



CEO and CFO Prepared Remarks for 2nd Quarter 2024

NORWALK, CT – August 1, 2024

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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, Ewout Steenberg.

I am proud to report second quarter results that exceeded the high end of our expectations for room nights and revenue. The upside on revenue combined with lower than expected fixed opex growth helped drive adjusted EBITDA above the high end of our prior guidance range. As expected, the travel market has continued to normalize, and we are pleased with the strength of our underlying business.

Moving to our key metrics in the second quarter, our travelers booked 287 million room nights across our platforms, an increase of 7% year-over-year. Revenue of \$5.9 billion and adjusted EBITDA of \$1.9 billion both increased 7% year-over-year. Finally, adjusted earnings per share grew 11% year-over-year, helped by our strong capital return program, which reduced our average share count by 7% year-over-year.

In line with our expectations, we saw that the booking window expanded less in the second quarter relative to the first quarter, which negatively impacted room night growth compared to Q1. From a regional perspective, we observed a mild moderation of travel market growth in Europe. However, we believe we are continuing to perform well relative to the market in Europe. Looking at our other regions, we continued to see high growth levels in Asia and a slight improvement in growth in the U.S. As we look ahead to the third quarter, we believe room night growth will be impacted by a booking window that expands less than it did in Q2 as well as by the more moderate market growth we have seen in Europe, where our growth has remained stable from May through July. We expect that this will result in some deceleration in room night growth compared to Q2.

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

I remain confident in the attractive long-term growth profile of the travel industry, our competitive position over the long term, and our long-term growth and earnings model. We remain focused on what is important for the business for the long term, which means continuing to execute against our strategic initiatives while simultaneously taking actions to drive more cost efficiency in the business. We continue to see progress across several important initiatives, which include advancing our Connected Trip vision, expanding our merchant offering at Booking.com, continuing to develop our AI capabilities, growing Alternative Accommodations, and enhancing our Genius loyalty program. These initiatives all fit together in our ongoing effort to deliver a better planning, booking, and travel experience for our travelers while also benefiting our supplier partners.

Supply Partners / Alternative Accommodations

We believe that continuing to drive benefits to our supplier partners is critical to successfully operating a growing two-sided marketplace. We are encouraged to see healthy second quarter year-over-year growth in the number of supply partners working with us at Booking.com. We are focused on being a trusted and valuable partner by delivering incremental travel demand and developing products and features to help support these accommodation properties, the majority of which are small and independent businesses. We believe that improving the competitiveness and profitability of our smaller partners and supporting those partners across macroeconomic cycles contributes to the long-term economic health of our sector.

Our alternative accommodation offering at Booking.com continues to benefit from having more listings available for travelers to choose from. At the end of Q2, our global alternative accommodation listings were about 7.8 million, which is about 11% higher than Q2 last year. We believe this greater selection of listings is contributing to the increasing mix of alternative accommodation room nights booked on our platform. We continue to make incremental enhancements to our alternative accommodation offering for both our travelers and supply partners.

Travelers

For our travelers, we are focused on successfully delivering a better planning, booking, and travel experience over time, which we believe will lead travelers to choose to book directly and more frequently with us. At Booking.com, we are continuing to grow the number of total active travelers, with repeat travelers growing at an even faster rate. In terms of direct booking behavior, we are pleased to see that the direct booking channel continues to grow faster than room nights acquired through paid marketing channels. As I've stated before, we think it is important for us to remain proactive in paid marketing channels in order to bring new travelers to our platforms, so long as we are able to do this at attractive ROIs. In addition, I'm encouraged by the work our team at Booking.com is doing to increase our spend on social media in a disciplined manner, which is an effort that helps to further diversify the channels we utilize while reaching our travelers on platforms they are actively using.

Genius

Our Genius loyalty program at Booking.com plays an important role in helping to drive more travelers to choose to book directly with us over time. We see a meaningfully higher direct booking mix for Genius users versus other users, and that direct mix percentage steps up at each higher level of Genius status. So we are encouraged to see continued success in more of our travelers moving into the higher Genius tiers of Levels 2 and 3, which now represent nearly 30% of our active travelers. In addition to a higher direct booking rate, we also see higher booking frequency from our Genius Level 2 and 3 travelers when compared to our overall business.

