



CEO and CFO Prepared Remarks for 1st Quarter 2024

NORWALK, CT – May 2, 2024

Information About Forward-Looking Statements

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

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

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

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

Ewout will provide further details on our first quarter results, and our thoughts about the second quarter.

Over the last few years, we have talked quite a bit about our key strategic priorities, which include building towards our Connected Trip vision, expanding our merchant offering at Booking.com, developing our AI capabilities, and

enhancing our Genius loyalty program. These initiatives may seem to be distinct efforts, but I'd like to emphasize they actually all fit together in our ongoing effort to deliver a much better planning, booking, and traveling experience for our travelers while also benefiting our supplier partners.

Travelers

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

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

Connected Trip

We believe continuing to improve the experience for our travelers by advancing towards our Connected Trip vision will help to further drive these positive proof points around loyalty, frequency, and direct booking behavior. I'm encouraged to see strong growth in transactions that are connected to another booking from a different travel vertical in a trip. These connected transactions increased by just over 50% year-over-year in the first quarter, though it is important to note that this growth is off of last year's small base. Connected transactions represented a high single digit percentage of Booking.com's total transactions in Q1. It's great to see more of our travelers choosing to book connected transactions, and we believe by providing more value and a better overall experience to those travelers, they may choose to book more trips with us and have a higher likelihood of booking directly with us in the future.

Flights is the most frequently booked vertical in a connected transaction outside of accommodations, and it is an important component of many of the trips our travelers are booking. In the first quarter, air tickets booked on our platforms increased 33% year-over-year, driven primarily by the growth of Booking.com's flight offering. We continue to see a healthy number of new customers to Booking.com through the flight vertical and are encouraged by the rate that these customers and returning customers see the value of the other services on our platform. Winning a traveler's business is never easy because of the high level of competition in our industry but we are pleased to see that by providing a better way to do it, less friction, better value, a broader selection, and great customer service, we are building a customer base that is more likely to choose us.

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

Bringing all of these elements of travel together in a seamless booking experience and unlocking the ability to merchandise across verticals is a capability we have been building at Booking.com over the last several years. In addition to being a foundational element to our Connected Trip vision, our merchant offering brings many other benefits to our travelers and partners. For our travelers, we provide the ability to pay in many different payment methods, and we can offer discounts, incentives, and other merchandising opportunities. For our supplier partners, our merchant offering enables us to take fraud liability from our partners as part of the services we provide, reduces

cancellation rates versus the agency model, and over time we believe we can help to lower payment costs for our partners.

In order to achieve the easier and more personalized experience of the Connected Trip, we have always envisioned AI technology playing a central role. We believe we are well positioned to leverage this technology given we have built strong teams of AI experts and gained valuable experience from using AI extensively for many years. In addition, we have proprietary data that can be used to train specific use-case models or fine tune large AI models, and have the resources and scale required to build AI powered offerings. As we have discussed before, our teams continue to work hard to integrate Generative AI into our offerings in innovative ways, including Booking.com's AI Trip Planner, Priceline's generative AI travel assistant named Penny, and KAYAK's recent release of Generative AI powered features and tools. We will continue to learn from traveler interactions with these tools and enhance our offerings over time.

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

Genius

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

We are seeing success in moving more of our travelers into the higher Genius tiers of Levels 2 and 3, which require 5 and 15 bookings in a two-year period, respectively. We see encouraging behavior from our Genius Level 2 and 3 travelers, including higher frequency and a higher rate of direct booking than what we see for our overall business.

We will continue to explore opportunities to enhance our Genius loyalty program and deliver more benefits to our travelers with more of our supplier partners electing to participate.

Supply Partners / Alternative Accommodations

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

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

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

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

CFO Prepared Remarks - Ewout Steenberg, Chief Financial Officer and Executive Vice President

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

I'll now review our results for the first quarter and provide our thoughts for the second quarter. All growth rates are on a year-over-year basis. Information regarding reconciliation of Non-GAAP results to GAAP results can be found 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 let's move to our first quarter results.

Q1 Topline Results

Our room nights in the first quarter grew 9%, which exceeded the high end of our guidance by about three percentage points. The higher than expected room night growth was driven by a continued expansion of the booking window as well as healthy underlying demand with better than expected performance in Europe, and less of a negative impact from the war in the Middle East than expected.

