



## CEO and CFO Prepared Remarks for 3rd Quarter 2024

NORWALK, CT – October 30, 2024

### **Information About Forward-Looking Statements**

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### **CEO Prepared Remarks - Glenn Fogel, Chief Executive Officer and President**

Thank you, and welcome to Booking Holdings' third quarter conference call. I am joined this afternoon by our CFO, Ewout Steenbergen.

I am pleased to report an improvement in topline trends in the third quarter, particularly in Europe, that resulted in room nights, gross bookings, and revenue all exceeding the high end of our prior expectations. The revenue outperformance combined with disciplined marketing spend and lower than expected Fixed OpEx growth helped drive adjusted EBITDA that was 9% above the high end of our prior guidance range. We continue to be encouraged by the strength of our underlying business, the health of the travel industry, and the attractiveness of our products.

In the third quarter, our travelers booked just under 300 million room nights across our platforms, an increase of 8% year-over-year. Revenue of \$8 billion grew 9% year-over-year, and adjusted EBITDA of \$3.7 billion increased 12% year-over-year. Finally, adjusted earnings per share grew 16% year-over-year, helped by our strong capital return program, which reduced our average share count by 6% year-over-year.

From a regional perspective, we observed an improvement in our room night growth in Europe in the third quarter, which was the primary driver of the sequential increase in our global room night growth. In Asia, we continue to perform well with another quarter of double-digit growth, and we remain optimistic in our outlook for this region, which I'll discuss in more detail later on the call. In the U.S., we see relatively stable levels of growth in our business so far this year, which we think continues to outpace the broader U.S. accommodation industry.

As we look ahead to the fourth quarter, we expect to continue to see healthy levels of room night growth as demand for travel remains resilient.

Ewout will provide further details on our third quarter results, and our thoughts about the fourth quarter.

I remain confident in the attractive growth profile of the travel industry, our competitive position, and our long-term growth and earnings model. We continue to see progress across several important initiatives, which include growing Alternative Accommodations, advancing our Connected Trip vision, continuing to develop our AI capabilities, and continuing our progress in Asia. These initiatives contribute to our ongoing effort to deliver a better planning, booking, and travel experience for our travelers while also benefiting our supplier partners.

### **Alternative Accommodations**

We remain focused on being a trusted and valuable partner to all of the accommodation properties on our platforms by delivering incremental travel demand and developing products and features to help support these businesses, the majority of which are small independents. For alternative accommodations at Booking.com, we continue to see more properties connecting to our platform with listings at the end of Q3 reaching 7.9 million, up about 10% from last year. The growing number of listings provide more accommodation choices for our travelers, which we believe contributed to strong alternative accommodations room night growth of 14% in Q3.

We believe that we have a differentiated offering because we make all property types, hotels and alternative accommodations, available on our Booking.com platform. We see benefits to this approach; for example, our data shows that a portion of our bookers landing on our platform with an interest in a hotel will instead end up booking an alternative accommodation, and vice-versa. We believe that this shows in many cases travelers are open to comparing hotel and alternative accommodation options when determining the best place to stay for their trip. Our objective is to make sure we continue to provide great choices for our travelers across all property types.

### **Connected Trip Vision**

On the Connected Trip, we continue to take steps toward our long-term vision to make the planning, booking, and travel experience easier, more personal, and more enjoyable, while delivering better value to our travelers and supplier partners. We believe the Connected Trip is strengthened by our growing merchant capabilities, which help bring the different elements of travel together in a more seamless booking experience. In addition, our Genius loyalty program at Booking.com has been expanding outside of accommodations and into our other travel verticals, which helps to deliver more value to our travelers as they book more components of their trips with us and to our partners as they receive incremental bookings.

We continue to see growth in Connected Trip transactions, which means a trip that includes booking more than one travel vertical. These connected transactions increased by over 40% year-over-year in the third quarter and represented a high single digit percentage of Booking.com's total transactions. We believe by making it easier to plan and book multiple elements of a trip on our platform, we are providing a better overall booking experience for our travelers, and we have seen in past experiments that customers who choose to book a connected trip, book more frequently with us and have a higher likelihood of booking directly with us in the future.

Turning to Flights, they are an important component for many of the connected trips that our travelers are booking. In the third quarter, air tickets booked on our platforms increased 39% year-over-year, which was an acceleration from Q2 growth of 28%, and was driven primarily by the growth of Booking.com's flight offering, but we also benefited from strong growth in Agoda's flights business. We continue to see a healthy number of new customers coming to Booking.com through the flight vertical and are encouraged by the number of these customers and returning customers that also see the value of the other services we offer on our platform.

