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Booking Holdings, Inc. (BKNG)

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CORPORATE PARTICIPANTS

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

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

OTHER PARTICIPANTS

Kevin Kopelman
Analyst, Cowen and Company

MANAGEMENT DISCUSSION SECTION

Kevin Kopelman
Analyst, Cowen and Company

Great. Thanks, everyone, for being here at Cowen's 50th Annual TMT Conference. My name is Kevin Kopelman, I cover hotels and online travel for Cowen. We're very excited today to have Booking Holdings. We have Glenn Fogel, the CEO, and David Goulden, the CFO of Booking Holdings. So, thank you so much for being here.

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

Thanks for having us.

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

My pleasure.

Kevin Kopelman
Analyst, Cowen and Company

Great. So, let's kick it off.

QUESTION AND ANSWER SECTION

Kevin Kopelman
Analyst, Cowen and Company

Q

First, one of the questions on everyone's mind, how would you describe the travel environment right now as we're heading into summer? And are you seeing any impact from your customers' behavior on inflation in the economy?

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

A

Yeah. So, we announced our earnings and I was very happy. I'll tell – about April, about – the booking numbers were good, up above where they were April in 2019 and the ADRs are above, everything was – it's very nice to see that. The booking window getting more normal, which shows that the traveler community is getting more confident in being able in going out to travel.

Look, there's no doubt there are clouds on the horizon, everybody reads the same stuff and all that. And the truth is, though, we said, looking at the April numbers, we didn't see any impact from that. Though of course, it's hard to prove what would have been otherwise. One of the question we're asked a lot about is, well, ADRs if they go up, what happens and stuff. And the issue is you can't really say, well, if ADRs had not been higher, what would have been the result?

Historically, usually you saw people with a trade down in the star level, maybe they were going to travel, or maybe they'd cut a day or two from what they were going to do, but they still spent the same amount of money. But right now, it's hard to say. Well, would they – if they ended up going to four star, if the price hadn't been so high, would they have gone five star or not, I don't know. And it's something that's not that relevant.

For us, they're still spending the money to travel, which is really, really good. And we talked about looking at our summer numbers, and we've said that the bookings were 15% ahead of where they were the same point 2019 for our summer season, our peak summer season. And that was for the whole world. And if you restricted it just to Europe and the US, we're seeing 30%. It's impressive, we're happy, we're pleased. So, generally speaking, we're very happy with what we were able to report.

Kevin Kopelman
Analyst, Cowen and Company

Q

Yeah. And kind of a variation on that that we're hearing now is investors are wondering is this a peak summer travel season and then we're going to see things fall off after summer? And as you're looking at your business, how do you – what kind of things are you looking at? And do you have any visibility beyond that summer season as we start looking into fall and beyond?

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

A

Yeah. That is an interesting question is that – and I think, I was reading yesterday in the news about yesterday's meeting with a whole bunch of CEOs of banks, talking about what's the future going to be and everybody's got different opinions, etcetera. Like we're looking at our numbers and stuff, we're trying to look something that far ahead, yeah, post-summer season. The numbers generally, the way people set up their travel, that's a such a small number. That's not really that helpful in trying to really predict what the future is going to go, looking today for something in the fourth quarter. That's not the way of the business where people set up their travel and such. So, it's not really helpful at all.

But I don't think anybody has any certainty. And I can tell you, just looking how it's been the last three years, the world – if you said nine months ahead is going to be or whatever, it's been really hard for anybody to predict anything. So, what we're going to do is just keep on producing great products, great services, and try and get as much of this year as possible, and hope that no new wars and the current war goes away. No new pandemic, current pandemic goes away. No monkeypox. And people continue to enjoy traveling.

Kevin Kopelman
Analyst, Cowen and Company

Q

Yeah, yeah. Cross-borders historically have been a really big part of your business. That was hurt significantly by the pandemic but, more recently, it started to pick up again. What are you seeing in terms of customer behavior with domestic, which has been so strong, now that cross-border is coming back and how are you seeing that play out?

