

02-May-2024

Booking Holdings, Inc. (BKNG)

Q1 2024 Earnings Call

CORPORATE PARTICIPANTS

Glenn D. Fogel

President, Chief Executive Officer & Director, Booking Holdings, Inc.

Ewout Lucien Steenbergen

Chief Financial Officer & Executive Vice President, Booking Holdings, Inc.

OTHER PARTICIPANTS

Kevin Kopelman

Analyst, TD Cowen

Mark Mahaney

Analyst, Evercore ISI

Justin Post

Analyst, BofA Securities, Inc.

Douglas Anmuth

Analyst, JPMorgan Securities LLC

Brian Nowak

Analyst, Morgan Stanley & Co. LLC

James Lee

Analyst, Mizuho Securities USA LLC

Stephen Ju

Analyst, UBS Securities LLC

Lee Horowitz

Analyst, Deutsche Bank Securities, Inc.

John Colantuoni

Analyst, Jefferies LLC

Ronald Josey

Analyst, Citigroup Global Markets, Inc.

Jed Kelly

Analyst, Oppenheimer & Co., Inc.

Tom White

Analyst, D. A. Davidson & Co.

MANAGEMENT DISCUSSION SECTION

Operator: Welcome to the Booking Holdings First Quarter 2024 Conference Call. Booking Holdings would like to remind everyone that this call may contain forward-looking statements which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

These forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results may differ materially from those expressed, implied and forecasted in any such forward-looking statements. Expressions of future goals or expectations and similar expressions reflecting something other than historical fact are intended to identify forward-looking statements.

For a list of factors that could cause Booking Holdings' actual results to differ materially from those described in the forward-looking statements, please refer to the safe harbor statements at the end of the Booking Holdings earnings press release as well as Booking Holdings' most recent filings with the Securities and Exchange Commission.

Unless required by law, Booking Holdings undertakes no obligation to update publicly any forward-looking statements whether as a result of new information, future events or otherwise. A copy of Booking Holdings' earnings press release together with an accompanying financial and statistical supplement is available in the For Investors section of Booking Holdings' website, www.bookingholdings.com.

And now I'd like to introduce Booking Holdings' speakers for this afternoon, Glenn Fogel and Ewout Steenbergen. Go ahead, gentlemen.

Glenn D. Fogel

President, Chief Executive Officer & Director, Booking Holdings, Inc.

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

I am pleased to report a strong start to 2024. Our travelers booked nearly 300 million room nights across our platforms in the first quarter, which exceeded our expectations and grew 9% year-over-year. First quarter revenue of \$4.4 billion grew 17% year-over-year. And adjusted EBITDA of about \$900 million increased 53% year-over-year. Both revenue and adjusted EBITDA were ahead of our first quarter expectations. Finally, adjusted earnings per share in the first quarter grew 76% year-over-year helped by improved profit levels as well as our strong capital return program which reduced our average share count by 9% versus the first quarter last year.

We continue to see resiliency in global leisure travel demand including healthy growth for travel on the books that's scheduled to take place during our peak summer travel season, although a high percentage of these bookings are cancelable and what is on the books today represents a modest percentage of the expected total summer bookings. As we look ahead to the second quarter, room night growth compared to last year will benefit from the shift in Easter timing. However, we expect that this will be offset by a less expansion of the booking window and an increased impact from the geopolitical situation in the Middle East. We believe this will result in some deceleration in room night growth versus Q1. Ewout will provide further details on our first quarter results and our thoughts about the second quarter.

Over the last few years, we have talked quite a bit about our key strategic priorities which include building towards our Connected Trip vision, expanding our merchant offering at Booking.com, developing our AI capabilities and enhancing our Genius loyalty program. These initiatives may seem to be distinct efforts. But I'd like to emphasize they actually all fit together in our ongoing effort to deliver a much better planning, booking and traveling experience for our travelers while also benefiting our supplier partners.

By creating a much better experience for our travelers and solving more of the challenges they face when planning, booking and experiencing a trip; we believe travelers will choose to book directly and more frequently with us resulting in increased loyalty over time. We see encouraging early proof points at Booking.com as we have grown the number of total active travelers while experiencing higher growth in repeat travelers, which speaks to the progress we are making in encouraging customers to book again with us. In addition, we are seeing increases in the average number of trips booked per traveler as well as an increasing mix of our room nights that are booked directly with us.

On direct mix, we are pleased to see the direct booking channel continues to grow faster than room nights acquired through paid marketing channels. While we see paid marketing channels becoming a gradually smaller proportion of our business over time, we think it's important for us to remain proactive in these channels in order to bring new travelers to our platforms so long as we're able to do so at attractive ROIs.

We believe continuing to improve the experience for our travelers by advancing towards our Connected Trip vision will help to further drive these positive proof points around loyalty, frequency and direct booking behavior. I'm encouraged to see strong growth in transactions that are connected to another booking from a different travel vertical in a trip. These connected transactions increased by just over 50% year-over-year in the first quarter, though it's important to note that this growth is off of last year's small base.

Connected transactions represented a high single digit percentage of Booking.com's total transactions in Q1. It's great to see more of our travelers choosing to book connected transactions. And we believe by providing more value and a better overall experience to those travelers, they may choose to book more trips with us and have a higher likelihood of booking directly with us in the future.

Flights is the most frequently booked vertical in a connected transaction outside of accommodations. And it is an important component of many of the trips our travelers are booking. In the first quarter, air tickets booked on our platforms increased 33% year-over-year driven primarily by the growth of Booking.com's flight offering. We continue to see a healthy number of new customers to Booking.com through the flight vertical and are encouraged by the rate that these customers and returning customers see the value of the other services on our platform.

Winning a traveler's business is never easy because of the high level of competition in our industry. But we are pleased to see that by providing a better way to do it, less friction, better value, a broader selection and great customer service; we are building a customer base that is more likely to choose us.

