CEO and CFO Prepared Remarks for 3rd Quarter 2023

NORWALK, CT – November 2, 2023

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

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

I am encouraged by the strong results we are reporting today and by the strong leisure travel demand environment that we continue to see. In the third quarter, our traveler customers booked 276 million, or more than a quarter of a billion room nights, which was an increase of 15% year-over-year, and we had gross bookings of $40 billion, which was an increase of 24% year-over-year. Room night growth versus 2019 was 24% in Q3. Both room nights and gross bookings were record quarterly amounts for the company, and both came in ahead of our previous expectations. Third quarter revenue of $7.3 billion grew 21% and adjusted EBITDA of $3.3 billion increased 24%, both versus Q3 last year, and both exceeded our prior expectations. Finally, our non-GAAP earnings per share in the quarter grew 36% year-over-year, and was nearly 60% higher than in the third quarter of 2019. Our earnings per share growth benefited from our improved profit levels, as well as our strong capital return program, which reduced our end-of-quarter share count by 10% versus the third quarter of 2022.

Now, turning to October, we estimate that room night growth was about 8% year-over-year and about 20% versus 2019. Excluding Israel, we estimate these growth rates would have been about 9% and 22%, respectively. We saw a significant negative impact on our business in Israel, and there was some impact on travel trends outside of Israel. Nevertheless, we were encouraged to see global room night growth improve towards the end of the month. And David will explain more about October in his remarks.

Overall, we continue to see resiliency in global leisure travel demand. And as we take a very early look ahead to 2024, we see strong growth on the books for travel that will take place in the first quarter of next year, though a high percentage of these bookings are cancellable. Given current trends, we expect consumers will continue to prioritize travel over other discretionary spend in 2024.

I firmly believe we are well positioned to continue our work attracting customers and partners to our platform, while making progress on 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 traveler customers.

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. In the third quarter, we saw an increase in the percentage of transactions which we count as connected trips, meaning two or more travel components within a trip. Though still a small percentage of our total transactions today, it is encouraging to see an increasing number of our travelers booking more elements of their travel with us.

Outside of accommodations, one of the most important elements of travel is flights, and we continue to focus on further developing our flight offering on Booking.com. In the third quarter, air tickets booked increased 57% year-over-year, driven by the growth of Booking.com's flight offering. To provide some context on how this has developed over the last few years, the 9 million tickets booked on our platforms during the third quarter were more than 5 times the number of air tickets booked through us in Q3 2019.

This significant growth of our flight offering at Booking.com over the last four years was achieved through our successful partnership with Etraveli. As previously announced, our proposed acquisition of Etraveli was blocked by the European Commission in September, a decision we will appeal. While we strongly disagree with the EC's decision to block the deal, our commitment to building the flight vertical at Booking.com has not changed. In fact, we have extended our partnership agreement with Etraveli through at least the end of 2028, which means we anticipate continuing to work with them on improving Booking.com's flight offering over the coming years.

We believe offering a compelling flight product alongside our accommodation, ground transportation, and attractions offerings, helps to create a better, easier, and more comprehensive travel booking experience for our travelers, and more opportunities for our partners. We will continue to build out our Connected Trip vision, which we believe will ultimately result in increased customer and supplier engagement with our platform.

AI

As we discussed last quarter, we have always envisioned AI technology at the center of the Connected Trip, and we have a long history of investing in AI technology and incorporating it in our platforms across our company. I previously spoke about the hard work our teams have been doing to integrate Generative AI into our offerings in innovative ways, including Priceline's generative AI travel assistant, named Penny, and Booking.com's AI Trip Planner.

It is still very early days, but both teams are gaining valuable insights on booker questions, concerns, and behavior as the tools continue to interact with customers. At Priceline, we are seeing some encouraging signs of lower customer service contact rates, and we are exploring other areas across our business where we believe we can use generative AI tools to increase productivity.

For example, our brands are running projects using generative AI to enhance the productivity of our software developers with encouraging results so far. And we look forward to using these tools more widely in the future.

I remain confident in our company's ability to benefit from AI developments by improving our products for our customers and operating more efficiently over time.

Supply Partners / Alternative Accommodations

Turning to 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.

During the quarter, some of our partners at Booking.com experienced delayed payments due to a planned upgrade to our finance and payment platforms in early July. We have now cleared the backlog of outstanding payment issues related to this system upgrade. We plan to provide compensation to partners who experienced an extended delay, and we recorded this in our Q3 results. We plan to communicate to all partners who were impacted by these payment delays within the next few days.