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

A

Yeah. But look, there's no doubt you can't take the same trip at the same time. You can't go domestic and international at the same time. You got to choose one or the other, you can't go – and you're right. Over time, there has been a trend as more and more countries have opened up, people want to travel. You hear it all the time. Anecdotally, I [ph] want (04:25) to go to Europe two years ago. I [ph] want (04:26) to go to Europe last year. Now, finally, I'm going to Europe from the US [indiscernible] (04:29). So, it will happen. That will be a trend, etcetera.

Good question is, does this end up with more total travel, less total travel or not? Do people spend more money or less money? I don't think there's much – again, I'll go with the general macro view. People have X amount of money. They want to travel, they will travel, and we'll get a good portion because we are strong both domestically and internationally.

Kevin Kopelman
Analyst, Cowen and Company

Q

Yeah. So, want to dig into the Booking numbers. Strong quarter. You said that, in April, your room nights were 10% above where they were in April 2019, and this is globally despite Asia and Russia-Ukraine. What are the key drivers of those share gains and are those sustainable from what you've seen?

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

A

Yeah, I think if you – first of all, I think share is something which – best looked out over a long period of time, right? Maybe on a year-on-year basis. But – so let me comment upon that, Kevin, then come back to April. So, we know that when we look at 2021 versus 2019, we gained a few share points, particularly in the US and in Europe, over that period of time. We know we continue with the growth rates you talked about to stay ahead of where travel recovery is globally in 2022, so we feel good about what we've done.

In terms of where the gains are and how sustainable they are, lot of question come back to the US. We intend to build on the program as it was successful for us in 2021. We believe there's a lot of opportunity for us there. We see incremental opportunities in a few areas in the US, including increasing consumer awareness of our brand.

We've been doing that with the branding campaigns. So, we've all seen some of that this year more than you've seen before. Improving the competitiveness of our alternative accommodation products in the US where we have opportunity, we're still underway there. Ramping of our flight offering, which is still early days on Booking.com. Of course, we have [ph] clients at (06:23) Priceline for quite some time. And then optimizing the cross-sell of accommodation with flights and payments. They're all things that we're driving in the US here, build on top of what we've already gained.

We do expect in the US that managed corporate travel and group travel, things that we under-index in a little bit, will probably recover more and there'll be a little bit of a headwind for us to overall share points. But longer term, we believe that gaining share is a function of the quality of our product and services and how well we market those to existing new customers. And we feel pretty good about all three of those.

Kevin Kopelman
Analyst, Cowen and Company

Q

Yeah. Let's talk about flights. What was the impetus behind kind of going into that? How big do you see it getting? And also, how do you think about monetization of flights...

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

A

Do you want to start, Glenn and I'll...

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

A

No, you go.

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

A

Okay. Sure. So, the impetus really relates to our thinking around the connected trip and just solving a bigger piece of the travel problem for our customers. Leisure travel is still full of friction. All of us either do it ourselves or have somebody else in the family do it for us. And we know how frustrating and complicated it can be. Even if you use a great service like ours for one piece of the trip, but the rest of it you're kind of left to the wilds of the travel industry.

So, we have a lot of input from our customers. They'd like us to solve more of the problem for them in travel. We look at this quite extensively. Obviously, at Booking.com, where we're making the bigger shifts, we've focused upon accommodations for many, many years. We did our research and customers said, look, we love what you do for us there, make flights simple, make ground transportation simple, make it clear, make it transparent, let me pay for it in one place and I'll do more with you. That's the impetus.

In terms of where we are, we're making good progress. We're now live in Booking.com with flights in 40 countries, from 34 countries the quarter before. So, over 70% of our accommodation bookers can now see a flight if they want to from Booking.com. For total company, we're making great progress. We sold 5 million tickets in the first quarter. That's 2.5 times what we sold in the first quarter 2019. So, it's ramping very rapidly.

What we find on Booking.com is some interesting data points from what we've seen so far. So, what we're seeing is that 70% – for people booking a flight on Booking.com, 70% of those bookers, the flight was the first or the only thing that they booked. The only thing is the opportunity for us to sell more. But what that tells us is it is, in fact, a new funnel for us. It's a funnel for us getting customers into the system we weren't getting before and then a good percentage of those people who are booking flights are booking additional things on the product. So, we have good data. Flight is really an anchor for us to go after new customers.