Outside of flights and accommodations, we are seeing strong growth from rental cars and attraction bookings that are part of a connected transaction. We believe continuing to enhance and expand the attractions vertical has the ability to increase traveler engagement with the app while travelers are in destination and looking for something to do. And we believe that over time, travelers who experience the value we provide for in-destination services like attractions will choose to use us more in the future.

Bringing all these elements of travel together in a seamless booking experience and unlocking the ability to merchandize across verticals is a capability we have been building at Booking.com over the last several years. In addition to being a foundational element to our Connected Trip vision, our merchant offering brings many other benefits to our travelers and partners.

For travelers, we provide the ability to pay in many different payment methods. And we can offer discounts, incentives and other merchandizing opportunities. For our supplier partners, our merchant offering enables us to take fraud liability from our partners as part of the services we provide, reduces cancellation rates versus the agency model. And over time, we believe we can help to lower payment costs for our partners.

In order to achieve the easier and more personalized experience with a connected trip, we have always envisioned AI technology playing a central role. We believe we are well positioned to leverage this technology given we have built strong teams of AI experts and gained valuable experience from using AI extensively for many years. In addition, we have proprietary data that can be used to train specific use case models or finetune large AI models and have the resources and scale required to help build AI-powered offerings.

As we have discussed before, our teams continue to work hard to integrate generative AI into our offerings in innovative ways, including Booking.com's AI Trip Planner, Priceline's AI travel assistant named Penny and KAYAK's recent release of generative AI-powered features and tools. We will continue to learn from traveler interactions with these tools and enhance our offerings over time.

In addition, customer service, which is a critical function that we provide to both our travelers and partners, is an area we believe will be meaningfully enhanced by AI advancements. At each of our OTA brands, our teams are actively exploring ways to leverage generative AI technology to improve self-service tools, which we believe will reduce live agent contact rates and enable us to answer traveler questions faster. When customers still need to speak with a live agent, we believe that this technology will improve our live agents' efficiency by making it easier to access information and document the conversations. In sum, we believe GenAI will lower our customer service costs per transaction over time and improve the customer experience.

Our Genius loyalty program at Booking.com also plays an increasingly important role in the multiple elements of travel that we offer as we expect our travelers will be able to experience the benefits of Genius in each of our travel verticals over time. In addition, bookings in travel verticals outside of accommodations will contribute to a traveler's Genius level tier. We have seen an encouraging number of our rental car supplier partners choosing to adopt the Genius program. And we have just begun to test the program in flights and attractions.

We are seeing success in moving more of our travelers into the higher Genius tiers of Level 2 and Level 3, which require 5 and 15 bookings in a two-year period, respectively. We see encouraging behavior from our Genius Level 2 and 3 travelers including higher frequency and a higher rate of direct booking than what we see for our overall business. We will continue to explore opportunities to enhance our Genius loyalty program and deliver more benefits to our travelers with more of our supplier partners electing to participate.

While we have mostly been discussing are about our traveler customers, we operate a two-sided marketplace and our supplier partners are equally important to us. The success of our business is built on a mutually beneficial and balanced partnership with our millions of hotels, alternative accommodations and other supplier partners around the world. We strive to be a trusted and valuable partner for all accommodation types on our platform, the majority of which are small independent businesses.

We believe that improving the competitiveness and profitability of our smaller partners contributes to the long-term economic health of our sector. And we continue to onboard more small independent businesses through our alternative accommodation offering at Booking.com. And we are benefiting from having more listings available on our platform for travelers to choose from. At the end of Q1, our global alternative accommodation listings were about 7.4 million, which is about 11% higher than Q1 last year. We are focused on continuing to build on this progress by further improving the product for our supply partners and travelers particularly in the US.

In conclusion, I am encouraged by the strong first quarter results and the continued long-term resilience of leisure travel demand. We continue our work to deliver a better offering and experience for our supply partners and our travelers. We remain confident in our long-term outlook for the travel industry. We are positive about our future and we believe we are well positioned to deliver attractive growth across our key metrics in the coming years.

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

Ewout Lucien Steenbergen

Chief Financial Officer & Executive Vice President, Booking Holdings, Inc.

Thank you, Glenn, and good afternoon. I'm very excited to join the Booking Holdings team. I look forward to continuing to work with you and David in his new role and the rest of the leadership team to help drive continued future success for our investors, employees, traveler customers and supplier partners.

I will now review our results for the first quarter and provide our thoughts for the second quarter. All growth rates are on a year-over-year basis. Information regarding reconciliation of non-GAAP results to GAAP results can be found on our earnings release. We'll post our prepared remarks to the Booking Holdings Investor Relations website after the conclusion of the earnings call.

Now let's move to the first quarter results. Our room nights in the first quarter grew 9%, which exceeded the high end of our guidance by about 3 percentage points. The higher than expected room night growth was driven by a continued expansion of the booking window as well as healthy underlying demand with better than expected performance in Europe and less of a negative impact from the war in the Middle East than expected. Looking at our room night growth by region. In the first quarter, Asia was up mid-teens. Europe and the rest of the world were up high single digits and US was up low single digits.

We're encouraged by the continued progress we are making in strengthening the direct relationships with our travelers. 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 these mixes increase year-over-year in each of those four quarters. We're focused on continuing to increase our direct mix going forward, which we believe will benefit from our efforts to improve the experience for our travelers including building towards our Connected Trip vision.

Increasing our direct mix benefits our P&L by driving higher efficiency of our marketing spend as a percentage of gross bookings while reducing the mix of bookings we source through paid marketing channels. In our mobile apps, the significant majority of bookings we receive are direct. And we continue to see favorable repeat direct booking behavior from consumers in our mobile apps when compared to direct bookings on desktop or mobile web. The mobile apps also allow us more opportunities to engage directly with consumers. In the first quarter, mobile app mix of about 51% was 5 percentage points higher than the first quarter of 2023.