We continue to focus on strengthening our alternative accommodations offering at Booking.com by increasing supply and raising awareness among travelers. In the third quarter, alternative accommodation room nights grew at about 24% year-over-year, which was faster than our traditional hotel category. Alternative accommodations represented about 33% of Booking's.com's total room nights, which was 3 percentage points higher than in Q3 2022. We are seeing continued momentum in terms of alternative accommodations supply growth both globally and in the U.S., with global listings reaching about 7.2 million by the end of the third quarter, which is about 9% higher than Q3 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 third 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. For the first time ever for our company, over 50% of our room nights were booked through our apps in the third quarter, which is about 6 percentage points higher than in Q3 2022. This is a remarkable achievement considering the mix of our mobile app room nights in the third quarter of 2019 was about 18 percentage points lower than it was in the third quarter this year. 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 strong third quarter results and the continued resilience of leisure travel demand. Our teams continue to execute well against our key strategic priorities, which helps position our business well for the long-term. We continue our work to deliver a better offering and experience for our supply partners and our travelers. We are confident 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 third quarter as well as our thoughts for Q4 and the full 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 third quarter results.

Q3 Topline Results

We are pleased to report 15% room night growth in Q3, which was a few percentage points better than our expectations. Looking at our year-over-year room night growth by region in the third quarter, Asia was up about 35%, Rest of World was up mid-teens, Europe was up low double digits and the U.S. was up low single digits.

Compared to 2019, our Q3 global room night growth was 24%.

The average booking window at Booking.com expanded in Q3 versus the same period in both 2022 and 2019, and was a bit more expanded versus the prior year periods than it was in Q2.

In Q3, our mobile apps represented over half of our total room nights for the first time ever. The Q3 mobile app mix of about 51% was about six percentage points higher than the third 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 third quarter relative to the third quarter of 2022.

The Q3 international mix of our total room nights was over 50%, up from about 45% in the third quarter of 2022. The Q3 international mix was in line with 2019 levels, similar to the second quarter.

Our cancellation rates in the third quarter were slightly higher than Q3 2022, but were slightly below Q3 2019. Cancellation rates were the same as in Q2.

For our alternative accommodations at Booking.com, our Q3 room night growth was about 24% year-over-year and the global mix of alternative accommodation room nights was about 33%, which was a few points higher than Q3 2022.

Q3 gross bookings increased 24% year-over-year, or 21% on a constant currency basis. The 24% increase in gross bookings was 9 percentage points higher than the 15% room night increase due to about 4% higher accommodation constant currency ADRs, plus about 3 percentage points of positive impact from FX movements, and also due to about 2 percentage points from flight bookings.

Our year-over-year ADR growth was 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 7 percentage points year-over-year.

Despite the higher ADRs in the third 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 third quarter were up about 57% year-over-year driven by the continued expansion of Booking.com's flight offering.

Revenue for the third quarter exceeded our expectations, increasing 21% year-over-year, or about 18% on a constant currency basis. Although we had a stronger than expected Q3 from a room night and gross bookings perspective, the outperformance versus our expectations was mostly driven by bookings that are for travel in future quarters. As a result, we did not see all of the revenue benefit in Q3 from these incremental bookings. Revenue as a percentage of

gross bookings in Q3 was 18.4%, which was lower than expected due to this timing effect. Our underlying accommodation take rates continue to be in line with 2019 levels.

Q3 P&L Results

Marketing expense, which is a highly variable expense line, increased 13% year-over-year. Marketing expense as a percentage of gross bookings was about 50 basis points lower than Q3 2022 due to higher ROIs in our paid channels and a higher mix of direct business. Performance marketing ROIs increased year-over-year helped by our ongoing efforts to improve the efficiency of our marketing spend.

Marketing and merchandising combined as a percentage of gross bookings in Q3 was about 30 basis points lower than last year, which was a little better than our expectations, driven by improved performance marketing ROIs.

Q3 sales and other expenses as a percentage of gross bookings were up about 10 basis points compared with last year, a bit better than our expectations. About 51% of Booking.com's gross bookings were processed through our payments platform in Q3, up from about 40% in Q3 2022. For the total company, 56% of gross bookings were merchant, up from about 45% in Q3 2022.

Our more fixed expenses in aggregate were up 24% year-over-year, which was below our expectation, due to lower personnel and personnel related expenses. We continue to manage our more fixed expenses very carefully. On a GAAP basis, our more fixed expenses were up 33% year-over-year and included a $90 million accrual in G&A expense for the termination fee related to the acquisition agreement for Etraveli, this accrual was excluded from our Non-GAAP results.