And then finally, what we're seeing is other flight customers, about a quarter of them are brand-new to us, that we've never seen before, which is again is good for us early in this stage of rolling out clients because we've not been marketing flights extensively. So, we're finding that even without the marketing, we're getting a good yield of new customers. Again, those are also getting healthy accommodation tax rates.

In terms of where it could go, we haven't kind of given a single datapoint out, but we think that flights can be multiple times the size it is right now and can actually become a meaningful part of our total TTV. It will not eclipse the size of accommodation, but it can certainly be a meaningful part of our total TTV as we ramp this up over time.

Kevin Kopelman
Analyst, Cowen and Company

Q

And how...

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

A

The important thing to think about, too, is how big our business was when we didn't have flights at Booking.com at all. And this is a very relatively recent expansion, yet, we're the biggest travel company in the world without it. And this is true for the flight, is right after accommodation, the next biggest vertical there is. So, the idea that we can now enter that now, the opportunity there is just huge for us.

Kevin Kopelman
Analyst, Cowen and Company

Q

And these early flights customers, how are they finding Booking.com flights? Is it through advertising or they're already on the site and they kind of see it on the site or?

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

A

It's all different ways. And what's really interesting too about that is how – David just said that, we haven't really gone out marketing this thing big time. So, part of the question was, where are those people who we've never seen before? How did they show up for us and all? Where did they come from? Well, there's a little bit in that and there's some of that.

Kevin Kopelman
Analyst, Cowen and Company

Q

Right.

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

A

We're really not doing a lot of Google Flights stuff there at all. And certainly, there's a portion of people who do, they ended up at our site, on another reason they saw flights and now, they're, ahh, they have flights there, and all the other things. But I'll tell you, again, looking at where we are, without having done a big marketing campaign for flights yet. That again, opportunity.

Kevin Kopelman
Analyst, Cowen and Company
Q

Yeah. And, so on that, you announced the acquisition of ETraveli. What is the – what will that change? What does ETraveli bring to the table?

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

Yeah. So, our Booking.com flight product, it's our flight product, but ETraveli powers the back end of that product. We don't have the contracts with the airlines. We're not doing all the intricate back office stuff. That's all being done by ETraveli, etcetera. They have some fairly sophisticated different things that they do.

I think it's always a question of build or buy. And the idea of this thing, look, by combining the two companies, we could really operate much more efficiently together, really try and turbocharge our flight product, and that's what we really want to bring. They got some great management there. They got some great expertise, great – basically AI stuff driven to code what is the right offer to give to the right customer, and things like that. So, we're really looking forward to that because we do believe it's going to accelerate what we're doing right now, which is fairly nice, but we'll do it even better.

Kevin Kopelman
Analyst, Cowen and Company
Q

Okay. And when is that expected to close?

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

Well, we say it would close this year.

Kevin Kopelman
Analyst, Cowen and Company
Q

Okay. Got it, got it. Let's talk about alternative accommodations. It's been a big growth area during the pandemic. Where are you? And then can you touch on the push into US? You talked about going after the US host. What do you say to a US host to convince them to list on Booking.com when they're probably already on Airbnb and Vrbo here and to get them to go to the [ph] Booking.com (12:38) platform?

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

Yeah. No. And I've talked about this for a long time, about how it's important to have a competitive product so that a host in the US does think of using us as a way for them to get more customers. Look, we have a great, great market share in Europe in the alternative accommodation business. But people in the US aren't quite as aware of that. And I know that if you go around anywhere in, let's say, outside this building and you said, I need a place on the beach for a holiday or vacation, who can I use? I – now, I'm going to go say, oh, go to Booking.com and go get that villa on the beach.

So, we know we need to have a product that is better than it was, and we've done some things recently to do – to improve. And I'll give you examples like reasonable liability insurance. If you own a home and you want to rent it out to strangers, one of the things you may be concerned about, what would happen if they slip in the kitchen, they break their leg, who's going to pay for that? And it's – if you had to think that some distributor is going to give you free insurance for it too, that's good. But we didn't do that. Other people did. We didn't. Now, we do. That's a reason – so, now I use it because I wasn't a user because I didn't want to worry about that.

