HOMEAWAY INC
Form S-1/A
May 12, 2011
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As filed with the Securities and Exchange Commission on May 12, 2011

Registration No. 333-172783

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 2

to

FORM S-1

REGISTRATION STATEMENT

Under

The Securities Act of 1933

HomeAway, Inc.

(Exact name of Registrant as specified in its charter)

Delaware	**7389**	**20-0970381**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification Number)**

1011 W. Fifth Street, Suite 300

Austin, Texas 78703

(512) 684-1100

(Address, including zip code, and telephone number, including area code, of Registrant s principal executive offices)

Brian H. Sharples

President and Chief Executive Officer

HomeAway, Inc.

1011 W. Fifth Street, Suite 300

Austin, Texas 78703

(512) 684-1100

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box: ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

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

Large accelerated filer ¨	Accelerated filer ¨	Non-accelerated filer x (do not check if a smaller reporting company)	Smaller reporting company ¨

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We and the selling stockholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities, and we and the selling stockholders are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

PROSPECTUS (Subject to Completion)

Dated May 12, 2011

Shares

COMMON STOCK

HomeAway, Inc. is offering shares of its common stock and the selling stockholders are offering shares of common stock. We will not receive any proceeds from the sale of shares by the selling stockholders. This is our initial public offering and no public market currently exists for our shares. We anticipate that the initial public offering price of our common stock will be between $ and $ per share.

After this offering, our executive officers, directors, beneficial owners of 5.0% or more of our outstanding shares of common stock and affiliated entities will own approximately % of our common stock. In addition, in connection with this offering, our executive officers, directors, beneficial owners of 5.0% or more of our outstanding shares of common stock and affiliated entities will receive approximately $ of the proceeds from the sale of shares in this offering, approximately $ as a result of the redemption of outstanding shares of our Series A and Series B redeemable preferred stock held by them and approximately $ in payment of accumulated but unpaid dividends upon conversion of outstanding shares of our Series C convertible preferred stock held by them.

We have applied to list our common stock on the NASDAQ Global Select Market under the symbol AWAY.

Investing in the common stock involves risks. See Risk Factors beginning on page 11.

PRICE $ A SHARE

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Company	Proceeds to Selling Stockholders
Per Share	$	$	$	$
Total	$	$	$	$

The selling stockholders have granted the underwriters the right to purchase up to an additional shares of common stock to cover over-allotments.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of common stock to purchasers on , 2011.

MORGAN STANLEY

DEUTSCHE BANK SECURITIES

GOLDMAN, SACHS & CO.

J.P. MORGAN

STIFEL NICOLAUS WEISEL ***NEEDHAM & COMPANY, LLC***

, 2011

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You should rely only on the information contained in this prospectus or in any free-writing prospectus we may authorize to be delivered or made available to you. We have not, the selling stockholders have not and the underwriters have not authorized anyone to provide you with additional or different information. We and the selling stockholders are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The information in this prospectus or any free-writing prospectus is accurate only as of its date, regardless of its time of delivery or of any sale of shares of our common stock. Our business, financial condition, results of operations and prospects may have changed since that date.

Until , 2011 (25 days after the commencement of this offering), all dealers that buy, sell or trade shares of our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This delivery requirement is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

For investors outside the United States: We have not, the selling stockholders have not and the underwriters have not done anything that would permit this offering, or possession or distribution of this prospectus, in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of the shares of common stock and the distribution of this prospectus outside of the United States.

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus and is a brief overview of key aspects of the offering. Before investing in our common stock, you should carefully read this entire prospectus, including our consolidated financial statements and the related notes and the information set forth in the sections of this prospectus titled Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations. Some of the statements in this prospectus constitute forward-looking statements. See the section of this prospectus titled Special Note Regarding Forward-Looking Statements for more information.

HomeAway, Inc.

Overview

We operate the world s largest online marketplace for the vacation rental industry. Vacation rentals are fully furnished, privately owned residential properties, including homes, condominiums, villas and cabins, that can be rented on a nightly, weekly or monthly basis. Our marketplace brings together millions of travelers seeking vacation rentals online with hundreds of thousands of owners and managers of vacation rental properties located in over 145 countries around the world. According to comScore s March 2011 Media Metrix Media Trend Report, in 2010, our websites attracted over 220 million website visits and averaged over 9.5 million unique monthly visitors. As of March 31, 2011, our global marketplace included more than 560,000 paid listings of vacation rentals.

Our ambition is to make every vacation rental in the world available to every traveler in the world through our online marketplace. Travelers visit our marketplace at no charge and are able to search and compare our large and detailed inventory of paid listings to find vacation rentals meeting their requirements. Our investments in our customer service, brand, and trust and security measures, as well as our direct relationships with property owners and managers, give travelers increased confidence in their inquiries, bookings and chosen properties. Property owners and managers pay annual listing fees to provide detailed listings of their properties on our marketplace and reach a large audience of travelers seeking vacation rentals. We also provide property owners and managers with a range of paid and free software tools designed to help make the management of their vacation rental listings easier and more efficient.

We benefit from significant network effects as the market leader in the highly fragmented online vacation rental industry. As we have grown, a broader selection of vacation rentals has attracted more travelers, and a broader audience of travelers has attracted more vacation rental listings from property owners and managers. There is a significant opportunity for us to build on our current market leadership by connecting the millions of travelers around the world with the millions of vacation rentals available. To capture this opportunity, we aspire to make vacation rentals as well-known, reliable and easy to use as hotels and to be an indispensable partner to property owners and managers around the world. We also intend to bring our experience in operating the leading online vacation rental marketplace to other areas of the global lodging industry that are highly fragmented, as we have done with our 2010 entry into the bed and breakfast market.

