REFINITIV STREETEVENTS

EDITED TRANSCRIPT

EXPE.OQ - Q3 2024 Expedia Group Inc Earnings Call

EVENT DATE/TIME: NOVEMBER 07, 2024 / 9:30PM GMT

OVERVIEW:

Company Summary

CORPORATE PARTICIPANTS

Harshit Vaish *Expedia Group Inc - Senior Vice President, Head of Strategy, Corporate Development & Investor Relations*

Ariane Gorin *Expedia Group Inc - Chief Executive Officer*

Julie Whalen *Expedia Group Inc - Chief Financial Officer*

CONFERENCE CALL PARTICIPANTS

Lee Horowitz *Deutsche Bank AG - Analyst*

Deepak Mathivanan *Cantor Fitzgerald LP - Analyst*

Trevor Young *Barclays Capital Inc - Analyst*

Conor Cunningham *Melius Research LLC - Analyst*

Naved Khan *B. Riley Financial, Inc - Analyst*

Austin Riddick *Evercore ISI - Analyst*

Jed Kelly *Oppenheimer & Co Inc - Analyst*

Jacob Seed *TD Securities - Analyst*

Anthony Post *Bank of America - Analyst*

PRESENTATION

Operator

Good day, everyone, and welcome to the Expedia Group Q3 2024 financial results teleconference. My name is Alex, and I will be the operator for today's call. (Operator Instructions)

For opening remarks, I will turn the call over to SVP, Corporate Development and Strategy and Investor Relations, Harshit Vaish. Please go ahead.

Harshit Vaish - *Expedia Group Inc - Senior Vice President, Head of Strategy, Corporate Development & Investor Relations*

Good afternoon, and welcome to Expedia Group's third-quarter 2024 earnings call. I am pleased to be joined on today's call by our CEO, Ariane Gorin; and our CFO, Julie Whalen. As a reminder, our commentary today will include references to certain non-GAAP measures. Reconciliations of these non-GAAP measures to the most comparable GAAP measures are included in our earnings release. And unless otherwise stated, any reference to expenses exclude stock-based compensation.

We will also be making forward-looking statements during the call, which are predictions, projections or other statements about future events. These statements are based on current expectations and assumptions, which are subject to risks and uncertainties that are difficult to predict. Actual results could materially differ due to factors discussed during this call and in our most recent Forms 10-K, 10-Q and other filings with the SEC. Except as required by law, we do not undertake any responsibility to update these forward-looking statements. Our earnings release, SEC filings and a replay of today's call can be found on our Investor Relations website at ir.expediagroup.com.

And with that, let me turn the call over to Ariane.

Ariane Gorin - *Expedia Group Inc - Chief Executive Officer*

Thanks, Harshit, and thank you all for joining us today. Our third-quarter results reflect strong execution across our company. We exceeded our expectations on gross bookings and earnings with revenue landing in line, despite weather and currency headwinds. We accelerated gross bookings in our consumer business for the second straight quarter, driven by continued strength in Brand Expedia, Vrbo returning to growth, and good results in our international points of sale. Our advertising and B2B businesses continue to outpace the industry, both delivering strong double-digit growth.

We remain disciplined on costs, with cost of sales and overheads both declining year-over-year. Overall, we're pleased with the results of our work. We're executing and what's in our control and capitalizing on growth opportunities to rebuild momentum after our tech replatforming. The travel environment in the third quarter was healthy, but mixed with demand softer in July, and then improving into August and September. International demand was stronger than the US and compared to last year, booked room nights grew in the low single digits in the US, low double digits in Europe and high-teens in the rest of the world.

Like last quarter, prices held up for both hotel and vacation rentals. For Air and Car, we saw continued pricing pressure, though air ticket prices grew in September for the first time this year.

Turning to our consumer business, we remain focused on the fundamentals driving more direct traffic, improving product performance, enhancing our supply, and expanding internationally.

Gross bookings were up 3% year-on-year, which was a two-point acceleration compared to the second quarter. Global app downloads for our core brands was up nearly 10% year-on-year, led by EMEA at 20% growth, and the percent of bookings coming from our apps improved by 3 points.