### **AI**

To achieve the easier and more personalized experience of the Connected Trip, we have always intended for AI technology to be at the center of this vision. At each of our Brands, our teams of AI experts continue to draw on their valuable experience as they incorporate AI technology into our platforms. We believe that our proprietary data,

along with our resources and scale, position us well to build compelling and personalized AI-powered offerings for our travelers and partners. This technology will also enable us to drive further efficiency in our own operations. We have significant activity in this area across the company, and I'll briefly discuss just a few of the encouraging efforts that are underway across our Brands.

### *Booking.com*

- Last summer, Booking.com launched its AI Trip Planner, and since the launch, Booking.com has gained valuable insights from its millions of interactions with bookers as well as from the use of the GenAI technology alongside our existing machine learning models. The learnings from the AI Trip Planner are leading to new applications of GenAI technology including a recent launch of a Smart Filter, which makes over 200 potential search filters findable through a free text interface.
- These innovations also extend to the partner facing side of the business at Booking.com. GenAI is being leveraged to help properties write responses to traveler queries, and this tool has led to an increase in response rates to traveler messages. This improves the experience for our travelers and partners. Booking.com is also testing a GenAI powered partner chat bot to help with questions during the onboarding process and accelerate sign ups, starting with a focus on alternative accommodation properties.
- Booking.com is also working to incorporate GenAI into its customer service function to drive increased efficiency and a better experience for travelers. Initial testing shows meaningful improvements in topic detection in Booking.com's customer Help Center as well as customer service agent case summarization. Booking.com is still early in this journey and sees meaningful opportunities in improving customer service and driving greater efficiency by leveraging AI in the future.

### *Priceline*

- At Priceline, travelers have now had over 3 million interactions with its generative AI travel assistant called Penny, this was launched last summer. While Penny was originally positioned at the "end-of-the-funnel" on the checkout page, it is now available across the full booking experience and can address many types of traveler questions including destination discovery, hotel search, and trip support.
- In October, Priceline launched Penny Voice, which enables Penny to engage in verbal conversations with travelers and to assist them with planning trips, searching for hotels, and servicing bookings. As Priceline continues to enhance this offering, we envision that Penny will be able to anticipate needs based on preferences and past interaction and then respond in a real-time voice.
- While there has been great progress in the development of Penny over the last year, Priceline is focused on further enhancing Penny over time by leveraging their valuable learnings so far.

### *Agoda*

- At Agoda, over 120 use cases for GenAI have been implemented across customer service, software development, content generation, product, finance, and HR. Agoda is highly focused on leveraging GenAI to automate product development using both externally and internally developed tools. This is leading to an increase in the share of code written by AI as well as measurable improvements in productivity per developer and development time.

### *KAYAK*

- In March, KAYAK launched its Ask KAYAK travel planning tool, which improves and personalizes the search experience by allowing travelers to use free form text entries to search and refine their results. At the same time, KAYAK also launched PriceCheck, a price comparison tool that allows travelers to upload a

screenshot of a flight itinerary, which KAYAK can then check against many different sites in order to determine if there is a better price available for the traveler.

### *OpenTable*

- At OpenTable, an AI voice bot has been recently integrated into its offering to help participating restaurants answer their phones. Diners can call these restaurants and perform tasks like making a reservation, altering their reservation, asking questions, and noting dietary restrictions, which are then automatically updated into OpenTable's software.
- OpenTable has also partnered with Salesforce's Agentforce Platform to help its customer service agents better serve its restaurants and diners. This platform is now handling restaurant web queries, which is helping agents focus on delivering great service in more complex situations.

It is exciting to see the work happening across our company to integrate GenAI into our platforms and the knowledge sharing that is ongoing between all of our brands. We know we are still in the very early days of GenAI, and we have much more to learn about how consumers will ultimately want to interact with this new technology. But, I remain confident in our company's ability to benefit from AI developments and to improve our products for our customers given our many years of experience in AI, our travel-related data, connections to our supply partners, and our human and financial capital. Over time as we further incorporate this technology, we expect to see benefits in traveler and partner acquisition, retention, and satisfaction. In addition, we expect it to improve operational efficiency, which would contribute to a deceleration of our fixed expense growth in the future.