And then you end up with some of the really big property management companies and dealing with payments, and the way we do all sort of reconciliation. Well, in the past, it was kind of, let's say, it wasn't the best system. And one of things they would say to us, they say, look, you got to improve upon, we got – it's clunky, it's not easy. And could you please fix it? And we did. And now, we have a much better payment system working with the very large property managers, so that both flows and the reconciliation, everything works a lot better.

That's another way to get more inventory. And we have a list of things because we talk with these hosts. And we don't talk to just the hosts who are already on. We [ph] talked with the (00:14:20) why aren't you on us, we can bring you customers, and they could give us reasons. And those are things go with the list of things that need to be developed and we're developing them. And it's a step-by-step process and we're getting there and making it more and more [indiscernible] (14:32).

Then, there's the awareness going back to the people outside the building, saying, what are you going to use, and nobody thinks that. Well, you got to make sure they're aware of that. And we are going to make sure that there is that demand-driven marketing, too. But you can't do that until you got enough of the product out there that makes it worthwhile. [indiscernible] (14:47) come visit, they don't do what they want. They don't buy. I absolutely know that we are not where I'd like us to be. I've said this for many years, but we under-index in that. We have a great product in Europe. It works very well. We're a very big player there and we're building slowly here. And we're going to continue to work on that.

Kevin Kopelman
Analyst, Cowen and Company

Q

Okay. Is the resumption of international travel a potential driver there? And [ph] you can – wouldn't it be (15:09) easier to say, hey, we can bring all these customers come in from...

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

A

Well, that's what we said. You always bring to the host. You always saw it anybody who has a product they want to sell and tell them how you're going to bring them a customer, and you're going it to bring to them efficiently at the right price and it's going to be easy to use and you're going to love it and you're making life wonderful. And therefore, please put it on to our shelf. And that's the pitch.

And it's something that we continue to do. We just recently did a campaign. It was in Vegas. There were – have to be a lot of – had to be a lot of people there in that – for our conference. And we made sure that they were more aware of us and we're going to keep on doing that. Because one of the things too is make sure people are aware that we have this product and that we can bring them incremental demand, which is what it's all about.

Kevin Kopelman
Analyst, Cowen and Company

Q

So, yeah, that's a good segue to talk about payments, as you mentioned there. What is driving – is the move to payments, is it all about alternative accommodations, is it also happening on the traditional hotels? And can you just elaborate on how the customer experience is changing and then also how it impacts the financials?

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

A

Yeah. Payments is incredibly important for so many different reasons. Let's start off with some of the basics about payments. And really it's what I think is the glue. So, if you want to offer more than just an agency-based hotel product, where somebody shows up at the hotel and pays – so, credit card and pays there, you want to do anything more than that. You got to have a payment system, right?

You want to do alternate accommodations, well, there is no desk to show up at an alternative accommodation to put your credit card down and get paid, because there's nobody there. So, you got to have payments in there. But even more so, if you want to do merchandising, you want to combine things, you want to have a [ph] packet-type product, web (16:48) a connected trip that I talk about, you've got to have a payment system. And then on top of that, you have things like people want to pay in different currencies, where you want make it easy on both sides, and you want to do something.

So, we said, well, listen, I want to pay in WeChat Pay. Well, surprisingly, no other hotels in the US actually do take WeChat Pay and a lot of – well, what we're going to build that one too. You have things where you can save money, because I'll tell you, who uses a credit card can take in a credit card, but they get charged a heck of a lot.

Well, we can do it easier and faster and cheaper for them, given our size, our volume, and all those things. And we can do all sorts of FEC hedging for ourselves to make things easier, and we can eventually do things like buy now, pay later things. And we can do things like pay in your own currency. And there are just so many things that can be done. And to do that, you got to have payments. And that's what we've been building step by step by step.

And did I miss anything big that we should mention?

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

A

I think you covered the main points. I think one extra point, in Europe, think of payment regulation is getting quite complicated.

