CEO and CFO Prepared Remarks for 2nd Quarter 2023

NORWALK, CT – August 3, 2023

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

Thank you, and welcome to Booking Holdings' second quarter conference call. I am joined this afternoon by our CFO, David Goulden.

I am pleased to report that in the second quarter we continued to see robust leisure travel demand, which helped drive the strong results we are announcing today. The 268 million room nights booked in the second quarter increased by 9% year-over-year, and gross bookings of $39.7 billion grew 15% year-over-year and was the highest quarterly gross bookings ever. Both room nights and gross bookings came in ahead of our previous expectations as a result of the favorable demand environment. Revenue growth of 27% in Q2 also nicely outperformed our expectations. The strong topline results in the quarter combined with better than expected marketing efficiency helped drive our Q2 adjusted EBITDA to about $1.8 billion, which is an increase of 64% versus Q2 last year, and meaningfully exceeded our prior growth expectations of about 35%.

Looking at the month of July, we have seen an acceleration in year-over-year room night growth relative to the 9% growth we reported for Q2. We estimate July room nights increased by about 20% year-over-year, benefitting from the easier comparison to July 2022.

Overall, we have been very pleased to see our strong performance in the first half of the year, which has benefitted from the continued strength and resiliency of overall travel demand. Our solid start to the year combined with what we currently believe will be a new all time high for our Q3 summer travel period results in an improved outlook for the full year, which David will discuss in detail in his comments.

While the near-term results and outlook are encouraging, we remain focused on what is important for the business for the long term, which means making the necessary investments to strengthen and grow our enterprise while simultaneously remaining cost conscious. We are seeing progress and momentum across several important initiatives, which will help strengthen our business over the long term. These initiatives include advancing our Connected Trip vision, further integrating AI technology into our offerings, continuing to grow alternative accommodations, and building more direct relationships with our travel bookers.

Connected Trip

Starting with the Connected Trip: this is our long-term vision to make booking and experiencing travel easier, more personal, and more enjoyable, while delivering better value to our traveler customers and supplier partners. To be clear, this is not a discrete product we will introduce at some point in the future, instead this is a meaningfully enhanced way for a booker to experience and utilize Booking.com. Over time you will see incremental improvements and enhancements to our platform that move us another step closer to this long-term vision, and importantly, this approach allows us to realize benefits while we are building towards that future state. We believe that the current travel experience is much more complicated, fragmented, and frustrating to travelers than it should be and, eventually, our Connected Trip vision will greatly improve it via technology. Looking at the other side of the travel marketplace, we believe that our supplier partners will also benefit greatly from the Connected Trip as it will provide more opportunities to personalize and merchandise their offerings. We continue to build out our Connected Trip vision and have much more work to do, but we are pleased with the progress we have seen so far and expect it to ultimately result in increased customer and supplier engagement with our platform.

AI

We have always envisioned the Connected Trip as having AI technology at its center. Across our company, we have a long history with investing in AI technology and incorporating it into our platforms in order to optimize interactions with both our travelers and partners. This is an area where we believe we are well positioned given we have built strong teams of AI experts and gained valuable experience from using AI extensively for years. In addition to the many current applications for AI on our platforms, we believe that we can build an even more compelling and differentiated offering for our bookers if we can leverage AI technology to deliver a more personalized booking experience: A Connected Trip that would be more responsive to a booker's needs and help manage different aspects of their trips. Generative AI may play an important role in delivering that Connected Trip experience to our bookers, and our teams have been hard at work to integrate this exciting technology into our offerings in innovative ways, for example:

- In early July, Priceline unveiled its 2023 Summer Release, which delivered over 40 new booking tools and upgrades, including Penny. Penny is Priceline's generative AI travel assistant. Priceline has currently positioned Penny at the "end-of-the-funnel" on the checkout page where Penny can answer travel related questions that a customer may have when they have reached the checkout page. Penny is built on Priceline's own proprietary technology and data, and also leverages large language model technology to power its conversational capabilities. The combination of these technologies allows for innovations like the ability to make a booking directly in the chat interface. The Priceline team is rapidly gaining insights on booker questions, concerns, and behavior as Penny continues to interact with customers. The plan is to further enhance Penny over time by leveraging those valuable learnings.
- Around the same time as Priceline's Summer Release, Booking.com launched its own AI Trip Planner, which began rolling out on the mobile app in the U.S. to Genius customers. In contrast to Penny, the AI Trip Planner sits towards the "top-of-the-funnel" where travelers are in the discovery and planning process for their trips. Built upon the foundation of Booking.com's existing machine learning models that recommend accommodation options to millions of travelers on the platform every day, the AI Trip Planner is also partially powered by large language model technology to create a conversational experience for people to

start their trip planning processes. The AI Trip Planner advances trip planning by providing travelers with a rich visual list of destinations and properties, including Booking.com's live pricing information, with deep-links to view more details on the options. From the chat interface with the AI Trip Planner, bookers can tap on any recommended accommodation they are interested in and then can complete the reservation.

