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Booking Holdings, Inc. (BKNG)

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CORPORATE PARTICIPANTS

Glenn D. Fogel

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

Ewout Lucien Steenbergen

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

OTHER PARTICIPANTS

Doug Anmuth

Analyst, JPMorgan Securities LLC

Mark Mahaney

Analyst, Evercore ISI

Eric J. Sheridan

Analyst, Goldman Sachs & Co. LLC

Brian Nowak

Analyst, Morgan Stanley & Co. LLC

Lee Horowitz

Analyst, Deutsche Bank Securities, Inc.

Kenneth James Gawrelski

Managing Director, Wells Fargo & Co.

Kevin Kopelman

Analyst, TD Cowen

MANAGEMENT DISCUSSION SECTION

Operator: Welcome to Booking Holdings' First Quarter 2025 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 certain risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results may differ materially from those expressed, implied or forecasted in any such forward-looking statements. Expressions of future goals or expectations and similar expressions reflecting something other than historical facts are indeed 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 in 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 obligations 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 is available in the For Investors section of Booking Holdings website, www.bookingholdings.com.

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

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

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

I am pleased to report a good start to 2025. We saw healthy growth in room nights and gross bookings, as we benefited from our geographical diversification. When travelers choose to alter their destination preferences, our global network of partner suppliers is a valuable asset.

Our solid topline results combined with our continued focus on driving disciplined management of our fixed expenses helped us deliver strong bottom line outperformance in the quarter. Aside from our near-term financial results, I am excited about our teams' continued progress in advancing our strategic priorities. I am also excited about our continued work to incorporate AI technology in multiple ways across our platforms, which will continue to position us well for the long term.

Our first quarter room nights of 319 million, the first quarter we have ever exceeded 300 million room nights in a single quarter, slightly exceeded the high end of our prior expectations and grew a bit over 7% year-over-year.

First quarter revenue of \$4.8 billion grew 8% year-over-year, and adjusted EBITDA of about \$1.1 billion increased 21% year-over-year. Both revenue and adjusted EBITDA exceeded the high end of our prior guidance ranges. Finally, adjusted earnings per share in the quarter grew 22% year-over-year.

At the start of the second quarter, we are currently seeing stable levels of global leisure travel demand despite rising geopolitical and macroeconomic concerns. Ewout will provide further details on our first quarter results and our thoughts on the second quarter and full year.

While we are encouraged by our first quarter results and the relative stability of trends we have seen so far in the second quarter, we fully recognize the current geopolitical and macroeconomic uncertainty, and concerns about the strength of consumer demand. However, we believe our global diversification, substantial liquidity, strong free cash flow, and historical record of executing effectively position us well to navigate potential changes in the environment.

And regardless of potential changes in the near-term, I remain confident in the long-term outlook for the travel industry given the importance of travel to consumers and, as we witnessed as we exited the pandemic, people's deep desires to experience the world.

We will continue to drive our business for the long term while remaining focused on what we can control today to deliver value to our travelers and supplier partners.

Value from advancing our strategic initiatives such as increasing the Alternative Accommodations available to our travelers, enhancing our Genius offering, building towards our Connected Trip vision, and further innovating our AI capabilities. And we will do this while managing our operations with the effective and disciplined approach we have demonstrated throughout our history.

Focusing on our supplier partners, we remain committed to being a trusted and valuable partner to all of the accommodation properties on our platforms. We do so by delivering incremental travel demand and developing products and features designed to support the success of these businesses, many of which are small independents.

In times of economic uncertainty, we believe the incremental demand that we can deliver to our partners is even more valuable, and this presents an opportunity to work closely with our partners to make sure they are well positioned on our platform.

For example, we can share booking pattern data with a property partner and suggest options that may help that property better capture demand.

We are also leveraging AI technology to better help our partners whether it's using GenAI at Booking.com to provide suggested responses to traveler questions that come into a property, or through the development of an AI Partner Assistant to help a new partner navigate the onboarding process.

We'll continue to build around opportunities where we can utilize this technology to provide additional value to our partners. We believe these efforts can be particularly helpful for those small and independent businesses with which we are partnering who can now more easily access the data and AI tools that we are providing.

One of the results of our continued focus on driving value to our partners is the increasing number of partners making their accommodation supply available on Booking.com.

With growth across both traditional hotels and alternative accommodations, Booking.com's total accommodation listings reached about 31 million by the end of

Q1.

For alternative accommodations at Booking.com, listings at the end of the first quarter were about 8.1 million and increased 9% year-over-year with growth in every major region.

We believe the increase in accommodation choices for our travelers helped contribute to solid alternative accommodations room night growth of 12% in the first quarter.

Turning to our travelers, the breadth of supply choices I just mentioned help us to better deliver a comprehensive planning and booking experience and are one of the important benefits we offer to our travelers.

We are laser focused on driving value to our travelers just as we do for our supplier partners, and I am pleased to see this focus helping Booking.com achieve growth in new travelers as well as repeat travelers in the first quarter. In addition to the growth in travelers, I am encouraged to see that more travelers are choosing to come to our platforms through the direct booking channel, which grew faster than room nights acquired through paid marketing channels in the first quarter.