We have achieved significant growth since our commercial launch in 2005, both organically and through acquisitions. In 2010 and in the three months ended March 31, 2011, we generated revenue of $167.9 million and $52.0 million, respectively, representing year-over-year growth of 39.6% and 43.9%, respectively. We view our market opportunity as global, and, in 2010, 37.9% of our revenue came from outside the United States, including 36.6% from Europe and 1.3% from Latin America. We have historically generated strong cash flows and have had a predictable financial model because of our advance payment, subscription-based model, and our high annual listing renewal rates. In 2010 and in the three months ended March 31, 2011, listings contributed 91.1% and 86.9% of our revenue, respectively. In the same periods, we generated Adjusted EBITDA of $43.2 million and $10.2 million, respectively, representing year-over-year increases of 41.4% and 76.7%, respectively. In

2010

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and in the three months ended March 31, 2011, we generated free cash flow of $51.5 million and $17.8 million, respectively, representing year-over-year increases of 59.1% and 9.0%, respectively. See footnotes (5) and (6) to the table in the section of this prospectus titled Selected Consolidated Financial Statements and Other Data for definitions of Adjusted EBITDA and free cash flow and reconciliations to net income and cash provided by operating activities, respectively.

The Vacation Rental Industry

Vacation rentals provide many unique benefits to travelers and are becoming an increasingly popular alternative to hotels and other traditional lodging options. According to a November 2010 survey we commissioned from Radius Global Market Research titled Market Sizing Study, the vacation rental industry is large generating more than $85 billion in 2010 in the United States and Europe but fragmented and inefficient. Travelers have historically lacked an efficient means to locate, compare and select suitable and trustworthy vacation rentals on a global scale, while property owners and managers have found it difficult to reach a global audience and manage their vacation rentals efficiently. We believe there is a significant opportunity for a branded online marketplace to make finding and booking vacation rentals as easy and efficient as finding and booking hotels.

The HomeAway Solution

We operate the world s largest online marketplace for the vacation rental industry. As of March 31, 2011, we operated our online marketplace through 31 websites in 11 languages and provided listings for vacation rentals located in over 145 countries. According to comScore s March 2011 Media Metrix Media Trend Report, in 2010, our websites attracted over 220 million website visits and averaged over 9.5 million unique monthly visitors. As of March 31, 2011, our global marketplace included more than 560,000 paid listings of vacation rentals.

Our online marketplace allows travelers to conveniently locate, compare and select from a large range of vacation rentals globally. We offer travelers a reliable and consistent experience and a trusted brand that supports the direct relationships we have with property owners and managers. In addition, we offer easy-to-use search tools and filters that enable comparisons across properties and across regions, rich content including detailed property descriptions, numerous photographs, maps, detailed traveler reviews and up-to-date availability calendars.

Our global marketplace provides property owners and managers access to millions of our website visitors seeking information about vacation rentals. Our online marketplace allows property owners and managers to efficiently create and manage their property listings, access our dedicated customer support organization, participate in our online community of property owners and managers, and use our workflow tools and software solutions to more efficiently manage their properties.

HomeAway s Competitive Strengths

Market Leadership with Strong Network Effects. We operate the world s largest online marketplace for the vacation rental industry. As of March 31, 2011, our global marketplace included more than 560,000 paid listings of vacation rentals. Our leadership position has allowed our marketplace to benefit from significant network effects, as a broader selection of vacation rentals has attracted more travelers, and a broader audience of travelers has attracted more vacation rental listings from property owners and managers.

Global Marketplace. We were founded with the vision that the vacation rental industry is a global opportunity, and as of March 31, 2011, we have built a global marketplace consisting of a portfolio of leading websites dedicated to many of the largest vacation rental markets around the world, including the United States,

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the United Kingdom, France, Germany and Brazil. Our global reach enables us to connect more travelers to property owners and managers and to offer a more comprehensive selection to travelers relative to our competitors. This foundation supports our ability to enter new geographies with existing relevant property listings.

Trusted Leader in the Vacation Rental Industry. We are committed to providing the most trusted online marketplace in the vacation rental industry. To provide a reliable and consistent experience on our marketplace, we have built a trained customer service organization of 260 people as of March 31, 2011, dedicated to achieving property owner, manager, and traveler satisfaction. Through a combination of proprietary technology and established procedures, we aim to minimize the chance that a fraudulent listing will appear on any of our websites. Our extensive review platform and Carefree Rental Guarantee and Basic Rental Guarantee allow us to further promote traveler confidence.

Deep Experience in Vacation Rentals. We have developed a deep understanding of the vacation rental industry s participants and dynamics through hundreds of thousands of direct relationships with property owners and managers and our experience with the millions of visitors to our websites. We believe that the industry expertise and scale we have developed over time and our intense focus on this industry s unique challenges have allowed us to design technology-based, user-friendly and global solutions that are highly differentiated from our competitors.

Innovative Solutions and Scalable Technology Platform. Through our technology investments and proprietary innovations, we offer a broad range of features, tools and software to travelers, property owners and managers. We believe that these features, tools and software, along with our investments in trust and security measures, strengthen our market-leading value proposition. Our websites are supported by our highly robust and scalable technology infrastructure, which allows us to quickly launch new vacation rental websites when entering new markets.