We continue to offer our travelers a broad selection of places to stay and are seeing an increasing mix of our room nights being booked in alternative accommodation properties. For our alternative accommodations at

Booking.com, our first quarter room night growth was 13%. And the global mix of alternative accommodation room nights was 36%, which was up versus 33% in the first quarter of 2023.

Outside of accommodations, we saw airline tickets booked on our platforms in the first quarter increase 33% driven by the continued growth of Booking.com's flight offering. First quarter gross bookings increased 10%, which exceeded our expectations. The 10% increase in gross bookings was approximately 2 percentage points higher than the 9% room night growth on an unrounded basis due to about 1% higher accommodation ADRs plus about 1 point of positive impact from flight bookings. There was an immaterial impact from changes in FX on our gross bookings growth rate.

Our ADR growth was negatively impacted by regional mix due to higher mix of room nights from Asia. Excluding regional mix, ADRs were up about 2 percentage points. Similar to comments we have made in the past, we have not seen a change in the mix of hotel star rating levels being booked or changes in the length of stay that could indicate the consumers are trading down. We continue to watch these dynamics closely.

Revenue for the first quarter of \$4.4 billion also exceeded our expectations, increasing 17% year-over-year. Revenue as a percentage of gross bookings was 10.1% and improved versus the first quarter of 2023 due mostly to the Easter timing shift as well as the easier year-on-year take rate compare due to changes in the booking window last year as mentioned on our first quarter 2023 earnings call.

Marketing expense, which is a highly variable expense line, increased 6% year-over-year. Marketing expense as a percentage of gross bookings was 3.7%, about 15 basis points lower than the first quarter of 2023 due to higher ROIs in our paid channels and a higher mix of direct business. Performance marketing ROIs increased year-over-year helped by our ongoing efforts to improve the efficiency of our marketing spend.

First quarter sales and other expense as a percentage of gross bookings was 1.6%, about 20 basis points higher than last year due in large part to a higher merchant mix. Our more fixed expenses on an adjusted basis were up 11%, which was below our expectation due primarily to lower G&A expense. We recognize that this fixed expense growth is elevated as we invest in the business but are fully focused on driving operating leverage from our more fixed expenses and targeting a much lower OpEx growth level in 2025.

Adjusted EBITDA of approximately \$900 million was above our expectations largely driven by stronger than expected bookings as well as better than expected marketing efficiency. Adjusted EBITDA was up 53% including about 20 percentage points of benefit from the shift in Easter timing. Note that we expect the first quarter will be our seasonally lowest EBITDA quarter for the year.

Adjusted net income of over \$700 million resulted in adjusted EPS of \$20.39 per share, which was up 76%. Our average share count in the first quarter was 9% below the first quarter of 2023. On a GAAP basis, we had net income of \$776 million in the quarter.

Now onto our cash and liquidity position. Our first quarter ending cash and investments balance of \$16.4 billion was up versus our fourth quarter ending balance of \$13.1 billion due to the \$3 billion debt issuance in the first quarter and \$2.6 billion in free cash flow generated in the first quarter. This was partially offset by the \$1.9 billion in capital return including share repurchases and the dividend we initiated in the quarter as well as \$315 million in additional share repurchases to satisfy employee withholding tax obligations.

Now onto our thoughts for the second quarter. We expect second quarter room night growth to be between 4% and 6%, a deceleration from the first quarter as the first quarter benefited more from the year-over-year expansion

of the booking window. We expect the booking window to be closer to the prior year in the second quarter. Additionally, the impact from the ongoing war in the Middle East was less negative than we expected in the first quarter. However, we expect a more negative impact in the second quarter given the geopolitical situation in April.

April room night growth rate was above the high end of that range and benefited by a couple of points from Easter being in March this year versus April last year. Adjusting for Easter, April room night growth was about in line with the high end of that range. We expect second quarter gross bookings growth to be between 3% and 5%, slightly below room night growth due to about 3 points of negative impact from changes in FX offset by about 1% higher constant currency accommodation ADRs plus about 1 point of positive impact from flight bookings.

We expect second quarter revenue growth to be between 4% and 6% and for revenue growth to be impacted by about 2 points of negative impact from changes in FX. Adjusted for the changes in FX, we expect second quarter revenue growth to be in line with second quarter gross bookings growth as the negative impact from the shift in Easter timing is offset by increasing revenues associated with payments.

We expect marketing to be a source of slight deleverage in the quarter. But if you adjust for Easter timing, we expect marketing as a percentage of revenue to be neutral year-over-year. We expect our sales and other expenses to grow faster than revenue in the second quarter driven by a higher merchant mix. We expect our more fixed OpEx to grow faster than revenue in the second quarter due primarily to faster IT expense growth as we have been investing in new tech platforms and in line with the full year guidance we provided last quarter.

We expect second quarter adjusted EBITDA to be between about \$1.7 billion and \$1.75 billion, down low single digits year-over-year due to about 7 points of pressure from the shift in Easter timing and about 2 points of negative impact on growth from changes in FX. Normalizing for Easter timing and changes in FX, our expectation for second quarter adjusted EBITDA would be for mid- to high single digit growth.

In closing, we're pleased with our first quarter results and the healthy leisure demand environment we are seeing. In terms of our outlook for the full year, we're not updating our previous full year commentary at this time. We want to see how the next few months develop before considering any updated commentary. We continue to expect 2024 to be a strong year for the company.

Lastly, I would like to thank all my new colleagues across the company for their hard work and dedication to make these strong first quarter results possible. And thank you for your continued commitment towards our shared vision of making it easier for everyone to experience the world.

We'll now move to Q&A. And Kathleen, will you please open the lines?