Adjusted EBITDA was $3.3 billion in the third quarter, which was up 24% year-over-year, and would have been up 22% on a constant currency basis. This was also ahead of our expectations.

Non-GAAP Net Income of $2.6 billion in the third quarter resulted in Non-GAAP EPS of $72.32 per share, which was up 36% year-over-year. Our average share count in the third quarter was 9% below Q3 2022 and 16% below Q3 2019.

On a GAAP basis, we had Net Income of $2.5 billion in the quarter.

Cash & Liquidity & Capital Structure/Allocation

Now on to our cash and liquidity position. Our Q3 ending cash and investments balance of $14.3 billion was down versus our Q2 ending balance of $15.7 billion due to the $2.6 billion in share repurchases we completed in the quarter, partially offset by the $1.3 billion of free cash flow generated in the third quarter.

We have repurchased $7.7 billion of our shares through the first three quarters, which represents 8% of our year-end 2022 share count. The repurchases so far this year take our combined authorization down to $16 billion from the total of $24 billion we discussed earlier in the year.

Our buyback program takes our share price into account and at current share price levels we expect to spend more on buybacks in Q4 than we did in Q3.

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.

Q4 2023 Commentary

Now onto our thoughts for the fourth quarter of 2023.

In October, we estimate year-over-year room night growth was about 8%, down from 15% in Q3 due in part to a tougher year-on-year compare, as well as the war in the Middle East. When comparing versus 2019, October room night growth was about 20%. Excluding Israel, October room nights grew about 9% versus 2022 and about 22%

versus 2019. The 22% growth versus October 2019 excluding Israel is a little lower than the 24% growth we saw in Q3 versus 2019.

Looking across our major regions, in October we saw Asia year-over-year room night growth of about 15%, Europe up about 10%, and the U.S. and Rest of World were down slightly. The impact of the Israel-Hamas war is seen most in the Rest of World growth numbers.

Israel on a booker plus inbound travel basis is about 1% of our global room nights. The Middle East, including Turkey and Egypt, on a booker basis is about 4% of our global room nights.

Globally, we saw a slowdown starting the second week of October due to cancellations and a drop in new bookings after the start of the war in the Middle East. The cancellations we saw that started in the second week of October were concentrated in Israel, but we also saw some impact on travel trends outside of the country as people absorbed the news. We were pleased to see room night growth recover towards the end of the month.

Our comments for the fourth quarter make the assumption that room night growth will be up about 9% year-over-year. When comparing versus 2019, this means we expect Q4 room night growth to be about 20%. This outlook assumes that there is no further expansion of the war in the Middle East.

We expect Q4 gross bookings to grow about 5 points faster than room nights on a year-over-year basis due to a couple points from higher accommodation constant currency ADRs, including some pressure from changes in regional mix, as well as a couple points from continued flight bookings growth.

We expect Q4 revenue as a percentage of gross bookings to be about 15%, which would be higher than Q4 last year due to benefits from timing.

We expect Q4 marketing expenses as a percentage of gross bookings to be slightly lower than last year. We expect marketing and merchandising combined as a percentage of gross bookings in Q4 to be slightly higher than last year as we continue to look for opportunities to lean in.

We expect Q4 sales and other expenses as a percentage of gross bookings to be about in line with last year as the higher merchant gross bookings mix is offset by efficiencies in payments costs.

We expect our more fixed expenses in Q4 to grow a couple of points faster year-over-year than it did in the third quarter.

Taking all this into account, we'd expect Q4 adjusted EBITDA to be just over $1.4 billion.

FY 2023 Commentary

Our year to date results plus our fourth quarter commentary means that for the full year we expect room nights to grow in the mid-to high-teens year-over-year.

We currently expect full year gross bookings growth of over 20% year-over-year.

We currently expect revenue as a percentage of gross bookings to increase year-over-year by about 10 basis points, down from our previous expectation for a 20 basis point increase due to higher bookings growth and a longer booking window, which reduce the expected benefit from timing.

We continue to expect full year marketing and merchandising as a percentage of gross bookings to be slightly below 2022, and for our more fixed expenses to grow around 25% year-over-year.

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 Q3 results, the trends we're seeing into Q4 and with the bookings we have already received for early 2024.

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 X (formerly known as Twitter) @BookingHoldings.

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