- Critical to our approach here is to marry our own proprietary data and machine learning models with the generative AI technology. This allows us to provide the conversational interface with the traveler while leveraging our own recommendation engine to provide accurate, detailed, and real-time information on the property recommendations.
- Like Priceline, the Booking.com team is already gaining valuable insights from the interactions with bookers, even though the Trip Planner is in beta and is still currently in a relatively limited roll out.

While we are excited by these new advancements at Booking.com and Priceline, it is of course still very early days, and we have much more to learn about how consumers will ultimately want to interact with this new technology. In addition, we mentioned last quarter that OpenTable and Kayak were experimenting with AI plug-ins and we will continue to examine all areas of our company to ensure we are taking advantage of AI created efficiencies. We are confident in our company's ability to benefit from AI developments and improve our products for our customers given our many years' experience in AI, our travel-related data and connections to our supply partners, and our human and financial capital.

Supply Partners / Alternative Accommodations

Across our businesses, we have two equally important customers: our travelers and our supply partners, with each representing one side of our marketplace. For our supply partners, we strive to be a trusted and valuable partner for all accommodation types on our platform, and we look to add value for our partners by delivering incremental demand and developing products and features to help support their businesses.

One area of focus for us on the supply side continues to be our alternative accommodations offering at Booking.com. Alternative accommodation room nights grew faster than our traditional hotel category, at about 11% year-over-year for the second quarter, and represented about 34% of Booking's.com's total room nights, which is 2 percentage points higher than in Q2 2022. This is a new all-time high mix of our total room nights. We are pleased to see continued momentum in terms of alternative accommodations supply growth both globally and in the U.S., with global listings reaching about 7 million by the end of the second quarter, which is about 8% higher than Q2 last year. We aim to build on this progress by continuing to improve the product for our supply partners and travelers, particularly in the U.S.

Travelers

For our travelers, we remain focused on building a better experience that leads to increasing loyalty, frequency, spend, and direct relationships over time.

In the second quarter, our mix of customers booking directly on our platforms continued to increase year-over-year. We see a very high level of direct bookings in the mobile app, which is an important platform as it allows us more opportunities to engage directly with travelers and, we believe, will result in increased traveler loyalty. About 48% of our room nights were booked through our apps in the second quarter, which is about 6 percentage points higher than in Q2 2022, an acceleration in the mix shift compared to Q1 and an all-time high in terms of mix of bookings coming from our mobile apps. We will continue our efforts to enhance the app experience to build on the recent success we have seen here.

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In conclusion, I am encouraged by the strength of travel demand so far this year and signs of what we expect to be a record summer travel season. Our teams continue to innovate and execute well against our key strategic priorities,

which helps position our business well for the long-term. We remain focused on delivering a better offering and experience for our customers, both our supply partners and our travelers alike. We are as confident as ever in the long-term growth of travel and in the opportunities ahead for our company.

I will now turn the call over to our CFO, David Goulden.

CFO Prepared Remarks - David Goulden, Chief Financial Officer

Thank you Glenn and good afternoon.

I'll review our results for the second quarter as well as our thoughts for Q3 and for the year. All growth rates for 2023 are on a year-over-year basis unless otherwise indicated. We will be making some references to the comparable periods in 2019 where we think these are helpful. Information regarding reconciliation of Non-GAAP results to GAAP results can be found in our earnings release.

We will post our prepared remarks to the Booking Holdings investor relations website after the conclusion of the earnings call.

Now onto our second quarter results.

Q2 Topline Results

Against a tough year-over-year comparison in the second quarter due to the strong rebound in travel after Omicron in Q2 last year, we are pleased to have delivered 9% room night growth in Q2, which was a few percentage points better than our expectations. Looking at our year-over-year room night growth by region in the second quarter, Asia was up over 40%, Rest of World was up low double digits, Europe was up a couple points and the U.S. was down slightly. It is helpful to remember that the U.S. was very strong last Q2 - and stronger than Q1 and Q3 versus 2019 - due to the rebound from Omicron.

Compared to 2019, our Q2 global room night growth was 26%, which was in line with Q1. For the second quarter, all our major regions grew at similar rates versus 2019.

