



COURT OF CHANCERY
OF THE
STATE OF DELAWARE

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VICE CHANCELLOR

New Castle County Court House
500 N. King Street, Suite 11400
Wilmington, Delaware 19801

Submitted: June 3, 2004
Decided: June 10, 2004

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***RE: Doft & Co., First Trust Corp., et al. v. Travelocity.com Inc., et al.
C.A. No. 19734***

Dear Counsel:

The respondents¹ in this appraisal proceeding move pursuant to Court of Chancery Rule 59(f) for reconsideration of two points in the court's May 20, 2004 decision (the "Opinion").² For the reasons briefly explained herein, the court grants the motion.

A court may grant reargument or reconsideration when it appears that the court "overlooked or misapprehended the factual or the legal principles governing

¹ Respondents are Travelocity.com Inc., Travelocity Holdings Sub Inc., and Sabre Holdings Corporation. Travelocity.com Inc. ("Travelocity") is the surviving entity of a merger between it and Travelocity Holdings Sub Inc. ("Holdings"), a wholly owned subsidiary of Sabre Holdings Corporation ("Sabre").

² *Doft & Co. v. Travelocity.com Inc.*, 2004 WL 1152338 (Del. Ch. May 20, 2004). The decision was revised on May 21, 2004.

the disposition of the motion.”³ The standard is quite flexible, and the court may grant a motion for reargument or reconsideration if the “[c]ourt has overlooked a decision or principle of law that would have a controlling effect or the [c]ourt has misapprehended the law or the facts so that the outcome of the decision would be affected.”⁴

In the Opinion, the court calculated a per share equity value for Travelocity and then applied a 30% control premium to conclude that the fair value of the shares as of the Merger Date was \$32.76. In making this calculation the court first performed a comparable company analysis, using EBITDA and EPS multiples, weighting the results two-thirds to one-third, respectively.⁵ Respondents argue that the court should reconsider two computational points affecting the resulting valuation.

³ *VGS, Inc. v. Castiel*, 2003 WL 1794210, at *1 (Del. Ch. Mar. 27, 2003).

⁴ *Id.* (citation omitted).

⁵ The court utilized the numbers presented by Paul Gompers, Travelocity’s expert, in calculating the correct multiples to get the equity valuation. In the EBITDA multiple calculation, the court discounted Expedia’s multiple (34.8 x) by 35%, resulting in an EBITDA multiple for Travelocity of 22.62 x. Applying this multiple to Travelocity’s expected 2002 EBITDA of \$47.80 million yields a value of \$1,081,236,000. In the EPS multiple calculation, the court discounted Expedia’s multiple (50.77 x) by 35% resulting in an EPS multiple of 33.00 x. Applying this multiple to Travelocity’s expected 2002 net earnings of \$39.45 million yields a value of \$1,301,850,000. The court gave 2/3 weight to the EBITDA calculation and 1/3 weight to the PE calculation, yielding an enterprise value of \$1,154,774,000. The court then added back the cash of \$114 million and subtracted out the debt of \$4.03 million to determine the equity value. This led to an equity value of \$1,264,744,000, or \$25.20 per share (there being approximately 50.19 million shares outstanding).

First, the respondents argue that the court did not use the most appropriate earnings input in the EPS multiple approach. The court applied the EPS multiple (33.00 x) to the 2002 total estimated net earnings figure of \$39.45 million and then divided the answer by the total number of shares outstanding. The respondents point out that it is preferable in this case to use the 2002 EPS number forecasted by analysts in order to avoid introducing uncertainty because it is unclear from the record whether the \$39.45 million figure was calculated on the basis of the correct number of outstanding shares. The respondents further point out that the EPS figure is more reliable because it is a composite number—based on the views of multiple analysts—whereas the total net earnings forecast is from a single analyst source.

Second, the respondents argue that, while the court correctly adjusted the enterprise value obtained from the EBITDA calculation for cash and debt to obtain an equity value, it was error to similarly adjust the result obtained from the EPS calculation because that number already reflects an equity value.

The petitioners oppose the motion and argue that respondents are rehashing arguments already considered by the court. Moreover, the petitioners assert that

the court has broad authority when valuing a company in an appraisal action.⁶ The petitioners also point out that the court used the respondents' expert's report in calculating the equity value and therefore the respondents cannot now contest the reliability of those numbers.

Having considered the arguments of the parties, the court concludes that the respondents are correct and grants the motion to reconsider the two specific points raised by their motion.⁷ Accordingly, the court will enter a final order determining the fair value of Travelocity common stock as of the Merger Date to have been \$30.43 per share.⁸

For all the foregoing reasons, the motion for reconsideration is granted. The Petitioners' counsel shall submit a form of final order and judgment, on notice, within 7 days of the date of this opinion. IT IS SO ORDERED.

/s/ Stephen P. Lamb
Vice Chancellor

⁶ The petitioners cite *Weinberger v. UOP, Inc.* for the well-accepted proposition that a court may calculate the going concern value of a company "by any techniques or methods considered acceptable in the financial community and otherwise admissible in court." 457 A.2d 701, 713 (Del. 1983), *aff'd*, 497 A.2d 792 (Del. 1985).

⁷ See *Daniel D. Rappa, Inc. v. Hanson*, 209 A.2d. 163 (Del. 1965) (noting that motions pursuant to Court of Chancery Rule 59 are subject to the court's judicial discretion to prevent injustice).

⁸ This amount is calculated by weighting by 2/3 the EDITDA-based equity value per share (\$23.73) and by 1/3 the EPS-based equity value per share (\$22.77), yielding a value of \$23.41 and then adding a 30% control premium, for a total of \$30.43.