

Priceline negotiates \$1.8 billion Kayak deal

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The Associated Press

The Priceline Negotiator lives after all. The company has struck a deal to buy Kayak Software Corp. for \$1.8 billion in a move to expand its online travel business.

The cash-and-stock deal values Kayak at \$40 a share, a 29 percent premium over its closing price Thursday. Shares of Kayak — which just went public in July — soared in after-hours trading.

Kayak allows users to compare hundreds of travel sites when looking for flights, hotels and rental cars. It sends the consumer to other websites to complete their purchases and earns fees on those referrals, although some bookings can be made directly on Kayak's website and mobile applications. It also sells advertising.

Kayak was created by the same executives who helped launch other travel sites including Expedia, Travelocity and Orbitz. The Norwalk, Conn., company went public in July after delaying its offering more than a year while it waited for the market to strengthen.

The strategy of waiting seemed to work — the shares jumped 28 percent on the first day of trading and recently peaked at \$37. But Priceline.com Inc. will pay 57 percent more than Kayak's IPO price. The deal includes about \$500 million in cash and \$1.3 billion in stock and assumed options.

The deal needs the approval of Kayak's shareholders and of regulators. It is expected to close in the first quarter of next year.

Priceline said that Kayak will continue to operate independently as a Priceline Group company.

"Kayak has built a strong brand in online travel research and their track record of profitable growth" shows the company's "popularity with consumers and value to advertisers," said Priceline CEO Jeffery H. Boyd.

Kayak also reported Thursday that third-quarter earnings jumped on higher sales.

Net income rose to \$7.2 million, or 19 cents per share, from \$4 million, or 18 cents per share, a year earlier. The company said it would have earned 26 cents per share excluding stock-based compensation and certain other costs. Analysts surveyed by FactSet expected 19 cents per share.

Revenue rose 29 percent to \$78.6 million, topping analysts' \$77.4 million forecast.

On Thursday, Kayak shares dropped 50 cents, or 1.6 percent, to end regular trading at \$31.04. After news of the deal was announced, they jumped \$8.32, or 27

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percent, to \$39.36 in after-hours trading.

Priceline shares closed at \$627.87, down \$6.74 or 1 percent. In after-hours trading, they dropped \$13.87, or 2.2 percent, to \$614. Shares of rival Expedia Inc. fell 4 percent after-hours on the news but Orbitz Worldwide Inc. surged 13 percent to \$2.39.

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