarter of last year. We have also stated that increasing non-air and other net revenue as a percentage of our total net revenue is the key goal and our results in the third quarter also demonstrate success.

Non-air and other net revenue as a percentage of total net revenue reached 64% in the recent quarter, up from 61% in the second quarter of 2008 and has jumped from 58% in the third quarter of 2007. Price Assurance has performed in line with our expectations. As a result of this innovative functionality, which offers consumers a solution to one of their travel concern, growth has strengthened on Orbitz.com. Research indicates the offline advertising we created to support price assurance is compelling to consumers and attracted additional traffic to our site in the third quarter. This traffic created stronger bookings for both air and non-air products and we are pleased with the the overall economics. As an indicator of the broad reach of this innovative functionality, travelers in over 2,400 routes have received refunds since we launched Price Assurance and we're mailing thousands of checks to customers each month. This is a winning program for Orbitz and more importantly, for our customers.

We continue to make excellent progress in monetizing the traffic on our sites through advertising, which contributed to our growth in total non-air and other net revenue. Advertising revenue increased over 60% in the third quarter, with the increase coming primarily from travel advertisers. We saw strong growth from several sources. First, we sold more advertising space on our site and improved our prices as we continue to add more high demand travel advertisements to our site. For example, we've been successful in working with destination tourism advertisers because we have demonstrated to them the value of reaching the Orbitz traveler. International air carriers and other resorts have also been strong advertisers as they invested to counter the impact of the weak dollar and attract more U.S. tourists. Independent hotels have also increased their advertising spend as hotel demand has softened.

In addition, we added link-based advertising in our booking path. Our goal is to monetize traffic that is browsing without distracting customers who are on our site to book travel on that business. We continue to test this concept to find the balance that maximizes both the customer experience and our return.

We expect advertising will continue to be an ongoing source of strong revenue growth with attractive margins. We are continuing to evolve our advertising product offering to further enhance the experience for our customers with additional relevant information provided by our ads and for our partners in terms of higher conversion of bookings on our site.

Orbitz for business had another successful quarter in adding new accounts. While we have seen corporate clients reduce their travel, total net revenue was roughly flat in the quarter compared to the prior year as we offset that decline with business from new clients including Petco. Our customer retention rate continues to be very high, and in a recent survey, our customer satisfaction scores were the highest ever.

In the international portion of our business, ebookers gross bookings increased 26% in the quarter. This is the eighth consecutive quarter of 20% plus growth. Financial progress at ebookers has been solid as both revenue growth and operating expense reductions have resulted in shrinking losses. Ebookers is positioned to improve its performance in 2009. We have nearly completed the migration to the new technology platform, with only four countries left to launch. We expect to have all countries launched into the new platform by year end. As discussed on previous calls, the global technology platform provides ebookers' customers with access to broader hotel selections and dynamic packaging capabilities and automates a number of back-end processes, resulting in cost efficiencies. These benefits bode well for continuing financial improvement in 2009. However, given the difficult market, it will be more challenging for ebookers to meet their goal of becoming profitable at some point in 2009.

Turning to HotelClub, that business experienced a marked slowdown throughout the third quarter as a result of competitive pressures and the deteriorating economic situation. During 2008, we have focused on transitioning the majority of HotelClub hotels from third-party sources to direct contracts with Orbitz Worldwide. We believe our prior reliance on third-party sources was a distinct disadvantage, particularly as industry conditions have slowed, versus having direct relationships in place. While transitioning these contracts has consumed significant resources, this process was necessary to establish the right long-term economics and relationships. We'll be largely through this transition by the end of this year, at which point our hotel sourcing resources will be able to focus on working with our hotel partners to actively manage pricing, promotions and availability across our portfolio brand across our portfolio brand. Also, over the next few quarters, we'll be refreshing our HotelClub and Rates To Go site and introducing new product capabilities that we believe will materially improve the customer experience.

That brings me to a discussion of the travel industry outlook. Our businesses globally performed in line with our expectations through September, when we had anticipated softening in the U.S. as airlines removed capacity from the system. But business around the world softened further in October, coincident with increased turmoil in the financial markets. As many companies have noted, with a global recession an increasing concern and the financial markets continuing to be in turmoil, consumers and businesses have pulled back on their travel.