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] Your first question comes from the line of Kevin Kopelman of TD Cowen. Please go ahead.

Kevin Kopelman

Analyst, TD Cowen

Q

Great. Thanks a lot. So a quick one on the guidance. Can you talk about what changed in terms of the shape of the year that you're seeing versus what you expected on the February call and walk us through the changing booking window trends that you're seeing? And then if you could comment on whether it's giving you any concern about the back half or you see it as more of a neutral change. Thanks.

Ewout Lucien Steenbergen

Chief Financial Officer & Executive Vice President, Booking Holdings, Inc.

A

Yes. Good afternoon, Kevin. This is Ewout. If you think about the second quarter guidance that we have provided to you, I think a couple of elements that you have to take in consideration. One is we are expecting a less expanded booking window in the second quarter than we have seen in the first quarter. So there has been a little bit of a pull forward of room nights from the second quarter into our first quarter results. We are expecting more of an impact from the Middle East from what we have seen so far. But in the opposite direction is that Easter is a slight benefit for the second quarter.

There is a little bit of noise, so to say, in the results quarter-by-quarter particularly from Easter and the booking window. But if you look at the combined first half year results that we are expecting, so the actuals in the first quarter and the guidance for the second quarter; we believe that the results are really strong and very consistent with the full year guidance that we have provided. In terms of the comps that you're referring; actually, first quarter and second quarter comps are a bit tougher for us. And to the second half of the year, the comps will become easier. So that is actually going to be a benefit during the course of 2024.

Kevin Kopelman

Analyst, TD Cowen

Q

Excellent. Thank you very much.

Ewout Lucien Steenbergen

Chief Financial Officer & Executive Vice President, Booking Holdings, Inc.

A

Thank you.

Operator: Your next question comes from the line of Mark Mahaney of Evercore. Please go ahead.

Mark Mahaney

Analyst, Evercore ISI

Q

Could I try two questions, please? First, why do you think the ROI is higher in paid marketing channels? Is that just efficiencies you found or you find that overall performance marketing channels, platforms that are out there are just providing a better return on ad spend to their customers in general? And then secondly, could you quantify at all what percentage of total transactions now are connected? Thank you very much.

Glenn D. Fogel

President, Chief Executive Officer & Director, Booking Holdings, Inc.

A

So why don't I say the first part, Mark, and I'll let Ewout talk a little bit about what I think we gave away. A very generic term. I'll let him repeat it.

So we are pleased with what we're doing with our marketing programs all around, everything. And you know, Mark, we've talked about this for many, many years. We view this all holistically. We're always looking for what is the best use of the money, what's the best way to put it to work. And when we find things that work, we put more into it. And when we find things that actually are not incremental and are actually duplicative, we pull it out and say let's not spend the money there. And that's really what we've been doing.

And I'm not going to get into specific things because obviously it's a competitive advantage to have these things that are better. But I definitely love the fact that we are producing some very nice ROIs on our marketing programs. And it's really a lot of hard work by a lot of people. So I'm going to send a shoutout to them because I know they've done some really good work. And Ewout, do you want to give a – repeat what we've already said once? But go ahead.

Ewout Lucien Steenbergen

Chief Financial Officer & Executive Vice President, Booking Holdings, Inc.

A

Sure. Mark, so the percentage of connected trip as a mix of total transactions at this moment is high single digits and that is growing very rapidly. I think the way we look at it is really in combination with multiple other elements. We're seeing that we're delivering more value for our customers. Therefore, we see higher loyalty, customers moving up to higher levels of Genius, more repeat customers coming to us. We can provide them more benefits over time. They're buying more from multiple verticals. And therefore, the connected trip is growing as well.

So this is really a flying wheel that we are having here. And we're seeing all of these metrics moving in the right direction and they're all interrelated. So we're actually really encouraged by the total pattern of what we are seeing in terms of the added value we deliver to the customer and how it is being recognized by those travelers.

Mark Mahaney

Analyst, Evercore ISI

Q

Thank you, Ewout. And thank you, Glenn.

Glenn D. Fogel

President, Chief Executive Officer & Director, Booking Holdings, Inc.

A

Thanks, Mark.

Operator: Your next question comes from the line of Justin Post from Bank of America. Please go ahead.

Justin Post

Analyst, BofA Securities, Inc.

Q

Great. Thank you. I was wondering if you can give us any update of your regional mix. We get that question all the time and just how it's changed. Any regions growing faster than others at this point and how it's changed maybe since pre-pandemic. And then second, the Digital Services Act in Europe has taken hold. And just wondering if you're seeing any changes in performance marketing channels around that or any disruptions or any opportunities. Thank you.

Glenn D. Fogel

President, Chief Executive Officer & Director, Booking Holdings, Inc.

A

Thanks, Justin. I kind of missed the second part. Let me start with the first part and I'll let Ewout pick it up on the others. So regional mix. And one of the things that we've been talking about for some years because of the pandemic. The issue has been depending on when the pandemic was in its worst parts and then people coming out of it definitely impacted how we're doing different regional ways.

So as we talked in the calls last year, we talked about how Asia had been behind in coming out. But of course, we're getting a good comp because they were farther behind. And now we're still benefiting somewhat from that. The US, if you recall, came out first. So of course, we had a harder comp, so to speak, when we're looking at last year. But one of the things I've said though in terms of regional mix, one of the things is you know we are very strong in Europe. You also know that I have prioritized that we should be better in the US. And that is something that we have been spending money, time, energy. And I am really pleased and I've mentioned a couple of times in our previous calls how well we have performed in the US going back to pre-pandemic numbers. And it's just wonderful to see that the effort that we have put to work is actually producing results.