Highly Predictable and Profitable Subscription-Based Business Model. Our financial model benefits from our predictable, subscription-based revenue model. As of December 31, 2008, 2009 and 2010, and as of March 31, 2011, our listing renewal rates were 74.4%, 72.8%, 75.9% and 76.1%, respectively, which has provided a stable revenue base and has historically enhanced financial predictability. The leverage and scale of our financial model has provided us with the ability to further invest in growing our business. In 2010, we generated $51.5 million in free cash flow. See footnote (6) to the table in the section of this prospectus titled Selected Consolidated Financial and Other Data for a definition of free cash flow and reconciliation to cash provided by operating activities.

HomeAway s Growth Strategies

Our ambition is to extend our leadership position as the world s largest and most complete vacation rental marketplace by making every vacation rental in the world available to every traveler in the world through our online marketplace. Our strategies to achieve this goal include:

Increase the Size of our Marketplace by Providing the Best Online Experience. We intend to build on our market-leading scale by providing the best online experience for travelers, property owners and managers. For travelers, we will leverage the scale and scope of the current listings on our marketplace, the latest web technologies and our own innovations in user interface, visual design, features and functionality. For owners and property managers, we will add workflow tools and software solutions to help them efficiently market and manage their listings, payments, and online bookings.

Bring More Choice and Value to Property Owners, Managers and Travelers. Our strategy is to better enable our property owners and managers to optimize the value of their listings by extending tiered, pay-for-performance pricing across our entire marketplace. In addition, we plan to offer streamlined bundled

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pricing to enable property owners and managers to tailor their purchases of expanded listings across our websites to achieve their unique marketing objectives. For travelers, our innovations in payment solutions will reduce friction in the booking process and allow us to improve and expand our offering of value-added services.

Increase Category and Brand Awareness. We believe many adults in the United States lack familiarity with the vacation rental industry due to the fragmentation of the market. We intend to increase our investment in marketing, which we believe will enhance our category and brand awareness.

Expand Geographically. We expect to build on our global reach by adding new listings and new traffic via organic growth and selected acquisitions in new geographies, including Europe, Latin America and Asia Pacific. We have a successful history of acquiring and integrating fast-growing businesses into our marketplace while maintaining our growth. We have also successfully leveraged our existing listing inventory and established technology platform to rapidly launch our own new websites in new geographies.

Pursue Adjacent Opportunities. Our established business model for organizing and developing an online marketplace is also well suited to other highly fragmented global lodging marketplaces where there are no global brands. For example, our acquisition of BedandBreakfast.com has enabled us to bring our strengths in the vacation rental industry to the bed and breakfast market. The bed and breakfast industry is characterized by numerous independently operating property owners and innkeepers with limited marketing budgets and with potential customers located around the world.

Risks Associated with Our Business

Our business is subject to a number of risks of which you should be aware before making an investment decision. These risks are discussed more fully in the section of this prospectus titled Risk Factors, and include but are not limited to the following:

- we are an early-stage company with a limited operating history in the United States, Europe and Latin America, which makes it difficult to evaluate our current business and future prospects and may increase the risk of your investment;
- if we are unable to attract and maintain a critical mass of property listings and travelers, whether due to competition or other factors, our marketplace will become less valuable to property owners and managers and to travelers and our revenue and net income could decrease materially;
- our business depends substantially on property owners and managers renewing their listings, and because we recognize listing revenue over the term of the applicable agreement, the lack of listing renewals may not immediately be reflected in our operating results;
- we may be unable to effectively manage our growth;
- our quarterly financial results are subject to fluctuations, and, as a result, we could fail to meet or exceed expectations of analysts or investors, which could cause our stock price to decline; and

if we are not able to effectively integrate acquired businesses, our operating results and prospects could be harmed.

Company Information

Our principal executive offices are located at 1011 W. Fifth Street, Suite 300, Austin, Texas 78703, and our telephone number is (512) 684-1100. Our corporate website address is www.HomeAway.com. We do not incorporate the information contained on, or accessible through, our corporate website into this prospectus, and you should not consider it part of this prospectus. We originally incorporated in the State of Delaware as CEH Holdings Inc. in April 2004 and changed our name to HomeAway, Inc. in May 2006.

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In this prospectus, we, us, our, Company and HomeAway refer to HomeAway, Inc. and its subsidiaries.

HomeAway, VRBO, VacationRentals.com, FeWo-Direkt, Holiday-Rentals, Homelidays, Abritel.fr, Aluguetemporada, BedandBreakfast.com, Clearstay, CyberRentals.com, Entech, Escapia, First Resorts, InstantSoftware, OwnersDirect, PropertyPlus, Rezovation, V12, Villanao.fr and Webervations are trademarks or logos appearing in this prospectus owned by HomeAway, Inc. or one of our subsidiaries. All other trademarks, service marks and trade names appearing in this prospectus are the property of their respective owners.