In short, the strategies we have been following this year to accelerate our growth in the U.S. had us on track through the end of September to meet our goals, and we expect these strategies will continue to be successful. However, the economy is clearly worse than what was evident when we spoke in July, and we're not counting on material improvement in the economic conditions in the near term.

In response to the deterioration and the outlook for the travel market, we'll be making immediate cuts in our operating expenses and reducing our U.S. staffing by approximately 10% in the next six weeks. We anticipate these actions will take approximately $20 million out of our annual payroll expenses. We will have further reductions in operating expenses that we are also in process of implementing. Most of the workforce reduction will take place in our corporate offices in Chicago, which is our largest location. We will reduce our entire infrastructure in anticipation of lower volume and are adjusting our technology development investments, resizing them based on our current view of the business opportunities. Much of our technology spending is for new product development rather than for maintenance or support, so we have significant flexibility in both the level and timing of these investments.

Although we achieved our target growth rate for net revenue in the third quarter, we do not expect to reach that long-term target range or 9% to 12% growth in gross bookings in net revenue again until economic conditions improve.

We are still holding to our long-term goals of reaching an EBITDA margin in the mid-20s, driven by mix shift toward more non-air business and benefits from scale. However, given the current economy and the outlook for 2009, we are less confident that we will hit that target in the next four years.

Although this is a difficult period for the travel industry, as it is for many industries, we continue to firmly believe in the long-term growth prospects for online travel and for Orbitz. We had a solid third quarter during which the initiatives we launched to accelerate domestic growth proved successful. We continue to see solid growth in non-air and other net revenue, led by advertising sales, and we continue to witness the positive impact the new global platform is having on our ebookers business. We believe that our millions of loyal customers appreciate the value we provide. We also believe that the favorable underlying growth in global travel and the continuing switch from offline to online booking will allow us to again deliver strong top line and bottom line growth when the global economy recovers.

Lastly, I want to welcome Jeff Davidoff, our new Chief Marketing Officer to the Orbitz senior leadership team. Jeff brings to Orbitz a long career in consumer branded products, including an entrepreneurial background as founder of his own advertising agency. We are excited by the contributions we believe Jeff will make to our product and marketing initiatives.

And now, I will turn the call over to Marsha to discuss some of the financial details of the quarter.

Marsha Williams - *Orbitz Worldwide, Inc. - CFO, SVP*

Thank you, Steve and thanks for joining us today. We are pleased to report adjusted EBITDA of $43 million for the third quarter, which is a significant improvement over the first two quarters of this year and equal to the record quarterly adjusted EBITDA we reported in the third quarter of last year.

Our gross bookings grew 4% this quarter compared to the third quarter of last year. Our international gross bookings, which have been strong all year, did slow a bit in the third quarter. We posted an overall growth in international gross bookings of 16% over the third quarter of last year, driven largely by a 26% growth at ebookers, excluding the impact of Travel Bag, which we sold in the third quarter of last year. As we mentioned in prior calls, business has been a bit slower this year at HotelClub and third quarter gross bookings declined 9% versus the third quarter of last year.

Overall, net revenue increased 9% in the third quarter of 2008 compared to the same quarter in 2007. Again, this is a much better performance than the 2% year-over-year revenue growth we reported in the first half of 2008. Growth in international net revenue was 15% in the third quarter. After adjusting for foreign currency fluctuations, international net revenue increased 10% in the quarter. Domestic net revenue was $187 million, which is an increase of 7% from the 2007 third quarter. This return to growth in our domestic revenues is evidence of the success of the number of initiatives we launched during the year to both strengthen and grow our domestic business.

Globally, our strongest revenue growth in the third quarter came from dynamic packaging, car and domestic hotel businesses. We also had another quarter of strong increases in our advertising and insurance revenues. Those businesses helped contribute to our 19% increase in non-air and other net revenue as compared to growth of 11% in our non-air and other net revenue in the first half of 2008. The hotel business improved in the US and at ebookers. Our international air net revenue was up nominally.