Another important way that we can deliver benefits to our travelers is through Booking.com's Genius loyalty program, which provides discounted pricing and other mostly supplier-provided benefits to our travelers. This program also helps to connect more elements of travel as we have extended this program beyond accommodations into other travel verticals.

We are encouraged to see more of our travelers continuing to move into our higher Genius tiers of Levels 2 and 3, which represent over 30% of our active travelers. These Genius Level 2 and 3 travelers have a meaningfully higher direct booking rate and a higher booking frequency than the rest of our travelers.

We believe AI technology will also play an important role in improving the traveler experience. For example, at Booking.com, we are continuing to learn from testing AI powered features including, Smart Filters that help travelers find relevant results faster; property Q&A that answers specific questions that wouldn't be addressed in a static listing, and AI Review Summaries that allow travelers to more easily sort through thousands of reviews.

These are just a few recent examples but we plan to continue integrating AI across additional consumer-facing use cases over time.

AI plays a central role in our Connected Trip vision as we aim to simplify the planning, booking, and travel experience, making it more personalized, seamless, and enjoyable. As we build towards our Connected Trip vision, we believe we are delivering better value to our travelers as well as our supplier partners.

We saw Connected Trip transaction growth of 35% year-over-year in the first quarter, and these connected transactions continued to represent a high single-digit percentage of Booking.com's total transactions.

Much of the work in recent years in building towards the Connected Trip vision has been in standing up the other travel verticals outside of accommodations, like flights for example. With air ticket growth of 45% in the first quarter, we continue to see strong growth from our flight platform, which is an important component in many of our travelers' connected trips

Outside of flights, we are pleased to have seen strong growth in our attractions vertical in the quarter, with attraction tickets increasing 92% year-over-year from a modest base. While the direct financial impact is minimal today, we believe continuing to enhance the attractions vertical allows us to offer our travelers compelling in-destination experiences.

Finally in dining, I'm excited by the progress the OpenTable team is continuing to make, including the recent establishment of a strategic partnership with Uber that will include developing integrations of their apps to offer dining reservation access and transportation options.

When we think about an even more seamless and personalized Connected Trip experience, we believe that compelling AI-powered offerings, like a travel vertical-specific agent, will play a central role. We are highly focused on the many opportunities with AI and will continue the sophisticated work already happening across our company to integrate Generative AI into our offerings, some of which I mentioned earlier when describing their capabilities for our partners and travelers. We are seeing some of our AI offerings driving faster search, improvements in conversion, and fewer customer support contacts.

At KAYAK, the team just launched KAYAK.ai, which is its test lab for AI-first features with the aim to improve KAYAK's product to be even more personalized and conversational over time.

Across the company, our teams are testing, learning, and innovating around how AI can be better incorporated into our offerings with more to come.

In addition to our own offerings, we are working with leading Generative AI organizations on their agentic developments. We were excited for several of our brands to be named as partners for OpenAI's Operator agent, Microsoft's Copilot Actions tool, and Amazon's Alexa+.

While we are still in the very early days, we believe these collaborations reflect our ambition of being at the forefront of this rapidly developing field and are consistent with our longstanding approach to work with different potential sources of new customer traffic.

We will continue to learn how travelers and partners prefer to engage with Generative AI across different touchpoints, and I remain confident in our positioning and am energized by the positive impact this technology is already having.

In conclusion, I am pleased with the good start to the year and our teams' efforts as they continued to advance our strategic initiatives including our Connected Trip vision. While there is uncertainty around the near-term geopolitical and macroeconomic environment, we are confident in the long-term growth of travel and in the opportunities ahead for our company as we deploy Generative AI technology and aim to deliver an even better offering for our travelers and partners.

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

Ewout Lucien Steenberg

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

Thank you, Glenn, and good afternoon.

I will now review our results for the first quarter and provide our current thinking for the second quarter and full year. All growth rates are on a year-over-year basis. Information regarding reconciliation of non-GAAP results to GAAP results can be found in our earnings release.

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

Now let's move to our first quarter results. Our room nights in the first quarter grew a bit above 7%, which was slightly above the high end of our guidance.

Looking at our room nights growth by region in the first quarter, Europe and Asia were up high single-digits, Rest of World was up low double-digits, and the US was up low single-digits.

In the quarter, we observed notable changes in certain travel patterns. For example, we saw a moderation in trends for inbound travel into the US, particularly from bookers in Canada and to a lesser extent from bookers in Europe.

However, we also saw an improvement in trends in other travel corridors, for example from Canada to Mexico, resulting in stable growth overall. These results demonstrate how our globally diversified business can help to mitigate country specific dynamics while capturing growth opportunities elsewhere.

While we saw a year-over-year increase in length of stay on a global basis, we saw a decrease in length of stay in the US, which could indicate that US consumers are becoming more careful with their spending. We also saw some evidence of a bifurcated economy in the US, as higher star rating hotels appear to be more resilient than lower star rating hotels. We have not seen either of these dynamics in Europe.

On our key strategic initiatives, we continue to see encouraging progress in driving alternative accommodations growth, increasing the direct and mobile app mix of our bookings, expanding our Genius loyalty program, and growing our other travel verticals.