In Q2, we drove more Genius benefits to our travelers with a 15% year-over-year increase in benefits. This is primarily driven by accommodation bookings. However, we are seeing growth in benefits in the other elements of travel as well, with triple digit growth in Genius discounts for car rental off of a small base last year, and continued testing of Genius benefits for flights. In addition to these benefits, bookings in travel verticals outside of

accommodations contribute to a traveler's Genius level tier. We will continue to explore opportunities to enhance our Genius loyalty program and deliver more benefits to our travelers. And we note that Genius is a win-win with our supplier partners, enabling them to get incremental demand when they want it, which is one reason more of our supplier partners are electing to participate.

Connected Trip Vision

On the Connected Trip, we continue to take steps towards our long-term vision to make the planning, booking, and travel experience easier, more personal, and more enjoyable, while delivering better value to our travelers and supplier partners. In order to achieve the easier and more personalized experience of the Connected Trip, we have always envisioned AI technology at the center of this vision. Our teams of AI experts continue to draw on their valuable experience from using AI extensively for many years as they work to further incorporate this technology into our platforms. We believe our proprietary data along with our resources and scale position us well to build compelling AI powered offerings over time.

Another foundational element of the Connected Trip is the merchant offering that we continue to expand at Booking.com. Merchant capabilities will help bring the different elements of travel together in a seamless booking experience while also unlocking the ability to merchandise across verticals. The mix of merchant gross bookings reached 58% of total gross bookings at Booking.com in the second quarter, which is an increase of 10 percentage points year-over-year and is higher than our prior expectations. We are pleased to see that processing transactions through Booking.com's merchant offering generated incremental contribution margin dollars in the quarter, though this was still a small percentage of our total adjusted EBITDA.

We continue to see growth in transactions that are connected to another booking from a different travel vertical in a trip. These connected transactions increased by about 45% year-over-year in the second quarter and continued to represent a high single digit percentage of Booking.com's total transactions. We believe by providing a better overall booking experience, travelers may choose to book more trips with us with a higher likelihood of booking directly in the future.

Flights are an important component for many of the connected trips that our travelers are booking. In the second quarter, air tickets booked on our platforms increased 28% year-over-year, driven primarily by the growth of Booking.com's flight offering as well as strong growth in Agoda's flights business. We continue to see a healthy number of new customers coming 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 offered on our platform.

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In conclusion, 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 Steenbergen.

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

Thank you Glenn and good afternoon.

I will now review our results for the second quarter and provide our thoughts for the third quarter and the 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.

Now let's move to our second quarter results.

Q2 Topline Results

Our room nights in the second quarter grew 7%, which exceeded the high end of our guidance by one percentage point. As expected, we saw room night growth moderate from the first quarter as we saw less year-over-year expansion of the booking window in the second quarter.

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

We continue to grow our alternative accommodations business faster than our overall business. For our alternative accommodations at Booking.com, our second quarter room night growth was 12% and the global mix of room nights was 36%, which was up two percentage points from the second quarter of 2023.

We continue to see encouraging progress in strengthening direct relationships with our travelers and increasing loyalty on our platforms. 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 of these mixes continue to increase year-over-year.

Mobile app mix of our total room nights was about 53%, which was up six percentage points from the second quarter of 2023. 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 at Booking.com, we continue to see a year-over-year increase in the mix of room nights booked by travelers in the higher Genius tiers of Levels 2 and 3. These members booked more than half of the room nights over the past four quarters.

Outside of accommodations, we saw airline tickets booked on our platforms in the second quarter increase 28%, about in line with our expectations, driven by the continued growth of the flight offerings of Booking.com and Agoda.

Second quarter gross bookings increased 4%, which was approximately three percentage points lower than the 7% room night growth due to about two percentage points of negative impact from changes in FX and about 1% lower constant currency accommodation ADRs. The year-over-year ADR decline was negatively impacted by a higher mix of room nights from Asia. Excluding regional mix, constant currency ADRs were about flat versus 2023.

While room night growth was above the high end of our guidance range, gross bookings growth came in at the midpoint of our range due to about 2% lower constant currency accommodation ADRs versus our expectation. In addition, our gross bookings were negatively impacted by lower flight ticket prices, in line with the recent trends we have heard from many airlines.

Q2 P&L Results

Second quarter revenue of \$5.9 billion grew 7% year-over-year, which exceeded the high end of our guidance by one percentage point. Revenue growth was negatively impacted by about two percentage points from the change in Easter timing and two percentage points from changes in FX. Adjusting for these two items, revenue would have grown about 11%.

Revenue as a percentage of gross bookings was 14.1% which was slightly higher than expected due to a timing benefit as we saw gross bookings growth decelerate in the quarter and a less expanded booking window than expected. Additionally, revenue associated with payments was higher than expected.