Turning to the rest of the income statement, our cost of revenues was 17% of net revenue. We continue to grow our white-label business, which results in higher commissions paid to white label affiliates, which is one component of cost of revenue.

SG&A expense increased 6% from the third quarter of 2007, which was slower than our growth in revenues. Wages and benefit increased year-over-year, primarily due to higher staffing levels in both our hotel sourcing team and within certain public company functions.

Marketing expense increased $8 million or 10% in the third quarter. This increase was due to our domestic ad campaign which we launched in the third quarter of this year to fully support Price Assurance. Internationally, our offline marketing expense decreased compared to the third quarter 2007, when we initiated an offline campaign to support the launch of the new global platform in the U.K.

As I mentioned third quarter 2008, adjusted EBITDA was $43 million.

Net interest expense in the third quarter was $16 million. Interest expense includes cash interest of $11 million, primarily on our $600 million term loan, and non-cash interest of approximately $5 million, primarily due to interest that accretes on our tax sharing liabilities with our founding airlines.

In the third quarter, we entered into an additional interest rate swap to take advantage of lower interest rates. This new swap fixes an additional $100 million of our term loan at 5.98% for two years, which is inclusive of our 300 basis point spread on the term loan. As a result, we now have $500 million of our total $600 million term loan on a fixed rate basis. With the new swap in place, the weighted average rate on our term loan is currently approximately 7.2%.

As you saw in our press release, we recorded a third quarter non-cash impairment charge of $297 million to reduce the carrying value of goodwill and intangible assets on our balance sheet as of September 30. On at least an annual basis, companies are required to assess the balance sheet values assigned to goodwill and other intangibles. We generally perform that analysis in the fourth quarter of every year. However, as the economy softened, the travel industry outlook weakened and we experienced a prolonged decline in our stock price, it became clear as we were preparing our financial statement that we needed to perform our evaluation in the third quarter of this year. The majority of this charge reflects the reduction of goodwill on the books of both our domestic and international subsidiaries. This goodwill was created when these businesses were acquired from Cendant in August 2006.

Although this charge creates a GAAP loss in an otherwise profitable quarter, it is a non-cash accounting charge and has no impact on our cash position, our loan agreement or our loan covenant calculation. We were comfortably in compliance with our loan covenants at the end of the third quarter and also believe that we have sufficient liquidity to operate our business.

At the end of the third quarter, we had cash net of our revolver borrowings of $77 million which is an increase of $33 million as compared to our cash balance of $44 million at September 30, 2007. Because of the seasonal pattern of our business, we build our cash position in the first half of the year and then use that cash during the remainder of the year. Our cash balances reflect our normal seasonal trend.

Our merchant payables follow the same seasonal patterns as our cash balances. Both billed in the first half of the year as customers book their vacation travel and then decline in the third and fourth quarters as customers complete their travel and the hotels bill us. Merchant payables declined 17% from the June 30, 2008 level.

Turning to the cash flow statement for the first nine months of this year, we generated cash from operations of $121 million, which is a sharp increase from the $65 million of cash from operations we reported in the first nine months of last year.

Capital expenditures in the third quarter were $16 million, up from the $10 million in the third quarter of last year which reflects the fact that we continued to invest in our sites to build additional customer facing technology.

Also, as Steve discussed, given the current economic climate, we've decided to take a very hard look at all our operating costs including payroll costs. As a result, we are reducing headcount in the US by approximately 10%. These reductions will occur before year-end and we are notifying our effected employees this week. In connection with this move, we expect to take a severance charge of approximately $2 million to $3 million in the fourth quarter. We anticipate that this action will reduce our 2009 labor-related expenses by approximately $20 million. We will have additional operating expense reductions, which we're in the process of implementing. Although these headcount reductions are very difficult steps to take, we believe that they're necessary given the uncertain outlook for the economy in general and for the travel industry specifically.

Steve will have some closing comments, but now we would like to take the questions. Operator?

QUESTIONS AND ANSWERS

Operator

(OPERATOR INSTRUCTIONS). We'll pause for just a moment to compile the Q&A roster. Our first question comes from the line of Imran Khan with JPMorgan.