We continue to expand our alternative accommodations business faster than the overall business. For our alternative accommodations at Booking.com, our first quarter room night growth was 12% and the global mix of alternative accommodation room nights was 37%, which was up 1 percentage point from the first quarter of 2024.

We continue to strengthen our direct relationships with our travelers and increase loyalty on our platforms through our efforts to deliver value to consumers. Over the last four quarters, our B2C direct mix was in the mid-60% range, an increase from the low-60% range one year ago.

The mobile app mix of our total first quarter room nights was in the mid-50% range, which was up from the low-50% range in 2024. We continue to see that the significant majority of bookings received from our mobile apps come through the direct channel.

For our Genius loyalty program, the mix of Booking.com room nights booked by travelers in the higher Genius tiers of Levels 2 and 3 was in the mid-50% range over the last four quarters and this mix continued to increase year-over-year. These Genius Level 2 and 3 travelers have a meaningfully higher direct booking rate than our other travelers.

I'm also pleased to share that we delivered another strong quarter of solid growth across our other travel verticals. Over 16 million airline tickets were booked across our platforms in the first quarter, an increase of 45% year-over-year, driven by the continued growth of our flight offerings at Booking.com and Agoda. We also saw strong growth in attractions with tickets booked up 92% year-over-year off a modest base.

First quarter gross bookings increased 7% year-over-year, or about 10% on a constant currency basis. The constant currency growth rate was approximately 3 percentage points higher than room night growth due to about 2 percentage points from higher flight bookings growth as well as an increase in constant currency accommodation ADRs of about 1%. The year-over-year ADR increase was impacted by a higher mix of room nights from Asia.

Excluding regional mix, constant currency ADRs were up about 2% versus the first quarter of 2024.

The increase in gross bookings slightly exceeded the high end of our guidance, driven by less than 1 percentage point of benefit from changes in FX relative to our expectations. Constant currency accommodation ADRs and flight ticket growth were about in line with our expectations.

First quarter revenue of \$4.8 billion grew 8% year-over-year, which exceeded the high end of our guidance by 4 percentage points due to higher revenues from facilitating payments as well as less than 1 percentage point of benefit from changes in FX relative to our expectations.

Revenue as a percentage of gross bookings of 10.2% was slightly higher than expected due to the higher revenues from payments.

Constant currency revenue growth was about 10%. When normalizing for the year-over-year impacts of Easter timing and the leap year, constant currency revenue growth was about 15% in the first quarter.

Marketing expense, which is a highly variable expense line, increased 10% year-over-year. Marketing expense as a percentage of gross bookings was 3.8% and was about in line with our expectations.

Marketing expense as a percentage of gross bookings was slightly higher than the first quarter of 2024. Social media channel spend continues to scale at attractive incremental ROIs, while successful experimentation has led to improved performance in some of our traditional marketing channels. Those improved marketing channels helped drive increased booker volumes at comparable ROIs.

First quarter sales and other expenses as a percentage of gross bookings was 1.5%, slightly lower than last year despite the higher merchant mix, as higher payment expenses were offset by lower bad debt provisions and increased efficiencies in customer service.

Adjusted fixed operating expenses decreased 3% year-over-year, which was better than our prior expectation primarily due to lower G&A expenses that benefited from a \$17 million reduction of an accrual for certain transaction taxes.

Personnel expenses came in slightly below our expectations for the quarter due to a \$36 million reduction of a pension accrual. We continue to take a disciplined approach toward managing our fixed expenses.

Adjusted EBITDA of approximately \$1.1 billion grew 21% year-over-year and exceeded the high end of our guidance range by 28% largely due to the higher revenue as well as the better-than-expected adjusted fixed operating expenses.

Adjusted EPS of \$24.81 per share was up 22% year-over-year, similar to the growth in adjusted EBITDA as the benefit of a 5% lower average share count was offset by an increase in interest expense.

On a GAAP basis, net income was \$333 million in the first quarter and was impacted by a mark-to-market adjustment to the conversion option premium of our convertible note due May 2025, and an FX remeasurement loss on our Euro bonds, partially offset by a reduction in the accruals related to the Netherlands pension fund matter for 2023 and earlier years. All of these items were excluded from our adjusted results.

For the first quarter, we realized a very small amount of in-quarter savings from the Transformation Program, however, we have already taken actions that we expect will enable approximately \$300 million in annual run-rate savings, of which about \$150 million is forecasted to be realized this year, consistent with our prior expectations.

In the first quarter, we incurred \$32 million in transformation costs, which were excluded from our adjusted results. We continue to estimate the aggregate transformation costs will be about \$400 million to \$450 million, which is similar to the run-rate savings we ultimately expect to achieve from the program.

Now on to our cash and liquidity position. Our first quarter ending cash and investments balance of \$16.1 billion was down versus our fourth quarter ending balance of \$16.7 billion due to about \$2.1 billion of capital return including share repurchases and dividends, a pay down of about \$1.5 billion for debt that matured in March, as well as about \$500 million in additional share repurchases to satisfy employee withholding tax obligations, partially offset by about \$3.2 billion in free cash flow generated in the quarter.

Free cash flow in the first quarter benefited by about \$1.9 billion from changes in working capital, driven primarily by the seasonal increase in our deferred merchant bookings balance.