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THE OFFERING

Common stock offered by HomeAway	shares
Common stock offered by the selling stockholders	shares
Total common stock offered	shares
Total common stock to be outstanding after this offering	shares
Use of proceeds	We intend to use the net proceeds from this offering as follows: to redeem our outstanding shares of Series A and Series B redeemable preferred stock, including accumulated and unpaid dividends on our outstanding shares of Series A and Series B redeemable preferred stock that have accrued at a rate of 8% per annum of the original issue price of each such share of preferred stock, of which the aggregate redemption amount payable as of March 31, 2011 was $64.2 million; to pay accumulated and unpaid dividends on our outstanding shares of Series C convertible preferred stock that have accrued at a rate of 8% per annum of the original issue price of each such share of preferred stock, of which the amount payable as of March 31, 2011 was $30.9 million; and the remainder for working capital and other general corporate purposes, which may include the acquisition or license of, or investment in, products, services, technologies or other businesses. We will not receive any proceeds from the sale of shares by the selling stockholders. See Use of Proceeds.
Risk factors	See Risk Factors for a discussion of factors that you should consider carefully before deciding whether to purchase shares of our common stock.
Proposed NASDAQ Global Select Market symbol	AWAY

The number of shares of common stock to be outstanding after this offering is based on 73,898,469 shares outstanding as of March 31, 2011, and excludes:

148,215 shares of common stock issuable upon exercise of warrants outstanding as of March 31, 2011, at a weighted average exercise price of $1.08 per share;

11,467,052 shares of common stock issuable upon exercise of options outstanding as of March 31, 2011, at a weighted average exercise price of $12.70 per share; and

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shares of common stock reserved for future issuance under our 2011 Equity Incentive Plan adopted in March 2011, as more fully described in the section of this prospectus titled Executive Compensation Employee Benefit Plans.

Unless otherwise noted, the information in this prospectus assumes:

- the underwriters will not exercise their option to purchase additional shares;
- the redemption of all of our outstanding shares of Series A and Series B redeemable preferred stock effective prior to or upon the closing of this offering;
- the conversion of all of our outstanding shares of Series C and Series D convertible preferred stock into 34,445,850 shares of common stock prior to or upon the closing of this offering; and
- the filing of our amended and restated certificate of incorporation and the effectiveness of our amended and restated bylaws, which will occur immediately prior to the closing of this offering.

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SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables summarize the consolidated financial and operating data for the periods indicated. The summary consolidated statement of operations data for the years ended December 31, 2008, 2009 and 2010 and the summary consolidated balance sheet data as of December 31, 2009 and 2010 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. We have derived the summary consolidated statements of operations data for the three months ended March 31, 2010 and 2011, and the summary consolidated balance sheet data as of March 31, 2011, from our consolidated financial statements included elsewhere in this prospectus. Our historical results are not necessarily indicative of the results that may be expected in the future. You should read the summary financial data presented below in conjunction with our consolidated financial statements and related notes and the sections of this prospectus titled Selected Consolidated Financial and Other Data and Management s Discussion and Analysis of Financial Condition and Results of Operations.

	Year Ended December 31,			Three Months Ended March 31,	
	2008	2009	2010	2010	2011
Consolidated Statements of Operations Data:	(in thousands except per share data)				
Revenue:					
Listing	$ 80,012	$ 115,881	$ 152,890	$ 33,818	$ 45,171
Other	2,314	4,349	14,994	2,292	6,796
Total revenue	82,326	120,230	167,884	36,110	51,967
Costs and expenses:					
Cost of revenue (exclusive of amortization shown separately below)	11,065	17,800	25,647	5,793	8,458
Product development	12,535	13,180	18,703	3,844	7,011
Sales and marketing	22,434	39,483	58,376	16,030	22,662
General and administrative	17,937	29,331	41,445	8,814	10,274
Amortization expense	9,026	9,516	9,953	2,169	2,863
Total costs and expenses	72,997	109,310	154,124	36,650	51,268
Operating income	9,329	10,920	13,760	(540)	699
Other income (expense):					
Interest expense	(9,734)	(3)	(22)	(1)	(10)
Interest income	258	261	208	58	57
Other income (expense)	34	1,481	(3,326)	(1,148)	(67)
Total other income (expense)	(9,442)	1,739	(3,140)	(1,091)	(20)
Income (loss) before income taxes	(113)	12,659	10,620	(1,631)	679
Income tax (expense) benefit	(5,552)	(4,992)	6,314	828	854
Net income (loss)	(5,665)	7,667	16,934	(803)	1,533
Cumulative preferred stock dividends and discount accretion	(19,446)	(33,511)	(35,224)	(8,657)	(9,065)
Net loss attributable to common stockholders	$ (25,111)	$ (25,844)	$ (18,290)	$ (9,460)	$ (7,532)
Net loss per share attributable to common stockholders:					
Basic and diluted	$ (0.64)	$ (0.70)	$ (0.48)	$ (0.25)	$ (0.19)
Weighted average number of shares outstanding	39,081	37,172	38,143	37,404	38,904
Pro forma net income per share (unaudited)(1):					
Basic			$ 0.23		$ 0.02
Diluted			$ 0.22		$ 0.02

Weighted average number of shares used in computing pro forma net income per share (unaudited)(2):		
Basic	72,765	73,643
Diluted	76,089	76,788

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	Year Ended December 31, 2008	2009	2010	Three Months Ended March 31, 2010	2011
	(in thousands except per share amounts)				
Pro forma as adjusted net income per share (unaudited)(3):					
Basic			$	$	$
Diluted			$	$	$
Weighted average number of shares used in computing pro forma as adjusted net income per share (unaudited)(4):					
Basic					
Diluted					