Imran Khan - *JPMorgan - Analyst*

Yes, hi, thank you for taking my question. Two questions, trying to understand, what are the key factors that drive the domestic non-air and other net revenue growth rate. The second question is how much growth do you expect to come from MSN, and what kind of profitability is associated with MSN revenue? Thank you.

Steve Barnhart - *Orbitz Worldwide, Inc. - CEO, President*

Thank you, Imran. On the non-air growth, advertising, dynamic packaging and hotels are the largest drivers of the strong non-air growth in the quarter. As far as MSN, MSN does have the abilities to use Farecast on this site, and we have the rights to be on MSN and on Farecast. So, we'll be present in the results either way, whether MSN is using the farecast alternative or just showing the results via Orbitz, but beyond that, we're not going to specifically give you numbers as to the size or to the profitability of the relationship.

Imran Khan - *JPMorgan - Analyst*

Got it, thank you.

Operator

Our next question comes from the line of Brian Fitzgerald with Banc of America Securities.

Brian Fitzgerald - *Banc of America Securities - Analyst*

Thanks, guys. In terms of your international gross bookings, they were up on both volume and higher prices, you said. I was wondering if you could give us a little more granularity on the breakdown of those increases in volume and prices in terms of air versus hotels versus packages, and this is not the international side. And maybe including some commentary on ADRs and occupancy rates. Thanks.

Steve Barnhart - *Orbitz Worldwide, Inc. - CEO, President*

Thank you, Brian. In terms of the international gross bookings, the volume -- both volume and rate are really going to be more out of our ebookers business, which is growing on both those fronts in air as well as packaging, where it has a smaller base. And is getting very good growth in hotels, particularly where it's added more inventory with the new platform, a lot of that coming out of growth in the U.S. Those will be the strongest drivers behind that. As far as ADR is -- it's difficult to give a good summary view of ADRs across our different international hotel business, but the stronger growth we're seeing is from volumes, volume and price at the ebookers business.

Brian Fitzgerald - *Banc of America Securities - Analyst*

Great, thanks.

Operator

Our next question is from the line of Mark Mahaney with Citi.

Mark Mahaney - *Citigroup - Analyst*

As you think about different steps you need to take, you mentioned some of the personnel steps, corporate steps in this economic environment, do you have to contemplate, or do you have any thoughts on changes in your marketing mix, different channels you would want to use? Would you want to accelerate any particular moves there or decelerate others? Thank you.

Steve Barnhart - *Orbitz Worldwide, Inc. - CEO, President*

Thank you, Mark. In terms of marketing, we continue to manage our marketing, looking at both our online and offline investments. In the online space, we'll continue to manage that for maximum efficiency as we have. We saw that last year when we pulled back when pricing in the U.S. became much higher, and we continue to assess that on a regular basis. As far as offline, we want to continue to invest, to grow our businesses, so we will continue to run our offline programs and drive that piece of our business. So, I don't see radical change in our approach to marketing. I think we're going to assess each area of expense in our business, but we continue -- we plan to continue to make the investments that we feel are appropriate to grow the business for the long-term.

Mark Mahaney - *Citigroup - Analyst*

And Steve, have you seen, in terms of customer demand on the site, have you seen a clear trade-down mentality? Have you seen people, to the extent that, for the same bookings, do you see people materially looking to do cheaper itineraries, shorter itineraries? Is there a shorter bookings period -- bookings window? Thank you.

Steve Barnhart - *Orbitz Worldwide, Inc. - CEO, President*

We've seen consumers make a few adjustments. They're not completely consistent across different products. On the air side, where we've launched Price Assurance, we have seen consumers lengthening their booking window, so we see pretty clear evidence of consumers responding to Price Assurance by taking advantage of that protection and lengthening their booking window. And when we look at packaging, we also see consumers lengthening their booking windows more, more of the purchases coming in the 60-plus day window. However, when you look at hotels, we've actually seen some bounce back in the shortest term window as well, the zero to three day windows, which may indicate consumers again waiting until the last minute to see if they can find a value.