Brand Expedia continued to be strong with room nights up mid-teens year-on-year. We shipped great new product features like Destination Comparison, Flexible Date Search and Live Flight Tracker, all of which create better traveler experiences. Our package product that allows travelers to dynamically bundle a huge selection of flights, hotels and cars, all with attractive package savings, is a real differentiator for Brand Expedia.

Last quarter, we released new features like the ability to book accommodations for only part of the trip, and package searches for one-way flights. These make planning and booking multi-item trips even easier, and combined with our targeted promotional activity, drove a 25% increase in package bookings in the third quarter.

Shifting to Vrbo now, we delivered our first full quarter of bookings growth this year. Bookings were up modestly, with traffic and conversion both growing, despite the negative impact of Hurricane Helene. We're meaningfully improving Vrbo app performance, making the app faster and adding new features to streamline shopping. App traffic growth has accelerated and more visitors are signing in.

We've also further strengthened Vrbo's supply. We added nearly 1 million units that had previously only been available on Brand Expedia. These units skew more to urban areas and shorter stays, which allows Vrbo to appeal to a wider audience. And beyond the additional supply, we improved the quality of our existing supply, with more discounts for long stays and more flexible cancellation policies.

Looking to the fourth quarter, while October has been tougher for Vrbo due to Hurricane Milton, we believe that our focus on the basics, traffic, our product and our supply will continue to drive positive momentum for Vrbo.

Before moving to B2B, I want to highlight progress from our international expansion, Advertising and Loyalty initiatives. In the last few quarters we've moved back into faster-growing international markets, investing surgically, and are seeing promising results. Bookings growth for our consumer brands outside the US accelerated by 5 points in the third quarter. One particular highlight was healthy double-digit growth for Hotels.com in Scandinavia, where we already have high brand awareness. We believe we have a big opportunity ahead to grow internationally and to win share.

Our advertising business delivered yet another strong quarter with revenue up 32% as we've continued to add more advertisers and evolve our products.

We simplified our sign-up process, and are testing new product capabilities like video ads and search results which are driving a nearly 30% increase in engagement. All of this means we're delivering more value and better returns for our advertisers.

In terms of our loyalty program, global active membership grew 7% year over year in Q3, and our 12-month member repeat rate was up 150 basis points compared to last year. On our three core brands, nearly half of our room nights came from Silver, Gold, or Platinum members. And as a reminder, these higher tier members get further member discounts funded by our supply partners.

We've also enhanced the One Key value proposition in the US and UK. This quarter, we introduced member-only discounts for the first time ever on Vrbo, and have seen great early results. And on Brand Expedia, we just expanded redemption options to include more airlines. We're continuing to fine-tune the loyalty value proposition for each brand and each market, while capitalizing on the capabilities of our underlying tech platform.

Turning to B2B, we had another strong quarter, with bookings up 19% year on year, slowing only 1 point from the second quarter. Growth was broad-based and came from all partner segments and regions. We shipped new solutions for existing partners, adding activities and ground transport for hotel partners, like Hilton and introducing new loyalty capabilities for Alaska Airlines. We also secured important wins like long-term renewals with Despegar and Traveloka and a new partnership with Canadian bank, CIBC.

Just last week, we announced a new partnership with Microsoft Bing. So overall, we continue to extend our leadership in B2B.

Let me now spend a minute on a few highlights of how our tech platform and AI capabilities are contributing to better conversion and enhanced customer service. On conversion, some of the most compelling use cases so far have been property question and answer, smart and natural language filters, and review summaries. Over 70% of travelers read reviews before making a booking, and we use Generative AI to efficiently summarize reviews and provide detailed property and neighborhood information.

This makes it easier for travelers to shop while taking less of our development time and resources. In customer service, we're continuing to leverage AI to allow travelers to self-serve, which both lowers costs and improves the traveler experience.

For instance, our virtual agents now handle nearly half of all traveler inquiries through self-service. Additionally, our agent copilot feature, which summarizes voice and chat interactions, significantly reduces after-call work for our call-center agents.

Before closing, I want to share a couple of leadership updates. We announced today that Julie will be stepping down as CFO and as a member of our Board of Directors. We expect to announce a successor prior to Julie's departure to allow for a smooth transition. I want to thank Julie for all she's done for Expedia Group as a Board member and as our CFO over the last five years. We're deeply grateful for all of her contributions and appreciate her partnership during this transition.