	As of December 31, 2009	2010	As of March 31, 2011
Consolidated Balance Sheet Data:			
(in thousands)			
Cash and cash equivalents	$ 92,425	$ 65,697	$ 88,872
Working capital (deficit)	32,804	(20,484)	(15,061)
Total assets	427,095	489,742	518,035
Total liabilities	97,420	127,851	144,764
Total redeemable and convertible preferred stock	451,749	478,965	488,030
Total stockholders deficit	(122,074)	(117,074)	(114,759)

	Year Ended December 31, 2008	2009	2010	Three Months Ended March 31, 2010	2011
	(in thousands)				
Other Financial Data:					
Adjusted EBITDA(5)	$ 24,751	$ 30,568	$ 43,220	$ 5,789	$ 10,231
Free cash flow(6)	33,896	32,345	51,461	16,348	17,823
Capital expenditures	4,485	12,617	10,396	1,392	3,151

	Year Ended December 31, 2008	2009	2010	Three Months Ended March 31, 2010	2011
Selected Operating Data:					
Paid listings, end of period	338,396	433,295	527,535	498,895	575,166
Average revenue per listing	$266	$300	$318	$290	$328
Renewal rate, end of period	74.4%	72.8%	75.9%	74.9%	76.1%
Visits to websites (in millions)(7)	134	181	221	62	60

(1) Pro forma net income per share represents net income divided by the pro forma weighted average shares outstanding, as though the conversion of our convertible preferred stock into common stock occurred on the last day of the relevant period.

(2) Pro forma weighted average number of shares outstanding reflects the conversion of our convertible preferred stock (using the if-converted method) into common stock as though the conversion had occurred on the last day of the relevant period. The impact of the redemption of Series A and Series B redeemable preferred stock or the payment of dividends on Series C convertible preferred stock have not been reflected in the pro forma weighted average shares used to compute pro forma net loss per share, because the number of shares whose proceeds would be necessary to pay the redemption amount or dividends cannot be estimated.

(3) Pro forma as adjusted net income per share represents net income divided by the pro forma weighted average shares outstanding reflecting the conversion of our convertible preferred stock

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(using the if-converted method) into common stock as though the conversion had occurred on the last day of the relevant period and our sale of shares of common stock in this offering.

(4) Pro forma as adjusted weighted average number of shares outstanding reflects the redemption of our redeemable preferred stock and the conversion of our convertible preferred stock (using the if-converted method) into common stock as though the conversion had occurred on the last day of the relevant period and our sale of shares of common stock in this offering.

(5) See footnote (5) to the table in the section of this prospectus titled Selected Consolidated Financial and Other Data for a definition of Adjusted EBITDA and reconciliation to net income.

(6) See footnote (6) to the table in the section of this prospectus titled Selected Consolidated Financial and Other Data for a definition of free cash flow and reconciliation to cash provided by operating activities.

(7) This figure represents the total visits received across the selected group of our websites, and is based on the comScore Media Metrix Media Trend report for the time periods shown. Total visits is defined as the total number of times during a report period that a unique person accessed content within a website with at least a 30 minute break in between times of access. The websites included were: homeaway.com, vrbo.com, homelidays.com, abritel.fr, alugetemporada.com.br, vacationrentals.com, fewo-direkt.de, holiday-rentals.co.uk, ownersdirect.co.uk, bedandbreakfast.com, homeawayconnect.com, homeaway.es, villanao.com, homeaway.it, homelidays.es, cyberrentals.com, greatrentals.com, homeaway.nl, homelidays.co.uk, homeaway.pt, homelidays.de, homeaway.fr, a1vacations.com and homeawayrealestate.com. comScore s report did not include data for our remaining websites.

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RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the risks described below and all of the other information contained in this prospectus before deciding whether to purchase our stock. Our business, prospects, financial condition or operating results could be materially adversely affected by any of these risks, as well as other risks not currently known to us or that we currently consider immaterial. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment. In assessing the risks described below, you should also refer to the other information contained in the prospectus, including our consolidated financial statements and the related notes included elsewhere in this prospectus, before deciding to purchase any shares of our common stock.

Risks Related to Our Business

We are an early-stage company with a limited operating history, which makes it difficult to evaluate our current business and future prospects and may increase the risk of your investment.

We began our operations in February 2005. Our limited operating history may make it difficult to evaluate our current business and our future prospects. We have encountered and will continue to encounter risks and difficulties frequently experienced by growing companies in rapidly changing industries, including challenges in accurate financial planning and forecasting. You should consider our business and prospects in light of the risks and difficulties we may encounter as an early-stage company.

If we are unable to attract and maintain a critical mass of vacation rental listings and travelers, whether due to competition or other factors, our marketplace will become less valuable to property owners and managers and to travelers, and our revenue and net income could decrease materially.

Currently, substantially all of our revenue is generated when owners or managers of vacation rentals pay us listing fees to list and market vacation rentals to travelers who visit the websites comprising our marketplace. We anticipate generating additional revenue in the future by introducing new services and products on our websites targeted at property owners, managers and travelers. Our success depends on our ability to attract owners, managers, travelers and advertisers to our marketplace. If owners and managers choose not to market their vacation rentals through our websites, or elect to list them with a competitor, we may be unable to offer a sufficient supply and variety of vacation properties to attract travelers to our websites. If we are unable to attract travelers to our websites, advertisers may not purchase display advertising on our websites. Similarly, our volume of new listings and listing renewals may suffer if we are unable to attract travelers to our websites. The perceived usefulness of our online marketplace is likely to decline, and our revenue and net income could decrease materially as a result of any of these events.