Marsha Williams - *Orbitz Worldwide, Inc. - CFO, SVP*

The other thing I would just add is, and Steve touched on this briefly, is we have seen good strong growth in our dynamic packaging product this quarter, and we think that that reflects the in fact that as consumers shop our site, they see the value inherent in some of the packages that they're able to find and as a result of that -- and we think in part, that behavior reflects what's going on in the economy. Because there is -- there are genuine values there.

Mark Mahaney - *Citigroup - Analyst*

Thank you, Marsha, thank you, Steve

Operator

Our next question is from the line of Doug Anmuth with Barclays Capital.

Doug Anmuth - *Barclays Capital - Analyst*

Thank you, a couple of questions. First on Orbitz Price Assurance, can you just remind us how that's being recognized in your financials? I think it's contra revenue, but I just wanted you to clarify that and was hoping that you could give us an idea how much growth would be without that deduction in there or essentially, how much Price Assurance actually costing you right now? And then secondly, can you clarify on ebookers when you actually expect to get profitability in that business? And then third, free cash flow as it relates to hotels? Are you seeing any kind of change in the window or time period that merchant hotels are looking for their payment from you guys? Thank you.

Steve Barnhart - *Orbitz Worldwide, Inc. - CEO, President*

Thanks, Doug. I'll take the second one, then I'll turn it over to Marsha for the first and third. On ebookers, what we've said in the past is that we expect to get to profitability as some point in 2009. Now with the unsettled conditions in the marketplace, it becomes difficult to be as confident. We'll get to breakeven at some point in 2009; that is still our goal for the business.

Marsha Williams - *Orbitz Worldwide, Inc. - CFO, SVP*

In turning to the first point, which I think was how we're accounting for Price Assurance, Price Assurance is contra revenue, so the refund checks that we send out to our customers do count against our revenue. We haven't really very clearly articulated exactly how many, how much we're sending out in refunds every month. We can say that we're continuing to send thousands of checks and we believe that this product is continuing to resonate with our customers and we continue to be very pleased with the results from it. In terms of the hotels, we really are not seeing any change in payment terms from our hoteliers. Thus far throughout the year, we're just -- it's normal in terms of our payment terms with the hotels.

Mark Mahaney - *Citigroup - Analyst*

Okay, great, thank you

Operator

Our next question comes from the line of Jennifer Watson with Goldman Sachs.

Jennifer Watson - *Goldman Sachs - Analyst*

Great, thank you. Two questions for you. One on the advertising side of the business. Can you talk a little bit about the opportunity that you still have in terms of increasing the inventory that you sell and where you think that pricing can go over time. And then, if you can just give a little detail in terms of the growth across various regions. In the past, you've broken out continental Europe versus the UK in terms of revenue growth. If you could just talk a little about that.

Steve Barnhart - *Orbitz Worldwide, Inc. - CEO, President*

Sure, Jennifer. Thank you. As far as the advertising opportunity, we have been working on each of our sites to both improve the quality of the add units and the type of inventory we're supplying, as well as adjust where those ads are placed to make them more valuable for advertisers. We do see continued opportunity on all of those fronts as well as -- we can still increase the utilization of the inventory of advertising on our sites, particularly in the international markets where we're less developed on all those fronts than the U.S. So we have a lot of running room on our international sites in terms of advertising. In terms of growth across the regions, I'm not going to -- we're not going to give a specific break down on this call of that. We still see the U.K. market as being more challenged than continental Europe. But part of the additional slow down in October was western Europe, as well as Asia beginning to slow down as well. So that additional deceleration we saw was probably more focused on those markets than it was in the U.K., where we had seen slowdowns earlier in the year.

Jennifer Watson - *Goldman Sachs - Analyst*

Great, thank you.

Operator

Our next question is from the line of George Askew with Stifel Nicholas.

George Askew - *Stifel Nicholas - Analyst*

Yes, thanks. George Askew, Stifel Nicholas. Steve, could you share with us please, the amount of non-air, non-travel revenue that the company's generating?

Steve Barnhart - *Orbitz Worldwide, Inc. - CEO, President*

Sure, George. The -- I think I can -- let me -- the particulars we gave you all last time, what we tried to focus on was the, what percentage of revenue was U.S. domestic air-only leisure travel. Now, that has dropped to 19% of revenue in the third quarter of 2008 as opposed to 22% in the third quarter of last year. So, I think that, I think it gives you the inverse of what you're looking for, is that correct?