We also announced last month that Ramana Thumu is joining us as our Chief Technology Officer. Ramana is a great leader and technologist, and he's led tech teams for over two decades. More recently, he built and scaled the multi-brand platform at Fanatics, so his experience is directly relevant to our growth aspirations here at Expedia Group.

In closing, we're pleased with our third-quarter performance and the progress we're making. We continue to see healthy travel demand and are confident in our ability to execute, which has led us to raise our full year guidance and Julie will talk about that in a minute.

I'd like to thank our team for their hard work and the successful delivery of our third quarter. With that, let me hand it over to Julie.

Julie Whalen - *Expedia Group Inc - Chief Financial Officer*

Thank you, Ariane, and good afternoon, everyone. We are pleased with our third-quarter results. Despite some headwinds during the quarter including unfavorable macro trends, weather events and FX, we were able to deliver year-over-year room night growth of 9%, gross bookings growth of 7%, an acceleration of over 150 basis points versus the second quarter, revenue growth of 3%, and EBITDA growth of 3%, with only slight margin deleverage of approximately 16 basis points.

But before I jump into more of the financial details for the third quarter, I just wanted to say thank you to Ariane, the Board, and the Management team here at Expedia. I'm proud to have been associated with Expedia Group as a Board member since 2019 and more recently as CFO. I am committed to supporting the company until and after my successor is in place to ensure a smooth transition. I am confident in this management team and our strategy, and I remain excited about the opportunities ahead for Expedia Group.

Now back to the financial details for the third quarter. Total gross bookings of $27.5 billion grew 7% versus last year, driven by lodging gross bookings which grew 8%, and includes our hotel business growing 10%. We were happy to see that we have once again held or grown hotel gross bookings share in virtually all of our key markets. Booking windows for hotels expanded in August and September when compared to last year, which provided a tailwind to our third quarter gross bookings.

Outside of our hotel business, we also saw a strong recovery in our air business driven by growth in multi-item packages and improvement in air prices. And, we also saw a continued acceleration at Vrbo which returned to modest growth on the quarter. Revenue of $4.1 billion grew 3% versus last year, led by our B2B business, Brand Expedia, and our advertising business.

Excluding FX, however, revenue growth in the quarter would have been 5%. In addition to FX, revenue growth was also impacted from pricing actions in prior quarters, which as a reminder, translate to contra revenue at the time of the stay.

Third quarter revenue also saw pressure from soft Vrbo bookings in the first half of 2024, translating to stays in the third quarter. As a reminder, Vrbo has a longer booking window versus our hotel business, and the third quarter is the largest revenue quarter for Vrbo driven by summer stays.

Total revenue margin was approximately 50 basis points lower year over year. The uplift from advertising growth was offset by all the previously mentioned impacts to revenue, as well as the outperformance in air bookings, which is a lower margin business.

Cost of sales was $385 million for the quarter and $24 million or 6% lower versus last year, which combined with higher revenue growth, drove approximately 90 basis points of leverage as a percentage of revenue year over year. We continue to see our ongoing initiatives deliver transactional efficiencies.

Direct sales and marketing expense in the third quarter was $1.9 billion, which was up 11% versus last year. Sales and Marketing deleverage as a percentage of gross bookings, primarily due to higher commissions to our partners from the strong growth in our B2B business. As we have stated previously, commissions paid to our B2B partners are in our direct sales and marketing line and are more expensive as a percentage of revenue than our B2C business.

However, because they are generally paid on a stayed basis to contractually agreed upon percentages, the returns are more guaranteed and immediate. We also saw some deleverage in our B2C business, as we reinvested back into Vrbo and our international markets to drive improving growth and global market expansion. Excluding these investments, we saw marketing leverage in our B2C business.

Overhead expenses were $602 million, a decrease of $15 million versus last year, or 3%. This resulted in approximately 90 basis points of leverage, primarily driven by lower people costs and product and tech from our actions to rationalize our head count, as well as overall strong expense control.

We remain committed to driving efficiencies across our P&L, and we're pleased to see another quarter of reduced costs and strong overhead leverage.