Our business depends substantially on property owners and managers renewing their listings. Because we recognize listing revenue over the term of the applicable agreement, the lack of listing renewals may not immediately be reflected in our operating results.

Our business depends substantially on property owners and managers renewing their listings. Any decline in our listing renewals would harm our future operating results. Property owners and managers generally market their vacation rentals on our websites pursuant to annual listings with no obligation to renew them. We may be unable to predict future listing renewal rates accurately, and our renewal rates may decline materially or fluctuate as a result of a number of factors, including owners decisions to sell or cease renting their properties or to utilize the services of our competitors, or dissatisfaction with our pricing, services or websites. For example, our adoption of new features such as property reviews by travelers, which are designed to attract more travelers, have discouraged and may continue to discourage owners and managers from establishing or renewing their listings. Owners and managers may not establish or renew listings if we cannot generate visits from large numbers of travelers seeking and inquiring about vacation rentals. If owners and managers do not renew their listings or we are forced to accept renewals on less favorable terms, our revenue may decline and our business will suffer. Moreover, some of our owners and managers may live in states or countries that give subscribers the right to cancel their subscription agreements prior to the expiration of the terms of their agreements and receive refunds for the unused portions of their subscriptions, which can adversely affect our cash flows.

We recognize listing revenue ratably over the term of the applicable agreement, and the majority of our quarterly revenue represents revenue attributable to listings entered into during previous quarters. As a result, the effect of significant downturns in sales or renewals of listings in a particular quarter may not be fully reflected in our results of operations until future periods. Our business model also makes it difficult for any rapid increase in new or renewed listings to increase our revenue in any one period because revenue from new listings must be recognized over the applicable listing term.

We may be unable to effectively manage our growth.

Since our inception, we have experienced rapid growth. As our operations have expanded, we have grown from 87 employees at December 31, 2005 to 842 employees at March 31, 2011, of whom 305 were located outside the United States. Our business is becoming increasingly complex, especially in light of the number of acquisitions we have integrated and are in the process of integrating, our limited operating history and our reliance on multiple websites and brands that are currently supported on several different technology platforms. This complexity and our rapid growth have demanded, and will continue to demand, substantial resources and attention from our management. We expect to continue to increase headcount and to hire more specialized personnel in the future as we grow our business. We will need to continue to hire, train and manage additional qualified website developers, software engineers, client and account services personnel, and sales and marketing staff and improve and maintain our technology to properly manage our growth. If our new hires perform poorly, if we are unsuccessful in hiring, training, managing and integrating these new employees or if we are not successful in retaining our existing employees, our business may be harmed.

Further, to accommodate our expected growth we must add new hardware and software and improve and maintain our technology, systems and network infrastructure. Failure to effectively upgrade our technology or network infrastructure to support the expected increased listing and traveler traffic volume could result in unanticipated system disruptions, slow response times or poor experiences for owners, managers or travelers. To manage the expected growth of our operations and personnel and to support financial reporting requirements as a public company, we will need to improve our transaction processing and reporting, operational and financial systems, procedures and controls. These improvements will be particularly challenging if we acquire new operations with different systems. Our current and planned personnel, systems, procedures and controls may not be adequate to support our future operations. If we are unable to expand our operations and hire additional qualified personnel in an efficient manner, it could adversely affect owner, manager or traveler satisfaction and cause our expenses to grow disproportionately relative to our revenue.

Our quarterly financial results are subject to fluctuations. As a result, we could fail to meet or exceed expectations of analysts or investors, which could cause our stock price to decline.

Our revenue, expenses, operating results and cash flows have fluctuated from quarter to quarter in the past and are likely to continue to do so in the future. These fluctuations are due to, or may in the future result from, many factors, some of which are outside of our control, including:

- the quantity of vacation rental listings on our websites;
- changes in cash flow due to the seasonal nature of our listing renewals and new listing acquisition;

changes by major online search engine companies in their search algorithms, our ability to adapt to these changes and the increased costs of adapting to these changes, which could cause us to spend more on marketing or cause our websites to cease appearing in natural search results completely;

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- advertising costs for paid search keywords that we deem relevant to our business and the success and costs of our online advertising and marketing initiatives;
- costs related to acquisitions or licensing of, or investments in, products, services, technologies or other businesses and our ability to successfully integrate and manage these acquisitions;
- the amount and timing of operating expenses and capital expenditures related to the expansion of our operations and infrastructure;
- the timing of revenue and expenses related to the development or acquisition and integration of technologies, products or businesses;
- the timing and success of pricing changes or new services by us or our competitors;
- our ability to keep our websites operating without technical difficulties, service interruptions, or security breaches;
- declines or disruptions in the travel industry;
- changes in the timing of holidays or other vacation events;
- litigation and settlement costs, including unforeseen costs;
- new accounting pronouncements and changes in accounting standards or practices, particularly any affecting the recognition of listing revenue or accounting for mergers and acquisitions; and
- new laws or regulations, or interpretations of existing laws or regulations, that harm our business models or restrict the Internet, e-commerce, online payments, or online communications.

Fluctuations in our quarterly operating results may lead analysts to change their long-term models for valuing our common stock, cause us to face short-term liquidity issues, impact our ability to retain or attract key personnel or cause other unanticipated issues, all of which could cause our stock price to decline. As a result of the potential variations in our quarterly revenue and operating results, we believe that quarter-to-quarter comparisons of our revenue and operating results may not be meaningful and the results of any one quarter should not be relied upon as an indication of future performance.