Moving to our thoughts for the second quarter. We have continued to see stable travel demand trends in our business so far in the second quarter and our guidance for the quarter assumes a continuation of those trends.

However, we recognize the possibility that these trends could be impacted by the increased uncertainty in the geopolitical and macroeconomic environment and the subsequent potential effect on consumer spending and behavior, travel patterns, or our partners.

We'll continue to closely monitor the travel environment for any changes. Our guidance also assumes recent FX rates including the Euro-US Dollar at 1.14 for the remainder of the quarter. We estimate changes in FX will positively impact our second quarter reported growth rates by about 4 percentage points.

We currently expect second quarter room night growth to be between 4% and 6%, which includes a slight headwind from the calendar shift of Easter into April.

We currently expect second quarter gross bookings to increase between 10% and 12%, including a couple of percentage points of positive impact from higher flight ticket growth, partially offset by a slight impact from the calendar shift of Easter. We expect constant currency accommodation ADRs will be about flat year-over-year.

We currently expect second quarter revenue growth to be between 10% and 12%, including a benefit of about 3 percentage points from the calendar shift of Easter into April.

We currently expect second quarter adjusted EBITDA to be between about \$2.15 billion and \$2.2 billion, growing 16% year-over-year at the high end, which includes about 7 percentage points of year-over-year benefit from the Easter shift.

Turning to the full year 2025. Although we continue to see stable trends globally so far in the second quarter, we recognize that our business could be impacted by the increased uncertainty in the geopolitical and macroeconomic environment. Therefore, we are widening the range of our full year expectations for constant currency growth.

At this time, we expect constant currency growth of mid-to-high single-digits for gross bookings and revenue and low- to mid-teens for adjusted EPS. The high end of each of these ranges remains in line with our prior expectations and our long-term growth ambition.

We continue to expect leverage in our marketing expenses and adjusted fixed operating expenses due to our disciplined management approach. Additionally, we also continue to expect to make targeted reinvestments across the organization of about \$170 million in 2025.

At this time, we expect constant currency growth for adjusted EBITDA of high single-digits to low double-digits, and we expect our adjusted EBITDA margins to expand between 50 basis points and 100 basis points year-over-year.

Assuming recent FX rates for the remainder of the year, we estimate changes in FX will positively impact our full year reported growth rates by about 2 percentage points versus the constant currency growth rates I just mentioned.

In conclusion, we are pleased with our first quarter results and our team's continued execution toward our strategic initiatives. We remain confident in our ability to successfully navigate through the current environment

and take advantage of new opportunities based on our low capital intensity, global diversification, and strong financial profile of the company.

I would like to recognize the success of all our colleagues who are contributing to building a stronger offering for our travelers and partners that will position us well for the long-term.

With that, we'll now take your questions. Operator, will you please open the lines?

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] And your first question comes from the line of Doug Anmuth of JPMorgan. Please go ahead.

Doug Anmuth

Analyst, JPMorgan Securities LLC

Q

Great. Thanks for taking the questions. One for Glenn, one for Ewout. Glenn, just on AI, can you talk about what drives your confidence that travel vertical-specific agents will prove to be valuable over time and just how they'll compare to agents on broader-based platforms?

And then, Ewout, you mentioned the shift in travel patterns that you're seeing. Can you talk more about how Booking is benefiting from the geographic diversification and whether you're seeing any shift toward lower-cost alternatives or shorter booking windows into the summer travel season? Thanks.

Glenn D. Fogel

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

A

Hi, Doug, thanks. That's a good question. It's something I think a lot of people are wondering about how will this new world of AI play out, hyperscalers with very broad capabilities and narrow players in different domains and being more specific and is that going to be better or not. And I think it's not an either/or. I think there are actually places for both areas where we will do well.

So, let's take, for example, a very large player, let's take OpenAI who as you know, we cut a deal with and we are one of the founding partners in their operator system. And of course, we also set one up now, as I mentioned in the earlier remarks about what Microsoft and Alexa+. And I'd like to – I think I'm comfortable saying we're having discussions with others. And that is one way that we will help together do what is best that we both do best. They do a great job in creating these very large language models and have a very broad ability to bring in answers to somebody's questions, while we, in the now will be able actually create the booking, do what is necessary to actually execute what the person wants to get done.

Now on the flip side, something we're really excited about is what we're working on our own. And that is being able to have a narrower generative AI system that enables people to accomplish the same thing. But we think using all of our resources, the data we have, the personalization we have, the incredible abilities of our very, very smart technology people, [indiscernible] (00:31:41) really is incredibly well.

I know some people are going to go to the hyperscaler [indiscernible] (00:31:43), the same way people right now go to Google even though I know they would save some time by coming directly to us, which we are seeing. And

as I think Ewout mentioned about the direct is moving up, we're now mid-60s when you take out the B2B stuff. And that's an improvement over last year, which was low-60%.

This is really good stuff for us in terms of people coming directly. I know some people aren't. But I do believe, if we provide more value, if we make it easier for people to execute what they want, in the long run, this will continue to build all the things we've been talking about is creating that seamless, frictionless Connected Trip, which I know so many people want, I know travel is still a frustrating experience. I know we can do it so much better, and I think we are doing it already. And I think that's part of the reason why we are doing so well. Ewout, I'll let you answer the second question.