On the bottom-line, we delivered third quarter EBITDA of $1.25 billion, which was up 3% year-over-year with an EBITDA margin of 30.8%, slightly deleveraging approximately 16 basis points year-over-year. This was better than expected due to our effective expense management.

As far as our EBIT performance, which includes the impact of stock-based compensation, depreciation and amortization, we delivered $892 million of EBIT with a margin of 22% deleveraging approximately 100 basis points year over year in the third quarter. This quarter's results included the accelerated vesting of our former Vice Chairman's RSUs, which drove a onetime $51 million increase in stock-based compensation.

Excluding this acceleration, EBIT would have leveraged approximately 27 basis points year-over-year in this quarter. Our year-to-date free cash flow remained robust at $2.3 billion, up 3% year-over-year, driven primarily by higher EBITDA and lower capital expenditures.

Moving on to our balance sheet. We ended the quarter with strong liquidity of $7.2 billion driven by our unrestricted cash balance of $4.7 billion and our undrawn revolving line of credit of $2.5 billion. Our debt level remains at approximately $6.3 billion with an average cost of 3.7%.

Our gross leverage ratio at a further reduced 2.2 times, continues to make progress towards our target gross leverage ratio of 2 times driven by our ongoing strong EBITDA growth. In addition, our strong cash position enabled us to repurchase $1.6 billion, or 12 million shares year-to-date. We continue to believe that our stock remains undervalued and does not reflect our expected long-term performance of the business.

As such, we expect to utilize the strong cash generating power of our business to continue to buy back our stock opportunistically. And we have approximately $3.2 billion remaining on our share repurchase authorization.

Moving now to our outlook for the fourth quarter and full year. We expect gross bookings growth in the fourth quarter to be in the range of 6% to 8% versus last year. The growth is higher relative to our prior expectations due to a more favorable outlook for our air business, which as a reminder, contributes more to bookings growth and less to revenue and earnings.

As a result, we expect revenue growth to be about 1 point lower than our gross bookings growth. And we expect EBITDA and EBIT margins to be relatively in line with last year, as we will continue to lean into our marketing investments in Vrbo and international markets.

Moving now to full year 2024 outlook. Based on our strong third quarter results and our improved fourth quarter outlook, we are raising our full year guidance. We now expect gross bookings growth to be approximately 5% versus last year, up 1 point relative to our prior outlook. And we now expect our EBITDA and EBIT margins to be slightly up versus last year, an improvement from our prior outlook of flat levels. And, our revenue guidance remains at approximately 6% growth versus last year.

In closing, we are pleased with our third quarter performance, including the acceleration of our B2C business as well as the continued strong growth of B2B, Brand Expedia, and Advertising. Our ongoing execution against our growth initiatives combined with our strong financial position give us confidence in our long-term opportunity to deliver profitable growth and shareholder returns.

Before I open the call for questions, I also want to extend a big thank you to our Expedia associates and partners for their ongoing dedication and support which has enabled us to deliver these third quarter results and gives us the confidence to be able to deliver our full year results and beyond.

And with that, let me open the call up for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Lee Horowitz, Deutsche Bank.

Lee Horowitz - *Deutsche Bank AG - Analyst*

Great. Thanks for the question. Julie, pleasure working with you. Maybe on marketing investments at Vrbo -- Vrbo ex common international markets. I guess how should we think about your ability to be able to deliver aggregate marketing leverage on a go-forward? I know this year is a big investment year for those brands. But presumably, they're not back to the levels that you'd expect, and you'll remain invested.

Do you need these bids to get back to market level rates before you can perhaps deliver marketing leverage for the whole business? Thanks so much.

Julie Whalen - *Expedia Group Inc - Chief Financial Officer*

Yeah. From a marketing leverage perspective, I mean, obviously, as we said, B2B sales and commissions are in that line. So that does put pressure given their level of growth on that line. But if you speak just a B2C business, ex those investments in Vrbo, and international markets, we have seen leverage.

So essentially, as we get those businesses back to where we need to get them, we expect to see that we'll be able to see some leverage going forward.