George Askew - *Stifel Nicholas - Analyst*

It may. Maybe more specifically, can you quantify the dollars of advertising revenue, for example? Or insurance? I'm just thinking, the high margin, indirect travel dollars that you're generating, for example, 60% growth in advertising. What kind of base are we talking about there?

Steve Barnhart - *Orbitz Worldwide, Inc. - CEO, President*

I'm sorry, George, I was thinking non--air, you're asking for non-travel. We have not broken those numbers out. We're not prepared to break them out for you at this time, but we do think we can continue to generate strong growth in those areas. We've seen very strong growth through the year and we would expect to continue to be able to drive those fairly well over the near term future.

George Askew - *Stifel Nicholas - Analyst*

Okay, great. On the international front, is, is Mr. Jet being upgraded along with the other ebookers, countries?

Steve Barnhart - *Orbitz Worldwide, Inc. - CEO, President*

Yes. that's right. So there are four remaining countries left to launch on the platform, and the markets where we operate the Mr. Jet name are part of that. So Mr. Jet will move onto the global platform as well.

George Askew - *Stifel Nicholas - Analyst*

Okay, and how are you handling the currency headwinds in Europe? With regard to hedging or some of the challenges, obviously, that you may face from 2009, have you -- are you hedging there? How will that impact your growth rates?

Marsha Williams - *Orbitz Worldwide, Inc. - CFO, SVP*

Well, let me just comment in a couple ways. We do hedge and we hedge primarily our balance sheet positions in a number of currencies, and we detail what our hedging is in the 10-Q, but we do -- we have a hedging program in place, both at ebookers and HotelClub, because we do obviously do business in multiple currencies around the world. Because we are continuing to grow our international business, it doesn't have as big an impact on us as perhaps some other people, but as we are planning our 2009 budget, obviously we're taking into consideration what's happened with exchange rates over the last couple of months where they've been very volatile. And we generally hedge on sort of 30-day increments. So as we see rates move, we can adjust our hedges appropriately.

George Askew - *Stifel Nicholas - Analyst*

Okay, great, Marsha, thank you. Thank you Steve

Operator

Our next question is from the line of Vance Edelson of Morgan Stanley.

Vance Edelson - *Morgan Stanley - Analyst*

Hi, thanks. Regarding the reduced spending you now plan on discretionary IT projects. Are there any tangible implications? Clearly it's money you would want to spend during better times, so are there any competitive or market facing implications associated with not spending that money? Thanks.

Steve Barnhart - *Orbitz Worldwide, Inc. - CEO, President*

Clearly the challenges we implemented is to do it in a way that protects the development and the work we do that is most valuable to our consumers and in fact, we are reshaping our technology plans with that in mind. So we expect to continue to bring forth in the market the pieces of innovation that are most customers focused in orientation, and the things we'll defer will be more, if you will, back-office focused or infrastructure focused that have less immediate values to the consumers. So, we feel that we can do this without materially detracting from our ability to continue to drive the consumer experience and drive traffic to our sites.

Vance Edelson - *Morgan Stanley - Analyst*

Okay, and the CapEx that was up the past year, is the customer facing initiatives that is a separate category and is likely to continue to grow, I would guess?

Steve Barnhart - *Orbitz Worldwide, Inc. - CEO, President*

If you look at our capital, there are really three major buckets, the largest of which is capitalized labor where we're building technology and then we also have capital for infrastructure and then for the hardware and things and for software purchases. As we reduce our overall labor spend, you would see a corresponding reduction in capitalized labor, but again, we'll do that very mindful of continuing to be able to drive innovation that will continue to engage the consumer on our sites.

Vance Edelson - *Morgan Stanley - Analyst*

That's great, thanks.

Operator

(OPERATOR INSTRUCTIONS). Our next question comes from the line of Michael Millman with Soleil Securities.