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

A

Good afternoon, Doug. I think your question was around the shift in travel patterns and what we're seeing from a geographical perspective. So I think the headline answer there is, we see stable demand globally. So from January until today in April, we have seen very stable demand and don't see any impact from the general economic environment in our business. So that's really a positive.

If I dive a little bit deeper, yes, we are seeing some underlying changes in travel preferences in some of the corridors as we have pointed out. So Europeans are traveling less to the US. They might travel now more to Canada, to Asia and intra-Europe, what we are seeing. I pointed already out that Canadians are traveling less to the US. We see them more traveling to Mexico at this moment.

For us, it doesn't matter. We are agnostic to where they are traveling because usually, they're spending the same amount just at another destination. And the fact that we are globally so well diversified, just want to call out what we have said in the past: a little bit over 50% of our business is in Europe; about 25% is in Asia; low double-digits in terms of room nights is in the US. So we're very well diversified to help travelers to go to other destinations. And economically, we're completely fine and neutral with that.

We're seeing globally the length of stay being stable except for the US, as we called out in our prepared remarks. The booking window is still expanding. And if I look at a metric that we call on the book, so how many bookings do you already have in the future over the next few months, including the summer period, we see a healthy increase year-over-year. So generally, I would say the underlying trends are positive with the slight weakness in the US. But overall, our position is really good.

Moreover, in a situation like this, we can add additional value for our supply partners. They need even more help to really fill their seats, fill their rooms. So this is the moment to really step up and deliver that additional value for our supply partners. And usually, coming out of situations like this, we are looking much better and we are much stronger in terms of the partnerships.

Doug Anmuth*Analyst, JPMorgan Securities LLC*

Q

Thank you both. Appreciate it.

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

Mark Mahaney*Analyst, Evercore ISI*

Q

Okay. I want to ask two questions. First, on attractions. I think across the industry, there's probably going to be a little bit of greater focus on that this year. Glenn, is there anything in particular that's new about the strategy for you? I know you got this high growth, but it's on a modest base. Is there something that's caused the opportunity to become more attractive than at other points in the past?

And then just on the agentic tools that you have on your own sites, Priceline, Penny, et cetera. Do you want to just talk a little bit about the product path? It seems like there's some really interesting functionality in there based on our testing. But it's still kind of beta-esque. I think it actually literally still is in beta. When do you think that will come out and the average person coming to Priceline and to Booking will actually be able to use the tool and it will be prominently displayed? Thank you.

Glenn D. Fogel

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

A

Hi, Mark. Two good questions. I like the fact you said the amount of traction because it gives me an opportunity to talk about that 92% growth rate, which I really like to see. So here's the thing, though, and we haven't talked a lot about traction in the past, but it certainly is within that Connected Trip vision. And if you recall, I laid this out many years ago, even a little bit before the pandemic, of course, the pandemic created a little bit of a slowdown for us. I do a couple of other things in that time.

But the idea is the long-term vision of the Connected Trip required us to go basically almost from scratch. The only thing we had at Booking.com was an agency hotel business, and that cannot possibly be a foundation for a Connected Trip to create that better experience. So we had to first start doing, okay, we need payments. So we start building payments so we can have a merchant for the hotels which is the foundation.

And what's biggest thing after that? Well, flights. We've got to build flights. Of course, you saw that one, 45% growth rate on that one for the quarter like that in the tickets. And then we say, well, we got to do other things too, the ground transportation. Sure, we had a car rental business. We had to build up the other stuff, too, and of course, attractions.

Now you can't do everything at once. And you got to be thinking about what do we need first and how much money we put into, how many people, where should we put it, et cetera. Now we have all of these verticals up and running and scaling, which is great. And we did something last year – a little more than a year ago, we arranged all the people at Booking.com. We created a new place called Marketplace to help bring this all together. And now we're using all of our technology, was trying to use all of our data, the machine learning models and other things and now GenAI, too, to come up – to put it together. So we started to get a little bit of launch here, a little bit of lift.

But we say, look, the 92% is great, still a relatively smaller number than some of the big players in attractions who are solely doing just attractions. I'll tell you, it ain't tiny and it is going to continue to grow. I am very excited because that is something that people really will see as a difference. When you are in destination, and I've talked about this, in your phone, in your pocket, that's like having a travel agent in your pocket, who's giving you a great, great deal, a great opportunity, a great suggestion of something to do and being there [indiscernible] (00:38:26) attraction, I've given a lot of examples. I won't use up the time now because you've heard them before, but that's going to be really important, providing that value. And it's great to be pretty far along in having set it up. And now we've more inventory and continuing to develop the ways to do it. So I'm really, really excited about that.

Now the second thing is you're talking about is, into this idea of this agentic AI and the different things we have like Penny at Priceline or like the AI Trip Planner at Booking. And now we just came out, KAYAK, I don't know if

you've seen it or not, KAYAK came out with the KAYAK.ai, another thing coming out. All these things are different approaches to the same thing, which is trying to come up with an easier way for people to be able to accomplish what they want in travel.