Lee Horowitz - *Deutsche Bank AG - Analyst*

Great. Then Ariane, you're seeing really strong growth out of your media solutions with an acceleration this quarter against tougher comps. Maybe if you could just unpack what the driver is there? Is it pricing? Is it the expansion of the media network?

Any understanding of what's driving that? And then maybe just framing up the opportunity of how large you see that business over time? What's the big opportunity? Where is the clear white space? Thanks so much.

Ariane Gorin - *Expedia Group Inc - Chief Executive Officer*

So on the growth, we have a sponsored listing business and the display business. On both of them, we've got a lot more partners that are participating, especially in sponsored listings. And as I mentioned in the prepared remarks, we've done quite a bit of work on making the sign-up process, easier doing sort of marketing activities to bring more partners into the auction. At the same time, as I mentioned, we're testing new things like video ads and the like, such that those ads are even more effective, which then translates to pricing.

So I think there continues to be a big opportunity on sponsored listing and on display. And if you look at the advertising as a percentage of our overall revenue and compare to some other big retail companies, you can see that we've got quite a bit of white space in order to sort of grow that in the years to come.

Operator

Deepak Mathivanan, Cantor Fitzgerald.

Deepak Mathivanan - *Cantor Fitzgerald LP - Analyst*

Great. Thanks for taking questions. Maybe I'll start with Vrbo. Now that the business has kind of returned to modest growth, what is required to accelerate further and get the growth rates on par with -- the results that we're seeing from some of the alternative accommodations providers in there?

And then second question, maybe for Ariane, I'm not sure if you're ready to comment about 2025. But maybe you can qualitatively discuss how we should think about the cost side that's required to grow the business further and maybe the implications on margins for 2025? Thanks so much.

Ariane Gorin - *Expedia Group Inc - Chief Executive Officer*

Okay. Well, so on the Vrbo question, as we all know, Vrbo went through a migration at the end of last year, and that's why it had such a slow start to this year. And I would say the teams have been doing great work this year in adding the black product features, making the app faster as I sort of described in my prepared remarks, doing work on supply.

I would also call out. We have this great marketing campaign with Nick Saban in the last couple of months, perhaps people saw it. It was a great performing campaign and drove a lot of conversion. As you think about Vrbo going forward, we need to continue that formula of continuing to improve the product, continuing to expand the supply and having great marketing.

And as I mentioned, we've got some new supply that's in more urban destinations. I would say that we're underpenetrated in the markets that we're in internationally. So we have a new General Manager who's in, who's running Vrbo, we're looking at what are the longer-term growth plans. So I'm confident that the basic formula we have right now layered on top of it where the market opportunity is, will be what will drive growth.

And I'd just add one other thing, all the work that we're doing to sell vacation rentals well on Vrbo will also help us sell vacation rentals on Expedia. We've had so much going on in the last few years as a company that we haven't made a big, concerted effort to sell vacation rentals well on Brand Expedia. And again, all the work on Vrbo on servicing, on communications and the like will then help us as we turn to that for Brand Expedia.

Julie Whalen - *Expedia Group Inc - Chief Financial Officer*

And then as far as 2025, yeah. We're not going to be providing any commentary on this call for that. We'll plan to give more updates on that for next call. But I would just say, generally, that we are very focused on both the top and the bottom line. And as you can see, we've made incredible progress with getting cost out of -- cost of sales and overhead and we're going to continue with that as we move forward into next year.

Obviously, top line revenue growth is a play on what will happen on the bottom line. But I think the biggest line, clearly, as everyone knows, is the marketing line. And so as we get these businesses back up to where they need to be, as the product starts to get optimized more and more, we should be able to drive more, repeat and direct behavior and, therefore, drive more marketing efficiencies as we've been seeing in Brand Expedia.

Deepak Mathivanan - *Cantor Fitzgerald LP - Analyst*

Great. Thanks so much.

Operator

Trevor Young, Barclays.

Trevor Young - *Barclays Capital Inc - Analyst*

Great. First one, just back to Vrbo on the modest growth in the quarter. Can you just speak to the actual cadence throughout the quarter? It wasn't clear last quarter around whether July was still positive relative to the positive June exit rate. And then similarly for October, I think you had called out some of the increment weather issues. Was Vrbo still positive here at the start of 4Q?