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

A

Yeah.

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

A

So, particularly a card not present at transactions, you have to have multifactor authentication. Not all smaller proxies have got the investment to set that up in their payment systems. So, they maybe even can't take those transactions now. And something like ourselves who put money into that, we can take a second or third form of authentication at the time of the booking, we can provide that service to the hotel so they can continue to take that kind of booking.

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

A

And that's one of the elements. What do we do? Why do we exist? We are providing services to other people who either don't have that service or to use that service is more expensive. So, we are making it easier for them to operate their [ph] bills, their hotel bills (18:30) and payments is one of them. [indiscernible] (18:32) parts of the customer service stuff that we do that they can't do, the marketing that we do that they cannot do nearly as officially, and on and on and on. We provide a value proposition is why hotels use us. Otherwise, they wouldn't.

Kevin Kopelman
Analyst, Cowen and Company

Q

Let's talk about merchandising for a minute. I believe it's tied into what you're doing in payments. But how important has – how important has merchandising been? What are you doing there?

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

A

Well, it's important in the long run to continue to provide more value to our customer and provide more opportunities for our partners to get more customers. So, merchandising comes in different shapes and flavors, etcetera. Let's give the simplest example of issue where a hotel for example may, one, offer a free breakfast. It's a kind of merchandising. You just take it into the [indiscernible] (19:31) and there's an issue to give it away.

Another thing that we merchandising is we combine two products. Let's say we're combining where somebody has to get off the flight, now they have to get ground transportation and how to get from the airport to the hotel. We can offer up a product like, for example, a limo type service, car service. And the car service could offer up at a less – a lower price than they would offer up to the general public through our process. So, it's hidden and combined, but can we do that because it's payments, right? And I can come up with so many different variations.

And the great thing is using AI, using all the data we have that we make sure that the offer that is being presented is the one that's going to convert, provide great value to the consumer on the one side. At this other side, it provide a great opportunity for the partner supplier to get incremental business without cannibalizing its other channels.

Kevin Kopelman
Analyst, Cowen and Company

Q

Let's switch and talk about the marketing, big part of – you touched on it but can you talk about your plans to lean in this year? And then looking at what's happened so far, why have – have we really seen that? You had some, I think on a [ph] GBB (20:46) basis, you had some leverage in the first quarter. So, why haven't we maybe seen that kind of leaning in more so far?

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

A

Sure. So, longer-term, let's be clear. Longer-term, our plan is to lever our marketing spend, right? By having a diet, by having a higher diet mix, saw it happening in 2019. You saw it happening in 2021. But this year, we said we want us to take a different approach, right? Kevin, to your question. And part of it is we're coming out of an environment where people have not been traveling for two years. And this year is certainly going to be a year where travel surge is strong.

If they haven't been traveling, maybe they're kind of not quite as familiar with the platforms as they used to be, right? Maybe that loyalty has gone down a little bit because they haven't traveled for two years. So, in a recovering environment where we see, hopefully, things bouncing back, which of course, we saw happening through the first quarter, April. We think it's a once-in-a-generation opportunity potentially to kind of lean in and capture demand. Gain more customers to the platform. The best way to get a customer just to come back to us again is to use us in the first place. So, we got leveraging our strength and our financial strength, and our marketing strength to lean in.

We've done it before. Last year, you saw us lever our marketing spend compared to our gross bookings in Q1 and Q2. And then we de-levered in Q3, if you saw our strong summer happening. This year, we still think we're going to basically lean in and de-lever our marketing spend compared to our gross bookings. Q1, not a big surprise. We said that we would be flat we thought from ROIs. They are slightly positive. So, we didn't expect the first quarter would be the quarter where we'd see all the demand come back. We think it's more a question of Q2 and Q3 like it was last year. So, plans haven't changed.

Kevin Kopelman
Analyst, Cowen and Company

Q

How's the reaction been on the – or response been to the new TV campaign in the US with Idris Elba?