We are going to continue to put priority in the US. I've said that. And one of the areas where I think we've done extremely well is in our alternative accommodations. As you know, we have a very strong alternative accommodation on a global basis. But I have also talked in the past about us being a little bit further behind in the US in alternative accommodations particularly in types of properties that I think will be helpful in the US. And we are making good progress and we're improving the product. And it's giving you a reason that people have supply, the people own the homes that are willing to come now and put them onto our platform too. And then you've seen some of our marketing where we've been mentioning more about the alternative accommodations. All those things together are the reason I believe we have a great opportunity to continue to increase our share in the US. And it's something that I'm looking forward to. Ewout, I'll let you pick the rest. I didn't catch the second part.

Ewout Lucien Steenbergen

Chief Financial Officer & Executive Vice President, Booking Holdings, Inc.

A

Yeah. And quickly, to give a couple of numbers around the regional mix. Europe, high single digit growth in the first quarter. That was above our expectations. And very important that we see even Europe continue to do better than our own internal expectations. Asia, mid-teens growth, particularly very strong China, Japan, Korea, India and Indonesia. And then US, low single digit growth as Glenn already mentioned. But we believe that we have done better than the market in the first quarter with our US growth and are on a great trajectory and have many additional opportunities to grow faster in the future in the US.

With respect to your second question regarding the DMA changes, actually, if you look at the higher ROIs for our paid channels and the marketing leverage that we're seeing in the first quarter, that is all coming from our own actions from the improvements we're making, the continuous optimization of our paid marketing approach as well as the growth of direct channels. We don't see really an impact from the Google DMA changes and I will say that is more neutral for us as a total effect.

Justin Post

Analyst, BofA Securities, Inc.

Q

Thank you. Very helpful.

Glenn D. Fogel

President, Chief Executive Officer & Director, Booking Holdings, Inc.

A

Thanks, Justin.

Operator: Your next question comes from the line of Doug Anmuth of JPMorgan. Please go ahead.

Douglas Anmuth

Analyst, JPMorgan Securities LLC

Q

Thanks for taking the questions. Glenn, just hoping you could perhaps quantify anything on Genius frequency or bookings versus non-members. And maybe you can just help us understand what you see in the path of customers as they move into upper Genius loyalty tiers. And then Ewout, just a follow-up on your US comments from a few minutes ago, the low single digit room night growth above market. Is there anything to point to in that region in particular relative to the faster growth you've seen elsewhere? Thanks.

Glenn D. Fogel

President, Chief Executive Officer & Director, Booking Holdings, Inc.

A

Hi, Doug. We don't give away numbers in our Genius membership. We don't talk about how many are in different tiers. I can say though how pleased I am and how the whole program continues to grow. And that's why we are continuing to expand it as I mentioned in my prepared remarks about we're now testing additional verticals, flights and attractions. The idea is to give more value to the traveler. But it also provides a great opportunity for our supplier partners to get incremental demand when they need it. It's really a symbiotic relationship here. We're working together with our partners to both increase the value of our business but also increase the value of their business.

Genius is not something somebody has to do. A partner decides to participate and decides how they want to participate because they believe they are actually getting true value out of that. And we're going to continue to experiment with it in terms of different ways. And sometimes we'll even put value in ourselves to make sure that we are providing the best alternative for any traveler. They should come to us and then they start to come back. And we talked about that in my prepared remarks and Ewout just mentioned it too.

As people get more value, as they get more benefit, they see the reason to come back. And then they come back not only again and again more frequently, but it's the coming back direct. And that's the great thing. And I see this as another reason that – I love Ewout using the term – I think he said fly wheeling. I use flywheel, but it's the same thing. It's the idea that giving more value will get people to come back more often. And that is something I see great opportunity for us. And I'll let Ewout talk a little bit about the low single digit for the US, any more comments he wants to make on that.

Ewout Lucien Steenbergen

Chief Financial Officer & Executive Vice President, Booking Holdings, Inc.

A

A couple of additional insights around the US. So what we like particularly is the sequential improvement from the fourth quarter in terms of our growth. Particularly within the growth, we saw the highest growth for alternative accommodations, which is really encouraging. If you look at US bookers, more international growth than domestic growth. And then again, we really very much believe that US is for us a growth market opportunity. It's fantastic with the scale that we have already today with all the strategic expansions we're doing in multiple verticals and going more direct to connected trips, generative AI and many of the other strategic initiatives that we're having that we are actually having an opportunity to expand our position over the next few years in the US.

Douglas Anmuth

Analyst, JPMorgan Securities LLC

Q

Great. Thank you, both.

Glenn D. Fogel

President, Chief Executive Officer & Director, Booking Holdings, Inc.

A

Thanks, Doug.

Operator: Your next question come from the line of James Lee from Mizuho Securities. Sorry. Your next question comes from the line of Brian Nowak from Morgan Stanley.

Brian Nowak

Analyst, Morgan Stanley & Co. LLC

Q

Great. Thanks for taking my question. Maybe to come back to the last discussion you were just having about the US. Over the last 10 years or so, you've had a lot of strategies in the US between branded, spending, paid search spending, the merchant product and now AI. I guess maybe for either of you, as you think about the next couple of years; what do you think the largest unlock will be to differentiate yourself to drive continued outsized growth within the online travel category in the US?

Glenn D. Fogel

President, Chief Executive Officer & Director, Booking Holdings, Inc.

A

Hi, Brian. Couple of interesting things about that question. It's interesting when you said online, you kind of limited it to online. I just had the benefit of looking at a research report by an industry report that talked about how much business there is that's not online yet. And seeing that, I was thinking, wow, this is still a tremendous opportunity for us. I'm speaking specifically about US.

But directly to your question. So you're right. We've been doing a lot of things. And obviously, they all have worked out fairly well given the numbers, the share that we have increased over the time and again going to pre-pandemic. And I love the way we're doing, the way it keeps going. And we're going to continue to grind it out. And I've talked about – I've used that word a number of times in previous calls of how we're grinding it out, just doing incremental changes that are getting us a little bit more and it continues to grow on itself.