Julie Whalen - *Expedia Group Inc - Chief Financial Officer*

Yeah, we're not going to give out sort of the monthly comps, if you will. But I think what the great thing is that we're seeing is that business is continuing to accelerate. So I mean as we move to the quarter, we definitely saw that business accelerate. I would say that, certainly, when you are impacted by hurricanes and things that create some bumpiness in the results. But coming out of July, we saw incredible acceleration from that point forward.

Trevor Young - *Barclays Capital Inc - Analyst*

That's helpful. And Ariane, maybe one bigger picture one for you. you're now roughly six months into this new role. Can you highlight two or three things that have been positive surprises to you and maybe a few things that stood out as maybe more challenging than you had anticipated when you first got into the seat?

Ariane Gorin - *Expedia Group Inc - Chief Executive Officer*

Sure. I think -- look, I obviously knew the B2B, the private label business and the advertising business and the supply part of the company quite well because I've been running those for a period of time. The consumer business, while I've been in the management team and I knew it well, that's the part that I've gotten much closer to in the last six months.

On the positive is just how much passion and I would say, awareness and love there is for our three big brands, Expedia, Hotels.com, and Vrbo. So that's sort of the positive surprise is just how much sort of love there is there.

On the sort of what's been tougher is -- I think I appreciated all of the technology work that we've done on our platform, and it is really enabling us to innovate faster to have one customer identity and the like. But connecting that directly into the brand value propositions, we had done that quite well on Expedia, and I'm now appreciating just the work that we needed to do to get that into Hotels.com and Vrbo.

And again, what's been wonderful to see is how quickly the organization and the brands are responding to that. And that's -- when I look at the acceleration, we've had in the consumer business from Q1 to Q2 to Q3, it's seen those daily improvements and the way that we're connecting in our brands themselves, what the value proposition is, what the marketing is and what the product and platform can do that gives me real confidence in the future.

Trevor Young - *Barclays Capital Inc - Analyst*

Great. Thank you, both.

Operator

Conor Cunningham, Melius Research.

Conor Cunningham - *Melius Research LLC - Analyst*

Hi, everyone. Thank you. On the move to add 1 million rooms from Expedia to Vrbo, just curious on what drove that outcome? And then as you think about additional supply going forward for Vrbo, is the urban market is something that you're focusing on a little bit more than before? And is there any difference in returns from that move? Thank you.

Ariane Gorin - *Expedia Group Inc - Chief Executive Officer*

Thanks for the question. So we took about 1 million units that had been listed on Expedia, and we moved them over to Vrbo. And this is inventory that's a little bit different from the other inventory that we had on Vrbo. So we've needed to figure out what's the right UX and design, what's the pattern for people shopping and discovering on them.

But as I said in the prepared remarks, we've actually seen that, that's allowed us to go after a part of the market that's more urban, that's shorter stay than we've been in before. And it's true that historically, Vrbo has been a brand that has tended to be sort of beach and mountain and the like. And we think there's still opportunities for us to grow there, and we'll also be looking at where else can we grow.

In terms of are there different returns? Again, it's early days for us in exploring that part of the inventory. But ultimately, what we want to do is make sure that people know the Vrbo brand, they understand that when they come to Vrbo, they're going to have whole homes and apartments, they won't have shared spaces.

They'll get to redeem their One Key cash. And they'll have a full supply of whatever it is that they're looking for that we can fulfill for them.

Conor Cunningham - *Melius Research LLC - Analyst*

Okay. Helpful. And then you talked about -- or you touched a little bit on just the attach rate of other travel products. Obviously, your competitor talks a lot about that. I was just curious if you could just unpack that strategy a little bit more. And where does that stack up on the priority list? And you obviously have a lot going on, but is it up at the top of where you think? Thank you.

Ariane Gorin - *Expedia Group Inc - Chief Executive Officer*

Thanks for the question. Selling multiple items in a trip is the core DNA of Brand Expedia. Brand Expedia is multi line of business. So air, car, hotel, activities, cruise, is all of that. And so we have a long history of being able to attach, whether it's attaching when you start with one product and add another, or doing the actual dynamic packaging at the same time. So I would say that's always been at the core of the strategy for Expedia.