And you're right, beta is a good way to say it. It's early. And I use it. And sometimes I'm like – scratch my head like, whoa, that doesn't look right. That's not right. And I understand, but these things do take time. By the way, just so – everybody who uses any of the hyperscalers, too, you get some kind of information that you scratch your head about. It's going to going to take time. You want to know when is it going to be a great perfect thing. And I'll tell you something, it's going to take a little bit of time. But like each day, it gets a little bit better. And I also like the fact the way we're working with other big players to really help perfect this stuff.

So I'm just – this is one of these times. This new technology, it almost feel like it's back when I first started this company in 2000, so many new exciting things coming down the road that are going to make it so much better. I wish I could give you a date, Mark, I can't, but I can tell you, it's coming.

Mark Mahaney

Analyst, Evercore ISI

Thank you. Glenn.

Q

Operator: Your next question comes from the line of Eric Sheridan with Goldman Sachs. Please go ahead.

Eric J. Sheridan

Analyst, Goldman Sachs & Co. LLC

Thanks so much for taking the questions. Maybe two, if I could. Following up on the skews and the shifts you're seeing around the edges in travel behavior, are you yourself changing any focus competitively about where you're aiming some of your incremental growth investments to capitalize on shifts in the broader environment? Or are you seeing any competitive intensity changes broader across the industry as a result of some of those shifts?

Second question, I think I got this right, but on the prepared remarks, I think you made a comment that there's been some successful experimentation in traditional marketing channels that had improved performance. And I just want to know if we can get a little more granularity what you meant by that in terms of what kind of experiments or what kind of rate of change you might be seeing in terms of improved returns. Thanks so much.

Ewout Lucien Steenbergen

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

Good afternoon, Eric. Let me take both questions. First, in terms of shifts in terms of our investments, given what we're seeing across the world, we're not so much making changes at this moment. We very much believe, as you know, in the long-term nature of our business, creating value from a medium and long-term perspective for our shareholders and not really changing our short-term situation too much for opportunistic reasons. So we are continuing with our transformation program. We're continuing with our reinvestments.

Glenn already talked about attractions, which is a part of the reinvestment program, but also advertising, GenAI and several other areas that we're building out, fintech as well. So we will continue with that. We will continue with alternative accommodations, with flights, with the Connected Trip build-out, our direct channels. So, all of that we'll continue. So not so much of a shift.

A

We are not seeing any changes in terms of trends. So we said it's very stable. In case the uncertainty is playing out, and again, we are not seeing that today, but in case this will happen later this year, there might be opportunities to shift some of our investments because, in fact, at that point in time, there could be opportunity for us to really take advantage of such a situation based on the financial strength we are having as a company. But that's not really the case at this moment.

In terms of the performance marketing and the traditional performance marketing and what is happening there, what we are seeing is higher performance marketing spend as a percentage of growth bookings, but that was planned for this quarter. So that's not really a surprise for us. We are continuously optimizing for efficient spend in our performance marketing channels and always doing experiments to find ways to further improve that spend.

What we have seen is that we find opportunities with lower ROIs than our average ROIs but still positive ROIs and ROIs that are both our ROI floor. So economically, a good outcome, but mathematically, it is bringing the average ROIs slightly down. So it's purely based on traffic mix changes, but not so much on anything else. So from our perspective, this is a positive story. Excluding mix, we're improving performance, we're growing faster, and we are taking there for share in most of our markets.

Eric J. Sheridan

Analyst, Goldman Sachs & Co. LLC

Great. Thank you.

Glenn D. Fogel

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

One thing I'd add – one thing to emphasize what Ewout said, which I think is an important thing for everybody to keep in mind, and that is as he pointed out, if, and it's a big if, because we're not seeing it, but if things work to turn a little bit sideways or downward or such, we have always, in the past, used those opportunities to gain share.

When you look at our company over the many, many years that we've been operating here, we have been able to be nimble and agile and take advantage. When there is opportunity to gain share, we have used that opportunity, and have come out of those situations better off than when we went into them. I think that's for everybody just to keep in mind because I hear some of the noise and I feel concerned about what the future is. And for ourselves, we've done well when things have not done so well for everyone else.

Operator: Your next question comes from the line of Brian Nowak with Morgan Stanley. Please go ahead.

Brian Nowak

Analyst, Morgan Stanley & Co. LLC

Great. Thank you for taking my questions. I have two. Maybe the – the first one just on the new annual guidance and sort of the widening. I [indiscernible] (00:44:59) things are stable. There's not a lot of changes going on in the business. Maybe just sort of walk us through the reasoning for the widening of the range just to sort of in case or just being more pragmatic. Or is there anything you're seeing in the business that is sort of informing your decision to widen the range versus what you thought 90 days ago?

And then the second one, Ewout, just to go back to that last answer about the lower ROIs driving growth, is it a geographic phenomenon? Or are there certain channels that are sort of like lower ROI? Or sort of – can you just

help us understand a little more again by what's going on with the lower-ROI incremental acquisition that you have? Thanks.

Ewout Lucien Steenbergen

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

A

Sure, Brian. Good afternoon. So when we are looking at our full year guidance, what we have said is on a constant currency basis because as we know, FX is moving around a lot. So we thought it's cleaner and simpler and better and easier to understand to guide constant currency and then provide you the FX sensitivities around that.