Michael Millman - *Soleil Securities - Analyst*

Thank you, is this Michael Millman with Soleil Securities. I get the broad questions, a couple follow-ups is, can you talk about what you think the weak markets over the next call it year or very weak markets in travel are going to do to competitive positioning coming out of these weak markets, considering the dynamics of some of the companies' managements and cash. And in terms of just some short things, it seems from the press release that your interest expense, cash interest expense was $35 million, but you mentioned $11 million maybe, so you might be able to reconcile that number and also, am I correct that the EPS or the continuing EPS looks like it's about $0.12 Thank you.

Steve Barnhart - *Orbitz Worldwide, Inc. - CEO, President*

Michael, I'll take the first piece of that and then I'll let Marsha address the latter two. I wasn't 100% clear, let me answer, in terms of markets, you're asking about weak markets and what they will do. As we look at the travel industry, we do see regions around the world where travel has softened. We see more of those markets begin to aggressively react by reducing pricing either through packaging opportunities or promotional opportunities. That's part of why you saw ADRs begin to come down in the third quarter more than earlier in the year. Where we've seen softness, we've seen more markets react, to invest back to drive traffic into those markets, so, we'll continue to work with each of those markets and help them move the rooms and sell those hotels. Now as far as the -- does that get the first part of your question?

Michael Millman - *Soleil Securities - Analyst*

Actually I was thinking more about the OTAs.

Steve Barnhart - *Orbitz Worldwide, Inc. - CEO, President*

Can you be more specific?

Michael Millman - *Soleil Securities - Analyst*

Well for example, Priceline has had terrific momentum and Expedia has a very large and seeming willingness to spend and so when we come out of this, I was kind of curious as how you thought that -- maybe if you thought that a competitive position between, at least the three public OTAs would change, and if so, how so?

Steve Barnhart - *Orbitz Worldwide, Inc. - CEO, President*

Well I don't -- as I look at most recessions, there may be some shakeout in the smaller competitors that, in a down cycle. Again, we plan to invest in our business, both in technology and marketing, to make sure, in right-sizing our cost structure, to make sure we're very well positioned to move through that cycle and be a strong competitor, both in the down cycle and as we have the chance to drive stronger growth as the category recovers. We're going to make sure that we're well-positioned to do that and compete effectively in that. So with that, Marsha, do you want to address the other?

Marsha Williams - *Orbitz Worldwide, Inc. - CFO, SVP*

Sure. On the interest expense, the net interest expense for the third quarter was $16 million, and that was cash interest of $11 million. The $35 million really relates to a year-to-date interest number. So that was your first question. And what was your second question? Second question is it looks like that, or at least I calculate roughly that the EPS before the impairment would have been about $0.12. That sounds about right. I'd have to go back and double check that calculation, but we, basically without the impairment , we would have had a profitable quarter and we did give you the post impairment loss and then the

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Michael Millman - *Soleil Securities - Analyst*

Thank you.

Operator

Our next question comes from the line of Frank Duplak with Prudential Financial.

Frank Duplak - *Prudential Financial - Analyst*

Hello, just two questions for Marsha. First, can you just run through your total liquidity for us?

Marsha Williams - *Orbitz Worldwide, Inc. - CFO, SVP*

Sure. We have $600 million term loan, we have an $85 million revolver that is the total commitment amount. Of that $85 million, we did draw down approximately $30 million, or put in a draw down request for $30 million during the quarter. Unfortunately, Lehman was a lender in our revolver and they did not fund their commitments, so we ended up with borrowings of about $25.5 million, $26 million. But we've got the majority of the rest of that revolver undrawn. So we've got good, good amount of cash on the balance sheet, about $26 million of the revolver drawn and the remainder is undrawn.

Frank Duplak - *Prudential Financial - Analyst*

How much of the $85 million was Lehman?

Marsha Williams - *Orbitz Worldwide, Inc. - CFO, SVP*

It was about $12.5 million.

Frank Duplak - *Prudential Financial - Analyst*

So you have $72.5 million revolver with $25 million drawn, so $47 million available?

Marsha Williams - *Orbitz Worldwide, Inc. - CFO, SVP*

That's correct.

Frank Duplak - *Prudential Financial - Analyst*

And then your cash position, can you just run through it? It looks like it's 103 on the balance sheet, but then you mentioned something about 77 during the comments.