Looking at our room night growth by region in the first quarter, Asia was up mid-teens, Europe and Rest of World were up high single digits, and the U.S. was up low single digits.

We're encouraged by the continued progress we are making in strengthening the direct relationships with our travelers. Over the last four quarters the mix of our total room nights coming to us through the direct channel was in the mid 50% range, and when we exclude our B2B business was in the low 60% range. We have seen both these mixes increase year-over-year in each of those four quarters. We are focused on continuing to increase our direct mix going forward, which we believe will benefit from our efforts to improve the experience for our travelers including building towards our Connected Trip vision. Increasing our direct mix benefits our P&L by driving higher efficiency of our marketing spend as a percentage of gross bookings while reducing the mix of bookings we source through paid marketing channels.

In our mobile apps, the significant majority of bookings we receive are direct, and we continue to see favorable repeat direct booking behavior from consumers in our mobile apps when compared to direct bookings on desktop or mobile web. The mobile apps also allow us more opportunities to engage directly with consumers. In the first quarter, mobile app mix of about 51% was five percentage points higher than the first quarter of 2023.

We continue to offer our travelers a broad selection of places to stay and are seeing an increasing mix of our room nights being booked in alternative accommodation properties. For our alternative accommodations at Booking.com, our first quarter room night growth was 13% and the global mix of alternative accommodation room nights was 36%, which was up versus 33% in the first quarter of 2023.

Outside of accommodations, we saw airline tickets booked on our platforms in the first quarter increase 33%, driven by the continued growth of Booking.com's flight offering.

First quarter gross bookings increased 10%, which exceeded our expectations. The 10% increase in gross bookings was approximately two percentage points higher than the 9% room night growth on an unrounded basis due to about

1% higher accommodation ADRs, plus about one point of positive impact from flight bookings. There was an immaterial impact from changes in FX on our gross bookings growth rate.

Our ADR growth was negatively impacted by regional mix due to a higher mix of room nights from Asia. Excluding regional mix, ADRs were up about two percentage points.

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

Q1 P&L Results

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

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

First quarter sales and other expenses as a percentage of gross bookings was 1.6%, about 20 basis points higher than last year, due in large part to a higher merchant mix.

Our more fixed expenses on an adjusted basis were up 11%, which was below our expectation, due primarily to lower G&A expense. We recognize that this fixed expense growth is elevated as we invest in the business but are fully focused on driving operating leverage from our more fixed expenses and targeting a much lower opex growth level in 2025.

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

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

On a GAAP basis, we had net income of \$776 million in the quarter.

Cash & Liquidity & Capital Structure / Allocation

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

Q2 2024 Commentary

Now onto our thoughts for the second quarter.

We expect second quarter room night growth to be between 4% and 6%, a deceleration from the first quarter as the first quarter benefited more from the year-over-year expansion of the booking window. We expect the booking window to be closer to the prior year in the second quarter. Additionally, the impact from the ongoing war in the

Middle East was less negative than we expected in the first quarter, however, we expect a more negative impact in the second quarter given the geopolitical situation in April.

April room night growth rate was above the high end of that range and benefited by a couple points from Easter being in March this year versus April last year. Adjusting for Easter, April room night growth was about in line with the high end of that range.

We expect second quarter gross bookings growth to be between 3% and 5%, slightly below room night growth due to about three points of negative impact from changes in FX offset by about 1% higher constant currency accommodation ADRs, plus about one point of positive impact from flight bookings.

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

We expect Marketing to be a source of slight deleverage in the quarter, but if you adjust for Easter timing, we expect Marketing as a percentage of revenue to be neutral year-over-year.

We expect our sales and other expenses to grow faster than revenue in the second quarter driven by a higher merchant mix.

We expect our more fixed opex to grow faster than revenue in the second quarter due primarily to faster IT expense growth as we have been investing in new tech platforms, and in line with the full year guidance we provided last quarter.

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

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

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

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 five primary consumer-facing brands: [Booking.com](https://www.booking.com), [Priceline](https://www.priceline.com), [Agoda](https://www.agoda.com), [KAYAK](https://www.kayak.com) and [OpenTable](https://www.opentable.com). The mission of Booking Holdings is to make it easier for everyone to experience the world. For more information, visit [BookingHoldings.com](https://www.BookingHoldings.com) and follow us on X @BookingHoldings.

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