I highlighted the growth in our dynamic package travel, but also the multi-item attach is something we continue to work on. It's certainly improved over time, not only in the UX and the design, but also in the recommendations. So being able to personalize what's the next best thing to recommend to a traveler by category and also by item.

So I guess, I would just conclude by saying it is important to us. It's a core part of Brand Expedia.

Conor Cunningham - *Melius Research LLC - Analyst*

Appreciate it. Thank you.

Operator

Naved Khan, B. Riley.

Naved Khan - *B. Riley Financial, Inc - Analyst*

Great. Thank you very much. So Ariane, you shared a stat with us about 150-basis point improvement in the repeat rates for One Key users. How does that compare versus your own expectations when you sort of launched this program last year? And what are the things that you control to kind of drive further improvement from these levels? So that's one question.

The other one I had is on B2B. It's seeing really strong growth. Just give us a sense of what the pipeline here, it looks like that can continue to drive the strong traction.

Ariane Gorin - *Expedia Group Inc - Chief Executive Officer*

Yeah. So I'd say on One Key, right? It's been -- we launched it in the summer of '23. So we've been pleased with the results so far. I shared some of the stats in my prepared remarks.

I'd say we're especially pleased with our tiered member deals, so the silver, gold and platinum members. They're available everywhere, but we're seeing that, that's about 30% of our travelers, but 50% of our room nights. We also, when we launched One key, we're looking for cross-sell across our brands. And as I shared last quarter, 30% of travelers who are redeeming their One Key cash on Vrbo after earning it on the other brands are actually net new to Vrbo. So that's great that we're seeing.

And finally, I'd say the One Key technology is giving us capabilities that we didn't have before. So things like gifting One Key cash that has an expiry date, which allows us to be more promotional in order to sort of drive purchases in a short window. At the same time that there's been a lot of positives, we're continuing to work to tune the value proposition by brand and by geography. So for example, I said on Vrbo, we know that One Key is driving new travelers, but we're still assessing the impact of Vrbo earn on traveler shopping decisions every day.

So the One Key program, obviously, as Julie talked through it, it's in our contra revenue. And we are interrogating the spend on loyalty in the same way that we do our marketing spend and the like, and making sure that we're able to tune the program. And the good news is the way the technology is built, allows us to configure it. So that's what I would say for One Key.

On the question about B2B. As you said, we had another strong quarter at 19% growth, only 1 point down from last quarter. And the B2B business has a massive market. We can work with corporate travel agencies, off-line travel agencies, online travel agencies, financial institutions that have their own loyalty programs.

So it's true the last set of quarters, it's grown at a very elevated rate. Some of that was Asia that was really coming back. We believe in this business. We believe it will continue to be healthy double-digit rates even if perhaps not at the elevated levels that we've seen.

Naved Khan - *B. Riley Financial, Inc - Analyst*

Thanks, Ariane.

Operator

Mark Mahaney, Evercore ISI.

Austin Riddick - *Evercore ISI - Analyst*

This is Austin Riddick, actually speaking for Mark Mahaney. Congrats on the quarter. We would just love to hear your thoughts on the US alternative accommodations market, particularly as it relates to the recent regulatory updates coming out of California, Hawaii, et cetera? And do you think if these are basically one-off situations or the start of a broader trend? Thank you.

Ariane Gorin - *Expedia Group Inc - Chief Executive Officer*

So I would just say all up, but we work with local government to make sure that obviously we're abreast of the regulations. We're taking those into consideration. I think there's always a balance between the contribution to the local economy and following the regulations. But we believe there's a big market out there for alternative accommodations, just like there is for hotels and the like. And that's not impacting our view of our growth potential.

Austin Riddick - *Evercore ISI - Analyst*

Thank you.

Operator

Jed Kelly, Oppenheimer.

Jed Kelly - *Oppenheimer & Co Inc - Analyst*

Great. Thanks for taking my questions. You mentioned integrating Vrbo with Brand Expedia. Can you talk about the opportunity to integrate Vrbo with B2B?

And then I didn't hear a mention of Hotels.com. Can you give us an update on how that's performing since you've sort of replatformed the loyalty program outside the US and UK? Thanks.