### **Asia**

Finally, as I mentioned at the start of the call, we continue to be optimistic about our long-term outlook for Asia. We see Asia as strategically important due to its size, growth potential, and our positioning in the region. We estimate that the travel industry growth in Asia will be in the high single digits over the next 5 years, which is the highest market growth rate of our major regions. Our ambition is to continue to grow faster than the overall travel industry in Asia, as we have done through the pandemic recovery.

Over the last 12 months, about 24% of our global room nights were booked by bookers in the Asia region, which is a slightly higher mix than it was prior to the pandemic. Our business in Asia is diversified across the countries in the region with no single country representing more than a low single digit percentage of our global room nights.

The success we have seen in Asia and our solid positioning in the region has been driven by operating two complementary brands, Agoda and Booking.com. Our approach is to utilize both of these brands across the region with an eye on profitable growth for Booking Holdings over the long run.

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In conclusion, I am encouraged by our strong third quarter results and the continued resilience of leisure travel demand. Our teams continue to execute well against our key strategic priorities, which helps position our business well for the long term. We remain confident in the long-term growth of travel and in the many opportunities ahead for our company.

I will now turn the call over to our CFO, Ewout Steenbergen.

### **CFO Prepared Remarks - Ewout Steenbergen, Chief Financial Officer and Executive Vice President**

Thank you Glenn and good afternoon.

I will now review our results for the third quarter and provide our thoughts for the fourth quarter and the full year. All growth rates are on a year-over-year basis. Information regarding reconciliation of Non-GAAP results to GAAP results can be found in our earnings release.

We will be posting a summary earnings presentation as well as our prepared remarks to the Booking Holdings investor relations website after the conclusion of the earnings call.

Now let's move to our third quarter results.

### **Q3 Topline Results**

Our room nights in the third quarter grew 8%, which exceeded the high end of our guidance by three percentage points. The stronger than expected room night growth was driven by an improvement in trends in Europe starting in August, and benefited from the booking window expanding year-over-year in the third quarter, versus our expectation for it to be more similar to 2023.

Looking at our room night growth by region in the third quarter, Europe was up high single digits, Asia was up low double digits, Rest of World was up mid single digits, and the U.S. was up low single digits.

As Glenn noted, we continue to make progress against our strategic priorities including growing alternative accommodations, increasing the mix of our bookings to the direct channel and our mobile apps, enhancing our Genius offering, and driving growth in our other travel verticals as part of our Connected Trip vision.

For our alternative accommodations at Booking.com, our third quarter room night growth was 14%, which continued to outpace the overall business. The global mix of alternative accommodation room nights at Booking.com was 35%, which was up two percentage points from the third quarter of 2023.

We continue to strengthen our direct relationships with our travelers and increase loyalty on our platforms. Over the last four quarters the mix of our total room nights coming to us through the direct channel was in the mid 50% range, and when we exclude our B2B business was in the low 60% range. We have seen both of these mixes continue to increase year-over-year.

Mobile app mix of our total third quarter room nights was in the mid 50% range, which was up from the low 50% range in 2023. We continue to see that the significant majority of bookings received from our mobile apps come through the direct channel.

For our Genius loyalty program, the mix of Booking.com room nights booked by travelers in the higher Genius tiers of Levels 2 and 3 was in the mid 50% range over the last four quarters and this mix continued to increase year-over-year.

In our other travel verticals, we saw airline tickets booked on our platforms in the third quarter increase 39%, driven by the continued growth of flight offerings by Booking.com and Agoda. We also saw rental car days booked on our platforms increase 16% in the third quarter, driven by strong growth at Booking.com. The growth rates for airline tickets and rental car days were both better than our expectation and both accelerated from the second quarter.

Third quarter gross bookings increased 9%, which was approximately one percentage point higher than the 8% room night growth due to about two percentage points from higher flight bookings growth, partially offset by a decrease in constant currency accommodation ADRs of less than 1%. The year-over-year ADR decline was negatively impacted by a higher mix of room nights from Asia. Excluding regional mix, constant currency ADRs were up less than 1% versus 2023.

The increase in gross bookings exceeded the high end of our guidance by five percentage points due to stronger room night growth, plus less pressure from changes in FX, and stronger flight ticket growth.

### **Q3 P&L Results**

Third quarter revenue of \$8 billion grew 9% year-over-year, which also exceeded the high end of our guidance by five percentage points.

Revenue as a percentage of gross bookings was in line with our expectations at 18.4%, and was also in line with the prior year as increased revenues associated with payments were offset by a higher mix of flight bookings. The increased revenues from payments were driven by an increase in our merchant mix which reached 65% of our total gross bookings, up from 56% in the third quarter of 2023.