On a constant currency basis, at the high end of the range, we're still at high single-digits growth on the constant currency basis for growth bookings and revenues and still at mid-teens for EPS. Based on the trends we are seeing today, we see the market very stable. We see demand stable. But we also know there's a lot of uncertainty out there in the world. We don't know, particularly the second half of this year, what is going to happen, how things are going to play out. No one knows, is there going to be, at some point, an impact on consumer confidence. And will that impact in the end on consumer spending in all retail categories including travel? It's very uncertain and unknown.

So we think it's reasonable to say the possibilities in terms of outcomes has become much wider than 90 days ago. And therefore, it would make sense to widen the ranges and now say on a constant currency basis to go from mid to high single-digits for growth bookings and revenues and low to mid-teens for EPS. But the high end is still the same because if those uncertainties do not play out, then we will be exactly where we said we would be 90 days ago when we did our fourth quarter call.

In terms of the performance marketing ROIs, so let me give you an example there, Brian. So if you think about the social media channels, we started really to scale up those channels during the second quarter of last year. Those are really attractive. The ROIs are above 1. So it's economically a positive outcome for the company, but the average ROIs are higher than some of those.

We're also experimenting in some of our traditional performance marketing channels. For competitive reasons, I can't give you more details on what we are exactly doing there and what is happening but as long as the ROIs are attractive and economically, we create value for our shareholders. It will be foolish not to lean in, in those on an incremental ROI basis, even though it might be slightly lower than our average ROIs.

I would say, don't look too much into this because, yes, this is happening during the first quarter. But for example, on the social media channels, we're lapping that in during the second quarter. So that impact won't show up so much anymore. Moreover, we will continue to see our direct channel expanding. That's our expectation for the rest of the year. So we're still forecasting marketing leverage for the second quarter and for the full year 2025 as a company.

Brian Nowak

Analyst, Morgan Stanley & Co. LLC

Q

Great. Thank you very much.

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

Lee Horowitz

Analyst, Deutsche Bank Securities, Inc.

Q

Great. Thanks. Two quick ones, if I could. I think, Glenn, you talked about if things were to perhaps go sideways, you guys have often used those opportunities to sort of lean in and take share. And I think we have certainly seen that in the past. But it does seem like there is perhaps some concern about things flattening or going sideways in the US. Are you guys seeing that as a market that maybe you win and even more than you planned previously just given that this could be an opportunity to gain share in a key strategic market?

And then maybe just one on direct mix. We've obviously seen that number continue just to creep up over time. I wonder how you guys think about sort of what the high-end bar may look like over a longer period of time. You're building the Connected Trip, so presumably still higher from here. But where do you potentially see high watermarks for direct mix over time? And how does generative AI perhaps impact that? Do generative AI tools that you build perhaps help you build more direct mix over time or vice versa? Or partners who are building GenAI tools perhaps take increased paid mix over time if their tools turn out to be legitimate sources for travel demand? Thank you, both.

Glenn D. Fogel

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

A

Thank you, Lee. So on the first one, about opportunities, and use the US as an example, if things get worse, do we get a bigger opportunity to lean even further and take more share? Obviously, it's – I'm not going to speak to any specifics, but any time that we see an opportunity that we believe an investment will give us long-term value, we're going to take advantage of that as we have in the past.

One of the things, for example – so let's take our alternative accommodations here, which it's been going very, very well. I mean I like that 12% growth rate. I've had the fun of talking about each quarter, we do better than the biggest player in the space. And who knows where it will be this time. Last time we spoke, it was 14 or 15 quarters. So this is now the 16th quarter, so it will be four years. And I'm hoping that I'll be able to say that in four years, we were faster than the biggest player in every single quarter except one. And it's good because we've been leaning into that even in good times.

Now things start getting a little bit skittish and such, and you end up with people who have properties. And they're not able to fill them as easily, because there aren't as much demand. We have the tools, we have the ways, we have the data, and we have proven this in the past during the worst, the worst to travel since World War II, the pandemic. In that first year, we had a positive EBITDA of \$900 million almost. That shows our ability to be adaptable, be able to variant what we're doing and come to partners with ways for them to get whatever demand was there.

So yes, Lee, if there is an opportunity, we are going to take it. Now in terms of your second one, the direct, yeah, we like it keeps going up. But I'll tell you, it's never going to be 100% I'll bet because there's always going to be somebody new comes in, goes some other way. We want to get that customer too. It's funny once, and this is a long time ago, somebody said, hey, we could have 100%, that we just stopped advertising and stop bringing people from other channels, which obviously wouldn't be very good for the business.

So I don't know what the optimal amount is. I know we look at ROIs, we look what's the cost, what does it cost to get a new customer, from which channel. And your point about some of these new other agentic AI, who knows? Maybe that'll be a great opportunity. Maybe what will happen is we'll end up with a whole bunch of them, which is going to be a lot more supply for new customers who is coming, which will lower the cost for us to acquire them.

That could be wonderful for us. We'll see how it plays out. As is right now, I like it the way we're playing it right now. I like the ROIs we've been using, and I like the growth and the direct the way it is. So knock on wood, and there's no wood near me, but knock on wood, things seem to be going pretty darn good.

Operator: Your next question comes from the line of Ken Gawrelski with Wells Fargo. Please go ahead.