In Q2, the booking window at Booking.com expanded further versus 2019 than it did in Q1. The Q2 booking window at Booking.com also expanded versus 2022.

As Glenn mentioned, our mobile apps represented about 48% of our total room nights in the second quarter, which was about six percentage points higher than the second quarter of 2022.

We continue to see an increasing mix of our total room nights coming to us through the direct channel. The direct channel increased as a percentage of our room nights in the second quarter relative to the second quarter of 2022.

For the first time since the onset of the pandemic, in Q2 we saw the international mix of our total room nights fully recover to 2019 levels.

Our cancellation rates in the second quarter were higher than Q2 2022, as the second quarter of 2022 benefited from the strong recovery in new bookings following the relaxation of travel restrictions in many parts of the world post Omicron. Our cancellation rates in the second quarter continued to be below 2019 levels.

For our alternative accommodations at Booking.com, our Q2 room night growth was about 11% year-over-year and the global mix of alternative accommodation room nights was about 34%, which was higher than about 32% in Q2 2022. Versus 2019, alternative accommodation room night growth was about 38%.

Q2 gross bookings increased 15% year-over-year, or 16% on a constant currency basis. The 15% increase in gross bookings was 6 percentage points higher than the 9% room night increase due to 5% higher accommodation constant currency ADRs and also due to a couple points from flight bookings, partially offset by the 1 percentage point of negative impact from FX movements.

Our accommodation constant currency ADRs were negatively impacted by regional mix due to a higher mix of room nights from Asia and a lower mix of room nights from the U.S. Excluding regional mix, constant currency ADRs were up about 9 percentage points year-over-year.

Despite the higher ADRs in the second quarter, we have not seen a change in the mix of hotel star-rating levels being booked or changes in length of stay that could indicate that consumers are trading down. We continue to watch these dynamics closely.

Airline tickets booked in the second quarter were up about 58% year-over-year driven by the continued expansion of Booking.com's Flight offering.

Revenue for the second quarter came in nicely ahead of our expectations, increasing 27% year-over-year, or about 28% on a constant currency basis.

Q2 revenue as a percentage of gross bookings was about 130 basis points above last year, which was about in line with our expectations. Our underlying accommodation take rates continue to be in line with 2019 levels.

Q2 P&L Results

Marketing expense, which is a highly variable expense line, increased 4% year-over-year. Marketing expense as a percentage of gross bookings was about 50 basis points lower than Q2 2022 due to higher ROIs in our paid channels and a higher mix of direct business. Performance marketing ROIs increased year-over-year due in part to our ongoing efforts to improve the efficiency of our marketing spend.

Marketing and merchandising combined as a percentage of gross bookings in Q2 was about 60 basis points lower than last year, which was better than our expectation. Relative to our expectation, this was primarily due to better ROIs in our paid channels, as well as lower than expected merchandising spend, which was impacted by the booking window being more expanded than we expected in the quarter which will push merchandising expense into future periods at the time revenue is recognized.

Sales and other expenses as a percentage of gross bookings were up about 30 basis points compared with last year, a bit better than our expectation. About 48% of Booking.com's gross bookings were processed through our payments platform in Q2, up from about 38% in Q2 2022.

Our more fixed expenses in aggregate were up 20% year-over-year, which was below our expectation due to lower IT expenses in the quarter, including some impact from phasing of IT spend into later in the year. We continue to manage our more fixed expenses very carefully.

Adjusted EBITDA was $1.8 billion in the second quarter, which was up 64% year-over-year, and would have been up 70% on a constant currency basis. Adjusted EBITDA was well above our expectation due to the stronger topline, the efficiencies in marketing and merchandising, and lower than expected IT expenses. Our Adjusted EBITDA margins increased by about 7 percentage points versus Q2 2022.

Non-GAAP Net Income of $1.4 billion in the second quarter resulted in Non-GAAP EPS of $37.62 per share, which was up 97% year-over-year. Our average share count in the second quarter was 9% below Q2 2022 and 15% below Q2 2019.

On a GAAP basis, we had Net Income of $1.3 billion in the quarter.

Cash & Liquidity & Capital Structure/Allocation

Now on to our cash and liquidity position. Our Q2 ending cash and investments balance of $15.7 billion was up versus our Q1 ending balance of $15.3 billion due to the $1.9 billion debt issuance in May 2023 and the $1.6 billion of free cash flow generated in the second quarter, offset by the $3.1 billion in share repurchases we completed in the quarter.