But I think your question more is is there going to be something down the road that is going to be transformational instead of just incremental. And I believe that is possible. I believe the things that we are doing with AI, the things that we can do with technology and the way we can do it so that really is different. And I think I hear in your question a little bit of is there enough differentiation between us and our competitors. And I believe over time, we will be doing that. And I believe the things that we can build will make it different.

And I talked about the frustration that travelers have nowadays. Even though it's become so much better than it used to be, it's still not good enough. And I believe the use of AI, particularly GenAI, and when I'm seeing down through, I'm seeing testing and things that are being done. I believe that over the next few years, it will become much better because of these technological advancements. Our job is to make sure we get it out fast and we are able to provide it to both sides of the marketplace, to our supplier partners and our travelers, such that they see the value and they continue to come back. And then we begin – and I love it. I'm going to be using fly wheeling from now on. Thank you.

Brian Nowak

Analyst, Morgan Stanley & Co. LLC

Q

Thanks, Glenn.

Operator: Your next question comes from the line of James Lee of Mizuho Securities. Please go ahead.

James Lee

Analyst, Mizuho Securities USA LLC

Q

Thanks for taking my questions. Two over here. Can you guys comment about ADR by region and what you're seeing among different markets that you're operating? And also can you update us on ADR expectation for 2024, maybe any changes on your prior expectation? I guess, lastly, any trend that you see in terms of summer travel season, I guess especially in Europe. How does that compare to last year? Thanks.

Ewout Lucien Steenbergen

Chief Financial Officer & Executive Vice President, Booking Holdings, Inc.

A

ADRs by regions, James. In the first quarter, what we have seen is ADRs were up in Europe and were flat in North America and in Asia. So therefore, on a constant currency basis, 1% overall growth in ADRs as we have reported today.

Glenn D. Fogel

President, Chief Executive Officer & Director, Booking Holdings, Inc.

A

And in terms of summer, as I said earlier, I said that we have a healthy growth for travel on the books that's scheduled to take place during the peak summer. And that's where we're feeling that – why I'm feeling pleased about the summer. I'm not going to quantify it though.

James Lee

Analyst, Mizuho Securities USA LLC

Q

Okay. Thank you.

Ewout Lucien Steenbergen

Chief Financial Officer & Executive Vice President, Booking Holdings, Inc.

A

Thank you.

Operator: Your next question comes from the line of Stephen Ju of UBS. Please go ahead.

Stephen Ju

Analyst, UBS Securities LLC

Q

Hi, Glenn, and thank you. So just wondering if there is anything you can share about how the folks who have access to Trip Planner might be behaving. Seems like there is a lot of potential application here because if they're doing research, then there is top of funnel implications. And then you can theoretically recommend other pieces of the trip as well. So this could theoretically drive greater connected trip activity. So just wondering – this has been out for a little less than a year. So I'm just wondering what you guys are seeing so far. Thanks.

Glenn D. Fogel

President, Chief Executive Officer & Director, Booking Holdings, Inc.

A

Yeah. So it's low numbers of people who are using it and such. And we're continuing to develop and learn all the time, the interactions and seeing how people are using it. So it's a very small number of people compared to the

number of people who use our services. But we are continuing to advance it. And I agree with you. This has tremendous potential down the road. And I think a lot of people believe that too.

In fact, it's very hard to read any article about generative AI and not have in the first paragraph the use case of travel. It's always right there because we all see how complex, the number of permutations, trying to understand what is the best way to do it. And using GenAI to simplify it, it's really something that I believe will make a huge difference, albeit it's going to take time. We're not going to see tremendous changes over the next couple of quarters.

But I do believe over time, this will create a much better way for people to do their planning, their booking, executing and helping them when they are in-destination, which is a really important thing because nobody goes on travel so they can sit in the hotel. They want to do stuff and we want to be able to provide that to them too. And bringing, as I said, about all the elements we've talked about, all the initiatives into one holistic system that enables it to be a better experience for our traveler customers, I believe that just has tremendous opportunity for us.

Stephen Ju

Analyst, UBS Securities LLC

Thank you.

Q

Operator: Your next question comes from the line of Lee Horowitz of Deutsche Bank. Please go ahead.

Lee Horowitz

Analyst, Deutsche Bank Securities, Inc.

Great. Two, if I could. Ewout, there remains a robust debate on what the structural growth algorithm is for online travel at this point. I guess in your early experience at Booking, what strikes you as perhaps the most compelling areas that you could put a dollar of investment to work in order to drive faster revenue growth for longer and that maybe comes in above investor expectations?

And then maybe one on fixed OpEx. Obviously, your fixed OpEx base is up materially relative to 2019 particularly when you compare it to bookings growth relative to 2019. I guess maybe what has shifted in the business that has perhaps made it a bit more capital intensive at this point or necessitating greater head count to accomplish the goals that you guys want? Thanks so much.

Ewout Lucien Steenbergen

Chief Financial Officer & Executive Vice President, Booking Holdings, Inc.

Thanks, Lee. So first, your question about structural growth. So I am really super positive about the outlook for the company. Why? This is, of course, a phenomenal company, super high quality, very successful and I very much believe that will be able to grow in the future faster than GDP. Shift of offline to online bookings. I think overall also consumers that will spend more on experiences than on material goods. And then a number of areas that I believe actually in my view, now being six, seven weeks here in the position, that are really underestimated for the company.

So first, let me talk about direct. I think this is a company now that is completely – has a complete gamechanger with respect to the share of direct. We're not only dependent on paid channels anymore. And that it is now in the low 60% range for the B2C business is really important. And we are keeping those customers with us. And we

A

have talked about it now before in previous questions of really adding more value and more of those travelers coming back to the app, booking direct to us and the benefit we are having with that.