Marsha Williams - *Orbitz Worldwide, Inc. - CFO, SVP*

77, it is, was 103 at the end of the quarter. But that 103 did include the 26 that we had drawn.

Frank Duplak - *Prudential Financial - Analyst*

Right, so 103 plus the 47 available gives you 150 of liquidity at 9-30, is that fair?

Marsha Williams - *Orbitz Worldwide, Inc. - CFO, SVP*

That's fair.

Frank Duplak - *Prudential Financial - Analyst*

And then can you remind me, you said you were in compliance with leverage covenant. Can you remind me what the leverage covenant was where you were at the end of the quarter?

Marsha Williams - *Orbitz Worldwide, Inc. - CFO, SVP*

We don't actually disclose our covenant calculations, but the covenants step down over time, and they step down later in the year, but we are in compliance, comfortably in compliance with both our interest conforming ratio and debt coverage, debt to EBITDA ratio.

Frank Duplak - *Prudential Financial - Analyst*

What do you do in '09 when it steps down? Looks like another chunk here. If you have a weakening market environment, how do you plan on dealing with that? What looks like could potentially be a covenant issue? In early '09?

Marsha Williams - *Orbitz Worldwide, Inc. - CFO, SVP*

Well again, we believe we've got ample liquidity to manage our business and the way that you need to think about our covenants is that they are calculated on a trailing four-quarter business. So it's not a point in time calculation, but rather, as you're calculating the Q109 covenants, you have one quarter of '09 and three quarters of '08. So again, we feel comfortable with where we are vis-a-vis our covenants today.

Frank Duplak - *Prudential Financial - Analyst*

I can't just take the company-adjusted EBITDA for the last 12 months and take that versus debt and that would be the calculation? There's other add backs over and above your company adjusted EBITDA?

Marsha Williams - *Orbitz Worldwide, Inc. - CFO, SVP*

There are other add backs. The covenants are included -- the full definition of all the covenants is included in some of the filings. So all of our loan agreements have been filed publicly, so you can look through those calculations. They're fairly complicated calculations, but it isn't necessarily the straight EBITDA that we announced. There are add backs, some of which relate to our technology platform and all sorts of things like that. So it's best to go through that loan agreement.

Frank Duplak - *Prudential Financial - Analyst*

Okay, but I assume all the add-backs aren't disclosed so I couldn't calculate it myself anyway, right?

Marsha Williams - *Orbitz Worldwide, Inc. - CFO, SVP*

That's probably correct.

Frank Duplak - *Prudential Financial - Analyst*

Any CapEx guidance for '09?

Marsha Williams - *Orbitz Worldwide, Inc. - CFO, SVP*

I think we're in the process -- again, as Steve said, with some of the headcount reductions that we announced today, we're still in the process of finalizing our '09 budgets. So we probably aren't in a position to give you any of that guidance at this point, any of the capital spend guidance.

Frank Duplak - *Prudential Financial - Analyst*

Directionally overall, should we think lower spend next year or not necessarily?

Marsha Williams - *Orbitz Worldwide, Inc. - CFO, SVP*

I think that's a reasonable assumption, yes.

Frank Duplak - *Prudential Financial - Analyst*

Okay, thank you.

Operator

(OPERATOR I INSTRUCTIONS). There appear to be no further questions at this time. Mr. Barnhart, please go ahead with any closing remarks.

Steve Barnhart - *Orbitz Worldwide, Inc. - CEO, President*

Thank you. As I described earlier, we've taken quick and decisive action to right-size Orbitz Worldwide to operate successfully in the current more challenging economic conditions. This will cause us to be more focused in how we market to our customers and how we build new technology to continue to improve our customer's travel experiences, but we will continue to invest in both these areas. Travel remains an enormous category worldwide and Orbitz Worldwide remains one of the few companies well positioned to capture a significant share of the travel category all around the globe. We expect to be well prepared to weather the current economic conditions and equally well prepared to accelerate our growth when favorable market conditions return. Thank you all for joining us this afternoon.

Operator

Ladies and gentlemen, this concludes today's conference call. You may now disconnect.