If the businesses we have acquired do not perform as expected or we are unable to effectively integrate acquired businesses, our operating results and prospects could be harmed.

We have acquired 17 businesses since our inception. The businesses we have acquired may not perform as well as we expect. Failure to manage and successfully integrate recently acquired businesses and technologies could harm our operating results and our prospects. Our mergers and acquisitions involve numerous risks, including the following:

difficulties in integrating and managing the combined operations, technologies, technology platforms and products of the acquired companies and realizing the anticipated economic, operational and other benefits in a timely manner, which could result in substantial costs and delays or other operational, technical or financial problems;

failure of the acquired company to achieve anticipated revenue, earnings or cash flow;

diversion of management s attention or other resources from our existing business;

our inability to maintain the key customers and business relationships and the reputations of acquired businesses;

uncertainty of entry into markets in which we have limited or no prior experience or in which competitors have stronger market positions;

our dependence on unfamiliar affiliates and partners of acquired businesses;

unanticipated costs associated with pursuing acquisitions;

responsibility for the liabilities of acquired businesses, including those that were not disclosed to us or exceed our estimates, as well as, without limitation, liabilities arising out of their failure to maintain effective data protection and privacy controls and comply with applicable regulations;

difficulties in assigning or transferring intellectual property licensed by acquired companies from third parties to us or our subsidiaries;

inability to maintain our internal standards, controls, procedures and policies;

potential loss of key employees of the acquired companies;

difficulties in complying with antitrust and other government regulations;

challenges in integrating and auditing the financial statements of acquired companies that have not historically prepared financial statements in accordance with U.S. generally accepted accounting principles;

difficulties in integrating acquired companies systems controls, policies and procedures to comply with the internal control over financial reporting requirements of the Sarbanes-Oxley Act of 2002; and

potential accounting charges to the extent intangibles recorded in connection with an acquisition, such as goodwill, trademarks, customer relationships or intellectual property, are later determined to be impaired and written down in value.

Moreover, we rely heavily on the representations and warranties provided to us by the sellers of acquired companies, including as they relate to creation, ownership and rights in intellectual property, existence of open source and compliance with laws and contractual requirements. If any of these representations and warranties are inaccurate or breached, such inaccuracy or breach could result in costly litigation and assessment of liability for which there may not be adequate recourse against such sellers, in part due to contractual time limitations and limitations of liability.

If we are not able to maintain and enhance our HomeAway brand and the brands associated with each of our websites, our reputation and business may suffer.

Maintaining and enhancing our HomeAway brand identity and the brand identities of each of our websites are critical to our ability to attract new property owners, managers and travelers to our marketplace, generate advertising revenue and successfully introduce new services and products. We may not be able to successfully build our HomeAway brand identity in the United States and overseas without losing some or all of the value associated with, or decreasing the effectiveness of, our other brand identities. We expect that the promotion of our brands will require us to make substantial investments, and, as our market becomes more competitive, these branding initiatives may become increasingly difficult and expensive. The successful promotion of our brands will depend largely on our marketing and public relations efforts. If we do not successfully maintain and enhance our brands, we could lose traveler traffic, which could, in turn, cause owners and managers of vacation rentals to terminate or elect not to renew their listings with us. Our brand promotion activities may not be successful or may not yield revenue sufficient to offset their cost, which could adversely affect our reputation and business.

If we are unable to continue to drive visitors to our websites from search engines, then traffic to our websites could decrease, which could negatively impact property and manager satisfaction with our websites and therefore cause our revenue to decrease.

Many visitors find our websites by searching for vacation rental information through Internet search engines. A critical factor in attracting visitors to our websites is how prominently we are displayed in response to search queries. Accordingly, we utilize search engine marketing as a means to provide a significant portion of

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our visitor acquisition. Search engine marketing includes both paid visitor acquisition on a cost-per-click basis and visitor acquisition on an unpaid basis, often referred to as organic search.

One method we employ to acquire visitors via organic search is commonly known as search engine optimization, or SEO. SEO involves developing our websites in a way that enables the websites to rank highly for search queries for which our websites content may be relevant.

The various search engine providers, such as Google and Bing, employ proprietary algorithms and other methods for determining which websites are displayed for a given search query and how highly websites rank. Search engine providers may also launch new features to enhance search results, which may negatively affect the number of visitors to our websites. Search engine algorithms and other methods that determine the display and ranking of results may change from time to time, generally without public announcement or detailed explanation. Therefore, the success of our SEO strategy depends, in part, on our ability to anticipate and respond to such changes in a timely and effective manner through website and content development.

In addition, websites must comply with search engine guidelines and policies. These guidelines and policies are complex and may change at any time. If we fail to follow such guidelines and policies properly, the search engine may cause our content to rank low in search results or could remove the content altogether from its index. If we fail to understand and comply with these guidelines and policies and ensure our websites compliance, our SEO strategy may not be successful.

If we are listed less prominently or fail to appear in search result listings for any reason, including as a result of our failure to successfully execute our SEO strategy, it is likely that we will acquire fewer visitors to our websites, which could adversely impact property owner and manager satisfaction with our websites and, therefore, adversely impact our revenue. We may not be able to replace this traffic with the same volume of visitors or in the same cost-effective manner from other channels, such as cost-per-click search engine marketing or display or other advertising, or at all. An attempt to replace this traffic through other channels may require us to increase our sales and marketing expenditures, which may not be offset by additional revenue, adversely affecting our operating results.