The other is the opportunity we have with respect to alternative accommodations. I think, again, this is completely not well understood and underestimated. We are actually in terms of size two-thirds of the largest player in this space. And we are growing faster in most of the last eight quarters. And we still have a lot of opportunity to further develop our offering. But the fact that we are combining traditional accommodations and alternative accommodations on a platform and having travelers really being able to go from one to the other. Sometimes they go in and want to book one type of accommodation and they end up booking a completely different type of accommodation.

And then last is GenAI. Glenn was just commenting on this. I have to say I think the strategic benefit we have in terms of our capital investments we can make as well as the quality of the data – because in generative AI, it's not so much about the language models. The data that go into the language models is strategically probably the biggest differentiator. And we have really advantage with respect to the data because of all the different ways that we touch travelers and partners and other stakeholders in the travel industry. So therefore, I'm really very positive and optimistic about the structural growth opportunities for the company over the next couple of years.

Quickly about fixed OpEx. I think that has to do with a couple of strategic expansions that the company has done, multiple verticals, moving in payments – but that is actually linked to your previous question – that will help drive future growth for the company. So that's actually a good thing. But as we have said, we're targeting to lower the growth of fixed OpEx from 2025 onwards. And you will see more operating leverage from that over the next few years. So this year, we'll still have some end finalization of some of the investments, for example, about some of the tech platforms. But then from next year, you will see more operating leverage coming in from all of those investments we have been making.

Lee Horowitz

Analyst, Deutsche Bank Securities, Inc.

Helpful perspective. Thank you.



Ewout Lucien Steenbergen

Chief Financial Officer & Executive Vice President, Booking Holdings, Inc.

Thanks, Lee.



Operator: Your next question comes from the line of John Colantuoni from Jefferies. Please go ahead.

John Colantuoni

Analyst, Jefferies LLC

Great. Thanks for taking my questions. Just wanted to ask about underlying room night trends. Just talk about in the first quarter the size of some of the transitory impacts that you called out like Easter shift, the geopolitical disruption and the booking window and how that shakes out to how you think about underlying trends in the business.



And second, on the attractions offering. Can you talk about the investments that you've made so far and how your supply is today versus where you need it to be over time to open up the full potential of that opportunity? And our understanding is that attractions are often booked closer to the trip date, which requires getting the traveler back

to the app. Talk about how you're looking to drive a solution to that dynamic and how the connected trip offering could help drive that behavior over time. Thanks.

Ewout Lucien Steenbergen

Chief Financial Officer & Executive Vice President, Booking Holdings, Inc.

A

John, with respect to your first question, room nights dynamics in the first quarter. So positives here compared to our original guidance for the first quarter were the fact that the booking window was expanding and that we're able to pull some room night bookings from the second quarter into the first quarter. Healthy demand in Europe and Europe was stronger than we anticipated, as we mentioned before, and less of an impact from the Middle East. And you saw, excluding the Middle East impact, actually, the result was exactly the same. So there was no material impact from the Middle East. Easter was a negative, a small negative. But that was, of course, anticipated in the guidance that we provided before.

Glenn D. Fogel

President, Chief Executive Officer & Director, Booking Holdings, Inc.

A

So on attractions and it's a good question to ask because we haven't talked about it a lot in the past. Attractions is mostly supplied through third parties. So we have arrangements with companies like Viator or Klook or Musement and we get the supply that way. In addition – and we don't talk about this much at all either. We also have FareHarbor, which if you may recall, we acquired that. Think of it as sort of the OpenTable for small and medium-sized attractions because there's a good loop into those attractions.

We have priorities though. We can be anything, but we can't be everything. And we definitely can't be everything all at once. So the priorities have been get the flight stuff up, get that one. It's the biggest thing. Get that going well first. And then we have making sure that we have the ground transportation, make sure all that stuff is. Now our people in attractions, they also want to have a lot of emphasis too. And they are doing a great job building it out and we've talked a little bit about that. And that's going to come in as part of the overall connected trip because as you point out, people don't generally book their attractions far, far in advance. In fact, a lot of them want to book it when they're actually in-destination.

And that's why I love the fact of the increased amount of use of our app because that's like having your travel agent in your pocket. And we're able to send them great offers and great ideas and they go right to it and check something out. Every time they get something better. And that's why we're bringing that into our Genius program. For people who have an attraction business and want to get that incremental demand, we can push something to a customer who is in-destination and give them something that will bring them to that particular supplier. All over, it's a tremendous opportunity down the road. We have yet to even really scratch the possibilities with that. And that's just another reason why I see just tremendous opportunity for us as we continue to roll on.

John Colantuoni

Analyst, Jefferies LLC

Q

Thanks so much.

Operator: Your next question comes from the line of Ron Josey from Citi. Please go ahead.

Ronald Josey

Analyst, Citigroup Global Markets, Inc.

Q

Great. Thanks for taking the question. I wanted to ask maybe a follow-up on alternative accommodations here just given how much faster overall room nights are growing. And Ewout, you talked a little bit about this as well as

Glenn. But I wanted to hear more about the supply side, the 7.4 million properties on the site. Are these higher quality than maybe what you've seen in the past? Are they differentiated from other platforms given that better available out there?

And Ewout, you made a good mention earlier just that with Booking offering both alternative accommodations and traditional, that that's an advantage. I'd love to hear your thoughts or what you're seeing from a consumer perspective, those that book both and then the mix between that going forward, between those two bookings. Thank you.

Ewout Lucien Steenbergen

Chief Financial Officer & Executive Vice President, Booking Holdings, Inc.

A

So let me first take the second part of the question in terms of alternative and traditional accommodations. We're actually not so much separating in our thinking one versus the other because we believe that our unique proposition is that we put in both in the same way on our platforms because it is an artificial separation as we are seeing many consumers are looking for both.