Kenneth James Gawrelski

Managing Director, Wells Fargo & Co.

Q

Thank you for the question. Two, if I may, please. First, I want to address again in past periods of some macro weakness, the OTAs in general and Booking in particular, has had the opportunity to take share and also has seen partners kind of lean into the OTA channel, meaning the big chains, et cetera. So I'm curious, as if you're seeing anything, especially in the US, where you're seeing some incremental weakness, if you're seeing that behavior already and you expect that throughout the year.

And then the second one is really, I loved your thoughts on alternative accommodations versus hotels and that if you think about the ADR – potential ADR performance throughout the year on a constant FX basis, would you expect to see maybe more volatility or more variability in ADRs on alternative accommodations relative to hotels? Thank you very much.

Ewout Lucien Steenbergen

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

A

Ken, let me take both questions. So first, on the opportunities we see in the macro environment where there is some weakness. So opportunities there could be, and some of that is already playing out that there are some suppliers in the US, these could be airlines, these could be hotels that need additional help to fill seats, to fill rooms and where we are building partnerships and find opportunities in certain programs in order to help to create additional demand. So that is actually already happening as we speak.

Other opportunities could be, as Glenn mentioned, to really help alternative accommodation owners, villa owners, apartment owners that see that the bookings are not really developing as they have seen in the past, where we can put them on our platform and take advantage that our listings and alternative accommodations will go up.

It might also be that at some point, certain players will get in our industry more into financial difficulties. And given the financial strength we have as a company, we can lean in more in performance marketing channels based on our possibility to really invest in those channels at attractive ROIs, and therefore, really expand the level of activity that we can ultimately get to us in those auctions. So those are a number of examples that are happening.

In terms of your question – your second question, the economics of alternative accommodations versus hotels, actually, there is not a large economic difference. And the best proof point is what you can see in our results over the last multiple quarters. Because we have been growing alternative accommodations for the last multiple quarters faster than traditional accommodations in all regions in the world, but you haven't seen an impact on ADRs. You haven't seen an impact on EBITDA margins. You haven't seen an impact on any of our other metrics. On the contrary, we have continued to really build out all of those metrics in a very healthy way.

The other thing just to point out is, if you look at the post stock-based compensation basis compared to the largest player in alternative accommodations, we are growing faster with EBITDA margins, again, on a post-SBC basis, it's really important to make that correction and not take numbers as they are being reported, our EBITDA margins

are approximately 50% higher, and we are growing faster. So that's another example of that we are really not having any negative impact from that mix shift.

Kenneth James Gawrelski

Managing Director, Wells Fargo & Co.

Q

Thank you very much.

Operator: Your next question comes from the line of Kevin Kopelman with TD Cowen. Please go ahead.

Kevin Kopelman

Analyst, TD Cowen

Q

Thanks a lot. Can you talk about how broadly and in what ways your suppliers are engaging with the Genius program, particularly with the Tier 2 and Tier 3 Geniuses that are growing? And to what extent is Genius coming into play beyond traditional accommodations into alternatives, Connected Trip verticals?

And just as a follow-up to the last question, when you are seeing some early signs of pressure like you noted in the US, might you also see some pick up in supplier engagement with Genius? Thanks.

Glenn D. Fogel

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

A

Thanks Kevin. Yes is the answer. That's one of the wonderful things about Genius. I mean it's a win-win-win for everybody. It's a win, obviously, for the consumer who gets a better deal. It's a win for the supplier, because they're able to get an incremental customer into their – whether it be a hotel or it be a car rental or whatever it is, gets them in without impacting, without having a channel conflict because they want to have a public price somewhere else. And of course, we do well because we get more bookings that way.

And yes, when things get softer, people look for different ways to try and get that incremental demand without hurting, without cannibalizing, without destroying whatever pricing strategies they have. And by the way, it's not just Genius. And I'm glad you pointed out Genius, because I love the fact that we got the Level 2, Level 3 now well over 30%. And they're producing great, great volume. But we offer a tremendous number of different ways for a supplier to get that incremental demand, whether it be mobile rates, whether it be geography rates.

We have all different ways to bring opportunities to a supplier in a scientific way, not just throwing out a sale, not just coming out with a plaque or saying, oh, come, it's lower price. We are doing targeted, selectively. That's part of the beauty of our company with the incredible amount of data that we have that helps with all the science and all the machine learning that come out.

What should be priced, where, how, and working together with a partner, having an account manager, who can go and talk to that hotelier and say, here's the product I think you need to do here because of this business, and getting them that demand. That is the partnership that we do.

I think, unfortunately, a lot of people see this, oh, this is just a place you put a price up and it's so easy. Actually, there's a lot of science that goes into this. And that is part of the reason we have been forming so well over the last 25 years.

Kevin Kopelman

Analyst, TD Cowen

Q

Thank you, Glenn.

Operator: And that's all the time we have for questions today. And I will now turn the call back over to Glenn for closing comments.

Glenn D. Fogel

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

Thank you. I want to thank our partners, our travelers, our dedicated employees and our stockholders. We are truly grateful for everyone's support as we work towards realizing our company's long-term vision. Thank you and good night.

Operator: And this does conclude today's conference call. Thank you for your participation, and you may now disconnect.

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