In the first half of the year, we repurchased $5.1 billion of our shares, which represented 5% of our year-end 2022 share count. The repurchases so far this year take our combined authorization down to $19 billion from the $24 billion we discussed earlier in the year. We remain comfortable with our ability to complete the full $24 billion of share repurchases within four years from when we started the program at the beginning of this year, assuming no major downturn in the travel environment.

Q3 2023 Commentary

Now onto our thoughts for the third quarter of 2023.

In July, we saw year-over-year room night growth of about 20%, up from 9% in Q2. Looking across our major regions, in July we saw Asia up about 45%, Rest of World up over 20%, Europe up mid-teens and the U.S. up mid single digits.

When comparing versus 2019, July room night growth was in a similar range to the 26% growth in Q2. The U.S. was our most recovered region with growth at over 30% versus 2019.

Our comments for the third quarter make the assumption that room night growth will be up low double digits year-over-year, assuming some moderation in growth from July due in part to the harder prior year comparables in August and September. You will recall from our commentary on the third quarter of 2022 that room night growth versus 2019 was 4% in July 2022, and 10% in August and September 2022. In addition, we expect that due to the expanded booking window in the first half of the year for stays in Q3 that there will be fewer last minute bookings for stays in the rest of Q3.

We expect Q3 gross bookings to grow about seven points faster than room nights on a year-over-year basis due to a few points from continued flight bookings growth and a few points of positive impact from FX movements. We expect accommodation constant currency ADRs to be about in line with Q3 2022 including a couple points of pressure from changes in regional mix.

We expect Q3 revenue as a percentage of gross bookings to be around 19%, slightly above last year due to a more positive impact from timing in part due to the expanded booking window in the first half of this year and increased revenue from payments. We expect these will be partially offset by a higher mix of flights and increased merchandising spend, some of which is related to bookings we received earlier in the year.

We expect Q3 marketing expenses as a percentage of gross bookings to be lower than last year. We expect marketing and merchandising combined as a percentage of gross bookings in Q3 to be slightly lower than last year.

We expect Q3 sales and other expenses as a percentage of gross bookings to be about 20 basis points higher than last year due primarily to higher merchant gross bookings mix.

We expect our more fixed expenses in Q3 to grow year-over-year about 30% due to higher personnel and related expenses, higher IT expenses including the impact of phasing from Q2, and higher indirect taxes in G&A. The year-over-year growth in our more fixed expenses includes about seven percentage points from changes in FX. The difference between the 20% growth in our more fixed expenses in Q2 and the 30% growth in Q3 is driven mainly by FX and Majorel.

Taking all this into account, we'd expect Q3 adjusted EBITDA to be around 20% higher than last year.

FY 2023 Commentary

Given the strong level of bookings we have seen, we are updating our commentary for the full year. We currently expect gross bookings to grow slightly over 20% year-over-year, up from our previous expectation for low-teens growth. We expect full year room night growth in the mid teens and constant currency accommodation ADRs to be up slightly for the year including a couple points of pressure from changes in regional mix.

We currently expect revenue as a percentage of gross bookings to increase year-over-year by about 20 basis points, down from our previous expectation for a 50 basis point increase. The reduction in our full year take rate expectation is driven by less of a benefit from the impact from timing due to higher growth than we expected earlier in the year and also due to the expanded booking window, and also from stronger performance which drove a higher mix of flights than we expected earlier in the year.

We currently expect marketing and merchandising as a percentage of gross bookings to be slightly below 2022, as compared to our previous expectation for it to be similar to 2022. The improvement in our expectation is driven primarily by higher ROIs in our paid channels.

We currently expect our more fixed expenses to grow around 25%, up from our previous expectation for around 20% growth. The increase in our expectation is driven primarily by variable components of personnel expense, due to outperformance versus our expectations at the start of the year, as well as higher indirect taxes, which are generally tied to revenues, and some additional FX pressure. We manage our more fixed costs very carefully and continue to expect our more fixed expenses next year to grow at an appreciably lower rate than this year.

We continue to expect that our adjusted EBITDA margins will expand by a couple of percentage points versus 2022.

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In closing, we are pleased with our year-to-date results and the momentum in the business as we move into Q3.

About Booking Holdings Inc.

Booking Holdings (NASDAQ: BKNG) is the world's leading provider of online travel and related services, provided to consumers and local partners in more than 220 countries and territories through six primary consumer-facing brands: Booking.com, Priceline, Agoda, Rentalcars.com, KAYAK and OpenTable. The mission of Booking Holdings is to make it easier for everyone to experience the world. For more information, visit BookingHoldings.com and follow us on Twitter @BookingHoldings.

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