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

A

We're pleased with it. We liked the campaign, like, a lot of people we talk to liked the campaign. We saw good activity on social media around the launch, around the Super Bowl. We saw a good follow-up as well. Importantly for us, we've seen a nice uptick in unaided awareness in the US of Booking.com. So, we see that. And of course, we're still doing well in the US and we have to attribute some of that success to the campaign, although it's early days. So, we're pleased about this campaign. We think it's got legs and the early indications for us are good.

Kevin Kopelman
Analyst, Cowen and Company

Q

How would you describe the competitive environment on Google given the markets recovering, your competitors want that business as well. How's that kind of plan out?

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

A

Yeah. Well, it's competitive. That's how I describe it. Never, never, never been anything but competitive on that thing. Look, every day, everybody, we all go out and try and get those customers. And we look at what do we think we got to bid and we use all the science we can to make sure we can get the right ROI for the right bid and figure out that it's a – unfortunately, and we can't do anything about this. This is a competitive world, and everybody is trying to do the best [indiscernible] (23:49) there's a lot of game theory going on how much you need to bid and what's going to happen or not. We've done very well over 20-something – 20 years in this business, and Google and all of the people we're in, whether it be Google or [indiscernible] (24:05), everybody has always tried to get a higher percentage of the pie in their business. And we continue to try and get the percentage higher for us, and we've done a very good – no matter what the change had been, we've reacted well to them, adjusted – well, sometimes, we've actually come out better because of those changes. So, I assume we're going to keep going, we'll continue to work hard and I think we'll do well.

Kevin Kopelman
Analyst, Cowen and Company

Q

And it's fair to say I think that there have been a lot of changes as well.

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

A

Yeah. There have been.

Kevin Kopelman
Analyst, Cowen and Company

Q

Kind of an area maybe you don't talk about as much but I know you're active in is the affiliate B2B side. And given your competitor is talking more about it and it's been a focus there, what is Booking's strategy and also how does Getaroom fit in with the recent acquisition?

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

A

So, it's been part of the business since the very beginning. I mean, we called it affiliate marketing back in – before the turn of the century when [indiscernible] (25:00) Priceline and 1999, there was affiliate marketing going on there. And we continued. [ph] We got close (25:05) strategic partnerships where we – look, there are potential customers on other sites. And the question is, can you get that customer to come over and buy something from you at a lower cost than it would be to get that customer another way? And if you don't do it, will somebody else fill that spot and will they go over there or not? That's the overall strategy. So basically, it's a way to get customers, just another way to get them to come in at a certain price. The price, of course, can be a rev share, it can be all different ways you do it or not.

And it goes everything from the obvious ones, you're working with an airline, you're providing hotels for that, that's easy and obvious. Where also not as obvious, there's Joe's store and then you put something in that's cost nothing and somebody buys [indiscernible] (25:45), God knows why they do, but they do, and everything in between. Banks are big on this stuff. Lots of different ways to do it.

We have always believed that if you come up with a way that's got good ROI, you should do it. Of course the ROI is not only what the amount, the cost of the individual transaction, [ph] it's whole (26:02) developing is because sometimes some of these partners want bespoke things that are very complex. And you look at what the request is, and I can do that one, or the ones you do because you think the volume's going to be worth it or not.

And it's certainly a lot lower risk because you're not putting upfront, brand marketing, for example. You're going to get paid when you actually make some money, you get paid and you pay them. We bought Getaroom because Getaroom was a great player in the space with some great contracts, with some of the end retail areas that we wanted to have part in our thing, too. And they have some great technology and there's really good things. That fits under Priceline.

So, we've had a number of different companies that all have these strategic partners here. Priceline has one, and there's a company called Rocketmiles, which is all B2B. Agoda has its own. And with Rocketmiles there, we have Booking.com has there. The Getaroom one is US-oriented, it's almost all US business, it fits under Priceline. I'm very pleased with what's been going there. Good management and I can't say enough about the team down there.

Kevin Kopelman
Analyst, Cowen and Company

Q

Let's touch on margins. We talked about advertising, but if we kind of look at all of your overhead lines, you've got about $4 billion a year between personnel and G&A, IT. What kind of investment level is needed in the business? And how do you see that kind of playing out versus the top line?