Marketing expense, which is a highly variable expense line, increased 8% year-over-year. Marketing expense as a percentage of gross bookings was 4.7%, about 15 basis points higher than the second quarter of 2023 due primarily to the timing of brand marketing spend as well as increased spend in social media channels.

Second quarter adjusted sales and other expenses as a percentage of gross bookings was 1.9%, about 15 basis points higher than last year, due to a higher merchant mix and higher transaction taxes.

Our more fixed expenses on an adjusted basis were up 5% and were below our expectation across all three line items: Personnel, G&A, and IT. We are very focused on carefully managing the growth of our more fixed expenses, and are taking actions to help improve our operating leverage in future quarters.

Adjusted EBITDA of \$1.9 billion was above our expectations largely driven by higher revenue and lower-than-expected fixed expenses. Adjusted EBITDA grew 7% despite approximately five percentage points of pressure from Easter timing and two percentage points from changes in FX. Adjusting for these two items, adjusted EBITDA would have grown about 14%. When looking at our adjusted EBITDA margins for the first half of 2024, which neutralizes the impact of the Easter timing shift, we are pleased to see 160 basis points of margin expansion versus the first half of 2023.

Adjusted net income of over \$1.4 billion was up 3%, slower than the growth in adjusted EBITDA due primarily to higher income tax expenses, which was impacted by some discrete items.

Adjusted EPS of \$41.90 per share was up 11%, and benefited from a 7% lower average share count than the second quarter of 2023.

On a GAAP basis, net income was over \$1.5 billion in the second quarter.

Cash & Liquidity & Capital Structure / Allocation

Now on to our cash and liquidity position. Our second quarter ending cash and investments balance of \$16.8 billion was up versus our first quarter ending balance of \$16.4 billion due to about \$2.4 billion of free cash flow generated in the quarter partially offset by about \$1.9 billion of capital return including share repurchases and dividends.

Q3 2024 Commentary

Moving to our thoughts for the third quarter.

We expect third quarter room night growth to be between 3% and 5%, a sequential deceleration as we expect the third quarter to benefit less from a year-over-year expansion of the booking window than we saw in the second quarter. For the third quarter, we expect the booking window to be more similar to last year. Additionally, we have seen a mild moderation in market growth in Europe over the last couple of months, though our growth in Europe has remained stable from May through July and we believe we continue to perform well relative to the market.

We expect third quarter gross bookings growth to be between 2% and 4%, slightly below room night growth due to about one percentage point of negative impact from changes in FX. We expect constant currency ADRs to be down slightly year-over-year and for this to be offset by a slight benefit from flight bookings growth. While we continue to expect growth in flight bookings, we believe this will be less than previously expected due to lower flight ticket prices.

We expect third quarter revenue growth to be between 2% and 4%.

We expect third quarter adjusted EBITDA to be between about \$3.25 billion and \$3.35 billion, about flat year-over-year at the midpoint of the range. We expect adjusted EBITDA to grow slower than revenue due to deleverage from sales and other expenses and from growth in IT expenses related to higher software license fees and increased cloud costs.

We expect third quarter revenue and adjusted EBITDA growth to also be negatively impacted by one percentage point from changes in FX.

Full Year 2024 Commentary

In terms of our outlook for the full year, we are adjusting our gross bookings growth expectation to faster than 6%, which is a bit lower than our prior expectation due to less growth in flight gross bookings as a result of the lower flight ticket prices I previously mentioned. While flight prices have come down, we still expect strong growth in

flight tickets for the year as we continue to expand the flight offerings at Booking.com and Agoda. We expect accommodation ADRs will be about flat to down slightly on a constant currency basis.

For revenue, we now expect revenue growth of more than 7%, which is a bit higher than our prior guidance based on the outperformance in the first half of the year and our expectation for higher revenue associated with payments. Revenue is impacted to a much lesser extent than gross bookings from the decline in flight ticket prices.

We continue to expect about one percentage point of negative impact from changes in FX on our topline growth rates.

We are reducing our fixed opex growth expectation to low double digits as we continue to focus on bringing this growth rate down over time.

We expect adjusted EBITDA to grow in the high single digits, which is slightly faster growth than our prior expectation given our outlook for increased revenue growth and lower fixed opex growth. We continue to expect adjusted EBITDA margins to expand year-over-year by a bit less than a percentage point.

Finally, we are increasing our adjusted EPS growth expectation to above 15%.

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In conclusion, we continue to expect 2024 to be a strong year for the company. We remain focused on executing against our strategic initiatives while taking actions to drive greater operating leverage. We are excited about our long-term vision for the Connected Trip and enhancing our offering through technology innovation like Generative AI.

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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