Marketing expense, which is a highly variable expense line, increased 6% year-over-year. Marketing expense as a percentage of gross bookings was 5.0%, about 15 basis points lower than the third quarter of 2023 due to a higher direct mix and higher performance marketing ROIs, partially offset by increased spend in social media channels.

Third quarter sales and other expenses as a percentage of gross bookings was 2.0%, in line with last year.

Our fixed expenses on an adjusted basis were up 7% year-over-year and were below our expectation due primarily to lower IT expenses, some of which we expect to shift into the fourth quarter, as well as lower G&A expenses.

We continue to be very focused on carefully managing the growth of our fixed expenses. We believe it is important to drive greater operating leverage in our fixed expenses as this creates capacity for disciplined investment across our strategic initiatives, which we believe will help drive stronger topline and earnings growth in the future.

Adjusted EBITDA of \$3.7 billion grew 12% year-over-year and was above our expectation largely driven by the higher revenue and also by the lower-than-expected fixed expenses. Adjusted EBITDA margin of 45.8% in the third quarter was up versus last year by a bit more than one percentage point due to marketing and fixed expense leverage.

Adjusted net income of over \$2.8 billion was up 9%. Adjusted EPS of \$83.89 per share was up 16%, and benefited from a 6% lower average share count than the third quarter of 2023.

On a GAAP basis, net income was \$2.5 billion in the third quarter and was negatively impacted by a \$365 million accrual in G&A expenses related to a potential settlement of certain Italian indirect tax matters, partially offset by a \$250 million reduction to our U.S. repatriation tax liability which lowered income tax expense.

### **Cash & Liquidity**

Now on to our cash and liquidity position. Our third quarter ending cash and investments balance of \$16.3 billion was down versus our second quarter ending balance of \$16.8 billion due to about \$2.0 billion of capital return including share repurchases and dividends, and a pay down of about \$1.1 billion for debt that matured in September, partially offset by about \$2.3 billion in free cash flow generated in the quarter.

### **Q4 2024 Commentary**

Moving to our thoughts for the fourth quarter.

We expect fourth quarter room night growth to be between 6% and 8%, continuing our positive trend from the third quarter.

We expect fourth quarter gross bookings to grow between 7% and 9%, a point ahead of room night growth due to expected higher flight ticket growth. We expect constant currency accommodation ADRs to be approximately flat year-over-year.

We expect fourth quarter revenue growth to be between 7% and 9%.

We expect fourth quarter adjusted EBITDA to be between about \$1.6 billion and \$1.65 billion, representing growth between 9% and 13%. We expect adjusted EBITDA to grow faster than revenue due primarily to marketing leverage as a result of increasing direct mix.

### **Full Year 2024 Commentary**

We are increasing our outlook for the full year driven primarily by the stronger than expected third quarter, which is our seasonally largest revenue and profit quarter.

We expect full year gross bookings to increase about 8%, an improvement from our prior expectation of “faster than 6%.”

We expect full year revenue growth of just below 10% which is better than our prior expectation of “faster than 7%.”

We expect a slightly negative impact from changes in FX on our full year topline growth rates, which compares to our prior expectation for about one percentage point of negative impact.

We expect fixed opex on an adjusted basis to grow around 10%, lower than our prior expectation.

We expect adjusted EBITDA to grow between 13% and 14%, which is better than our prior expectation due to the increased revenue growth and lower fixed opex growth.

We expect adjusted EBITDA margins to expand year-over-year by a bit more than one percentage point.

Finally, we expect our full year adjusted EPS to grow in the high-teens.

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In conclusion, we are pleased with our third quarter results and our outlook for the fourth quarter and the full year. Thank you to all of my colleagues across the company for their hard work, determination, innovation, and teamwork.

With that we will now take your questions. Operator will you please open the lines.

#### **About Booking Holdings Inc.**

Booking Holdings (NASDAQ: BKNG) is the world's leading provider of online travel and related services, provided to consumers and local partners in more than 220 countries and territories through five primary consumer-facing brands: [Booking.com](https://www.booking.com), [Priceline](https://www.priceline.com), [Agoda](https://www.agoda.com), [KAYAK](https://www.kayak.com) and [OpenTable](https://www.opentable.com). The mission of Booking Holdings is to make it easier for everyone to experience the world. For more information, visit [BookingHoldings.com](https://www.BookingHoldings.com) and follow us on X [@BookingHoldings](https://twitter.com/BookingHoldings).

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