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

A

Sure. So, within there, there are some [ph] transactional expenses (00:27:28), so DST goes against G&A. So, you have to put that off to one side because that's just going to grow with the volumes. If you take that out, take out the transactional expenses, indirect taxes, the DST, etcetera, and we expect to be able to level those lines over time. I mean, clearly, this is a business that needs investment. We're going to invest in building our new products, we talked to air, we talked about the connected trip, but we believe that we can lever that once we get back to steady state and back to market growth rates normalize and we can grow [ph] faster than market (00:27:58), we'd level that line. We'll also continue to look for potential efficiencies there as well.

So, long-term, don't expect there to be a huge shift in the shape of the income statement there, taking out these transactional expenses.

Kevin Kopelman
Analyst, Cowen and Company

Q

Okay. Capital allocation, how are you evaluating repurchases that you've resumed and also potential acquisitions? And then on that, how do you view the growing inflows that you have from your merchant business where you're collecting the money upfront? Is that something that has to be totally off to the side, or is that funding the business?

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

A

Sure. So, repurchases versus acquisitions, they're not mutually exclusive, and we demonstrated that recently. We just completed one acquisition at the end of last year. Getaroom, we talked about that. We expect to complete one this year. ETraveli, and then of course, we started a share purchase the beginning of this year as well. So, we have the ability to do both.

Our bigger picture view on capital allocation hasn't changed. First priority for cash is to invest in the business, it could be through organic investments, it could be through strategic partnerships or M&A. And beyond that, we continue to return excess cash to shareholders we've done through share repurchases.

Kevin, on your last question, the [ph] deferred version balances (29:17) will increase, as payments grow in the business. We view that as other people's money, we ultimately – we are going to have to put it out to the hotel partners in return for the cash that came in to go with our bookings. So, we watch that balance carefully, but we do view that as other people's money and not as a source of cash for repurchases or things like that.

Kevin Kopelman
Analyst, Cowen and Company

Q

Okay. Understood. Well, with that, I think we have maybe time [indiscernible] (29:47) two different questions, the first one was just as we look past summer, can you speak to both supply and demand separately? Obviously, there's some supply constraints. I see this when we look at pricing and things into next year. And then how do you think demand behaves after this summer? And then the second question I had was actually around car sharing, Getaround, Turo, stuff like that. In some ways, it seems to fit well with your model in terms of cars in remote locations. It fits with alternative accommodations, that sort of thing. Is this something, given your knowledge of rental and all that, is this a space that you guys would want to grow into at some point?

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

A

So, I'll answer it. Let me start with the second one first because it's relatively easy to talk about. Look, we've always looked at supply that may fit our consumers' needs. And so, I could get a room [indiscernible] (30:35). There are always different ways to things in terms of getting their inventory into our system and all different things. And we always look – we look at that sort of stuff all the time, what fits, [ph] would be appropriate (30:45) and that's the best I can say with anything.

The second thing about beyond the summer peak and into the fall, and etcetera, etcetera, my crystal ball for the longer-term has been cloudy since 2000, and it doesn't really work that well. So, the basic thing I come out always is the one thing I do know is that travel will continue to grow in the long run, slightly better than GDP globally. Our job is not to worry too much exactly what the volatility is going to be and how much this month, this quarter, next quarter really. It's to continue to build a better product for both sides of this marketplace, for the consumers who travel and our supplier partners so they can do their business better. And if we continue to be successful in making it better for both sides, providing value to both side, we will win by taking a larger and larger share of what is absolutely going to be a growing market.

Absolutely. It's been happening forever. People will always want to travel. They always have it. World War 2 ends and a couple years later, Americans all over Europe. It's going to happen. Pandemics – and people want to travel. Our job is to get as big a part of that as we can. I have little confidence and I can make a better guess than anybody else in this room or any economists saying, exactly how is the fourth quarter going to end up. And I'm not going to try. Instead, what I will continue to do is make sure our team is working on the important things to provide better services, better products and that's how we'll win in the long run.

Kevin Kopelman
Analyst, Cowen and Company

Great. Thanks, Glenn. Thanks, David. Thanks, everybody.

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

Yeah.