The online vacation rental market is relatively new and is rapidly evolving. If we fail to predict the manner in which our market develops, our business and prospects may suffer materially.

The market for online vacation rentals is relatively new and unproven with little to no data or research available regarding the market and industry. It is uncertain whether this market will continue to develop or if our services will achieve and sustain a level of demand and market acceptance sufficient for us to generate revenue, net income and free cash flow growth. Our success will depend to a substantial extent on the willingness of property owners and managers to use commercial online rental property listing services. Some property managers have developed and use their own proprietary online listing services and, therefore, may be reluctant or unwilling to migrate to our websites. Furthermore, some property owners and managers may be reluctant or unwilling to use online listing services because of concerns regarding the security of data or the integrity of the online marketplace. If property owners and managers do not perceive the benefits of marketing their properties online, then our market may not develop as we expect, or it may develop more slowly than we expect, either of which would significantly harm our business and operating results. Moreover, our success will depend on travelers use of our online marketplace to search, locate and rent vacation rentals, which will depend on their willingness to use the Internet and their belief in the integrity of our websites. In addition, since we operate in unproven and unstudied markets, we have limited insight into trends that may develop in those markets and may affect our business. We may make errors in predicting and reacting to other relevant business trends, which could harm our business.

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Unfavorable changes in, or interpretations of, government regulation or taxation of the evolving vacation rental, Internet and e-commerce industries could harm our operating results.

We operate in markets throughout the world, each of which has its own regulatory and taxation requirements. Since we began our operations in 2005, there have been, and continue to be, regulatory developments that affect the vacation rental industry and the ability of companies like us to list those rentals online. For example, some municipalities have adopted ordinances that limit the ability of property owners to rent certain properties for fewer than 30 consecutive days and other cities have introduced or may introduce similar regulations. Many homeowners, condominium and neighborhood associations have adopted regulations that ban or otherwise restrict short-term rentals. These and other similar developments could reduce the number of listings on our websites, which could harm our business and operating results.

From time to time, we may become involved in challenges by or disputes with government agencies regarding these regulations. For example, some government agencies have asked us directly to comply with their regulations and provide owner and manager data to assist them in their enforcement and audit efforts. Also, each region in which we operate has different regulations with respect to licensing and other requirements for the listing of vacation rentals. If a governmental entity sought to apply applicable regulations in a manner that would limit or curtail our ability or willingness to list properties in that particular region, there can be no assurance that we would be successful in defending against the application of these laws and regulations. Further, if we were required to comply with regulations and government requests that negatively impact our relations with property owners, managers and travelers, our business, operations and financial results could be adversely impacted.

Compliance with laws and regulations of different jurisdictions imposing different standards and requirements is very burdensome for businesses like ours. Our online marketplace is accessed by owners, managers and travelers in multiple states and foreign jurisdictions. Our business efficiencies and economies of scale depend on generally uniform treatment of owners, managers and travelers across all jurisdictions in which we operate. Compliance requirements that vary significantly from jurisdiction to jurisdiction impose an added cost to our business and increased liability for compliance deficiencies. In addition, laws or regulations that could harm our business could be adopted, or reinterpreted in a manner that affects our activities, by the U.S. government, state governments, and regulatory agencies or by foreign governments or agencies, including but not limited to the regulation of personal and consumer information and real estate licensing requirements. Violations or new interpretations of these laws or regulations may result in penalties, negatively impact our operations and damage our reputation and business.

Additionally, new, changed, modified or newly interpreted or applied tax laws, statutes, rules, regulations or ordinances could increase our owners and managers and our compliance, operating and other costs, which could deter owners from renting their vacation properties and negatively affect our new subscription listings and renewals. Any or all of these events could adversely impact our business and financial performance.

The market in which we participate is highly competitive, and we may be unable to compete successfully with our current or future competitors.

The market to provide listing, search and marketing services for the vacation rental industry is highly competitive and fragmented. All of the services that we provide to property owners, managers and travelers, including listing and search, are provided separately or in combination to our current or potential owners and managers by other companies that compete with us. Our current or new competitors may adopt certain aspects of our business model, which could reduce our ability to differentiate our services. Furthermore, listings in the vacation rental industry are not typically marketed exclusively through any single channel, and our listing agreements are not typically exclusive. Accordingly, our competitors could aggregate a set of listings similar to ours. Increased competition could result in a reduction in our revenue, the rate of our new listing acquisition, or the loss of existing listings or market share.

There are thousands of vacation rental listing websites in the United States and Europe that compete directly with us, such as FlipKey, Interchalet, InterHome, James Villas, TripAdvisor and Wyndham Worldwide. Many of

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these websites offer free or heavily discounted listings or focus on a particular geographic location or a specific type of rental property. Some of them also aggregate property listings obtained through various sources, including the websites of property managers some of whom also market their properties on our websites.

Moreover, we compete with online travel websites, such as Expedia, Hotels.com, Kayak, Priceline, Orbitz and Travelocity, which have traditionally provided comprehensive travel services and some of whom are now expanding into the vacation rental category. We also compete with large Internet companies, such as craigslist, eBay, Google, MSN.com and Yahoo!, which provide listing or advertising services in addition to a wide variety of other products or services.

Some of our current or potential competitors are larger and have more resources than we do. Many of our current and potential competitors enjoy substantial competitive advantages, such as greater name recognition,