Ariane Gorin - *Expedia Group Inc - Chief Executive Officer*

Yeah, sure. Thanks for the question. On vacation rentals, as I said, yes, we already have some vacation rental inventory on Expedia, and we think there's a bigger opportunity.

On B2B, we do have a few partners who are using our vacation rental inventory. As you can imagine, on selling vacation rentals, there is some complexity that is different from hotels. Requirements on communication between the traveler and the owner, for example. And so we're testing it. We want to make sure that we're going to be able to deliver a great traveler experience to our B2B partners travelers and to our hosts and owners. So I do see that as an opportunity in the long-term.

If you ask me on the list of priorities that our B2B business is going after, is this at the top? Probably not. But in the long-term, this is a real opportunity for us.

In terms of Hotels.com, I'd start by reminding us this is a brand that has very strong brand recognition and a large customer base. The performance in Q3 was stable, but it hasn't returned to growth. And this was a brand that was very impacted by our migration, by our change in loyalty program, and our international pullback.

Now, as we are going back into international, Hotels.com is benefiting. And we've got a new General Manager in place who's looking at this with a fresh set of eyes. And I'm really excited about what he's going to do with the brand in the quarters to come.

Operator

Kevin Kopelman, TD Securities.

Jacob Seed - *TD Securities - Analyst*

Hi. This is Jacob in for Kevin. You mentioned the hurricane impact in October, but can you talk more about quarter-to-date trends and what you're seeing across your consumer brands? And maybe give color on your efforts to regain share in international markets?

Julie Whalen - *Expedia Group Inc - Chief Financial Officer*

Yeah. We definitely saw an impact in October from Hurricane Milton. But I would say that it's material, but not anything that we thought it would be originally. So it came in better than our expectations.

And the reality is that if you take things out of the picture for things like the hurricane for the election, et cetera, we are actually seeing the underlying health of the business being really strong. So we're excited to see those as we've entered into the fourth quarter.

Ariane Gorin - *Expedia Group Inc - Chief Executive Officer*

And then on international, as we said last quarter, we're being surgical. We're looking market by market, understanding which of our brands has brand strength there, and then going in with the full funnel market plan -- sorry, a marketing plan in order to start to regain share, but we're being quite surgical about it.

Jacob Seed - *TD Securities - Analyst*

Great. Thanks.

Operator

Anthony Post, Bank of America.

Anthony Post - *Bank of America - Analyst*

I apologize, it's been asked already. But I wanted to get into selling and marketing. I know B2B is a big contributor there. But when you back that out, how do you think about your efficiencies versus competitors? And are there costs that you think you can take out of there over the long-term? Thank you.

Julie Whalen - *Expedia Group Inc - Chief Financial Officer*

Yeah. I mean, I would say that, that is an opportunity for us. I think Ariane has said in the past that we want to interrogate every line. And so it is something that we're looking at and we are delivering efficiencies.

I think, obviously, as we've said, we've been investing at the same time back into Vrbo and international markets. And if you exclude that investment, we are actually seeing efficiencies, particularly in Brand Expedia. And so this is more about us sort of getting the flywheel back on these other businesses getting back to where they need to be, and we think we have an incredible opportunity to be able to deliver more efficiencies when that happens.

At the same time, we need to be optimizing the product, the supply and putting all of that together for these businesses to be able to deliver value to the traveler that encourages them to return to our sites as repeat behavior and direct. And so when that starts to happen is when we'll also start to see some of that leverage. But it's certainly something that we are laser focused on going forward.

Anthony Post - *Bank of America - Analyst*

Thank you.

Operator

At this time, we have no further questions. So I'll turn the call over to CEO, Ariane Gorin, for any further remarks.

Ariane Gorin - *Expedia Group Inc - Chief Executive Officer*

So thank you all for your questions today. I'm very pleased with our Q3 results. We remain focused on accelerating growth in our consumer business; ensuring our B2B business remains industry-leading; and leveraging our unified tech platform to drive more innovation. We have a strong foundation in place to drive sustainable, profitable growth and I'm confident that we'll continue to create value for our travelers, partners, and shareholders. Thank you.

Operator

That concludes today's call. Thank you all for joining. You may now disconnect your lines.