They want to look at different alternatives. They want to compare. And often, if they start to look for a traditional hotel, they maybe end up with an apartment they want to rent as an alternative accommodation or the other way around. So actually, the way we look at is we think it's actually really strong to bring all of these propositions together and have really a combined offering to our traveler customers.

Glenn D. Fogel

President, Chief Executive Officer & Director, Booking Holdings, Inc.

A

In terms of quality. And I'd like to think that the inventory we have is high quality. Obviously, it comes at different price points. There's a complete range. And you may not be surprised that lower price things may not be as luxurious as the higher price things. But I think we cover the gamut. But we don't have enough of certain types in certain areas and I've talked about this before.

We're entering close to the summer and I live in the New York metropolitan area. I'm looking do we have enough of these high end homes in the Hamptons. I don't think we do. And then I look at some of our competitors, I see more. I look at that as opportunity for us though because we're doing so well. Yet we don't have all the different types of accommodations in the quantity that I want to have it at. It's great that we are as big as we are. But I absolutely see no reason we shouldn't be significantly bigger throughout every geographical area.

Our base was Europe. So we are very, very competitive. We have great inventory, all types there. But I've talked about the US and that's an area we continue to do more work. And I mentioned earlier I see us making great progress there.

Ronald Josey

Analyst, Citigroup Global Markets, Inc.

Q

Thank you, Ewout. Thank you, Glenn.

Ewout Lucien Steenbergen

Chief Financial Officer & Executive Vice President, Booking Holdings, Inc.

A

Thank you.

Operator: Your next question comes from the line of Jed Kelly of Oppenheimer. Please go ahead.

Jed Kelly*Analyst, Oppenheimer & Co., Inc.*

Q

Hey, great. Thanks for taking my question. Just following up on that last point, Glenn. How do you think about getting more of that single-unit inventory? Is it connecting more with property managers, the PMS systems? And then my second question is just how should we view the big events in Europe this year, this summer in travel, particularly around the Olympics impacting demand or how people will travel? Thanks.

Glenn D. Fogel*President, Chief Executive Officer & Director, Booking Holdings, Inc.*

A

So yes. And we definitely have – you're not surprised the fact that it's easier to get more inventory when you go to some of the managers who have significant number of the inventory you're looking for. And those multi-property managers are the place where we definitely have spent more emphasis. And we have not until very recently really spent a lot of time trying to do it in the low – trying to go for individuals and trying to bring them in too.

There's no doubt though. Over time, we have to make sure to make an effort to everybody. And that means making sure that we are providing a platform that a supplier really likes to use. And I saw something recently just to give you an example. Turns out that until fairly recently, it was hard for some of our big managers to be able to reconcile the payments with individual properties and we improved that significantly recently. And that's a reason – so it's okay, now I'll do that.

And I can go through a whole bunch of different individual things that while by themselves may not be so big. As a whole, they end up saying, yeah, I will now be more than happy to get incremental demand from Booking.com because I find it easy and helpful. If somebody is in the maid business to make money, you definitely never want to have your property empty. That's zero revenue you're never going to get back. That inventory expires. So that's why people are always looking to try and get more demand. Now as long as we provide them with demand and we provide them with a platform that they find easy to use and helpful, they will come to us.

Now in regards to the summer and things like Paris and the Olympics and stuff like that. It's always a mystery what's going to happen with the Olympics. I've been here now 24 years. So I've been through a whole bunch of Olympics and thought it was going to be – this is what's going to happen and then something else happens. Here's the big point. Let's not concentrate too much on one individual event that lasts for a couple of weeks. I continue to say the important way to view the value of this company is the long run. What have we done? What have we done over the last 24 years here? Continue to increase the value, bring in more customers and more supply we continue to produce more cash flow for our investors. And that's the way we've done it in the past so what did we do in the past. And how the Paris Olympics go, I can guess. But my guess is as good as yours. And I don't think that's something that I'd spend a lot of time worrying about.

Jed Kelly*Analyst, Oppenheimer & Co., Inc.*

Q

Thank you.

Ewout Lucien Steenbergen*Chief Financial Officer & Executive Vice President, Booking Holdings, Inc.*

A

Thank you, Jed.

Operator: Your next question comes are from the line of Tom White from D.A. Davidson. Please go ahead.

Tom White

Analyst, D. A. Davidson & Co.

Q

Great. Thanks for taking my question. Just one. I wanted to follow up on some of the prior questions on the US market. I was hoping you could comment on maybe the relative unit economics of your US accommodations business today versus in Europe. Obviously, the Booking.com brand here is well-known but less well-known than in Europe. And so maybe there's a heavier marketing load per room night here. But the ADRs here are nice and high. But then again maybe the take rates are lower. So I'm just curious directionally how accommodation unit economics in the US stack up versus Europe at the moment and maybe where you see that going over the next few years. Thanks.

Glenn D. Fogel

President, Chief Executive Officer & Director, Booking Holdings, Inc.

A

Yeah. We don't disclose much more than giving you these regional growth rates. We don't go any further than that in terms of detail. And I don't think we'll be starting that right now. I understand your reasons for asking. But for the reason of competitiveness and such, we're not going to break those down any further than that.

Tom White

Analyst, D. A. Davidson & Co.

Q

Okay.

Operator: Thank you. That concludes our Q&A session. I will now turn the conference back over to Glenn Fogel for closing remarks.

Glenn D. Fogel

President, Chief Executive Officer & Director, Booking Holdings, Inc.

Thank you. I want to thank our partners, our customers, our dedicated employees, our shareholders. And I especially want to thank Ewout for joining the team. Ewout, thank you very much. We greatly appreciate everyone's support as we continue to build on the long-term vision for our company. Thank you and good night.

Operator: Ladies and gentlemen, that concludes today's call. Thank you all for joining. You may now disconnect. Goodbye.

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2024 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.