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Booking Holdings, Inc. (BKNG)

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MANAGEMENT DISCUSSION SECTION

Operator: Welcome to Booking Holdings' Second 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 intended 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 obligation 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'd like to introduce Booking Holdings' speakers for this afternoon, Glenn Fogel and Ewout Steenbergen. Please go ahead, gentlemen.

Glenn D. Fogel

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

Thank you. And welcome to Booking Holdings' second quarter conference call. I'm joined this afternoon by our CFO, Ewout Steenberg. I am pleased to report a strong quarter that demonstrates the resilience of our business and the enduring appeal of global leisure travel.

Our top line trends saw solid improvement with room nights, gross bookings and revenue all exceeding our prior expectations. This revenue outperformance, combined with our continued disciplined expense management, increased adjusted EBITDA 28% year-over-year. Even more than these financial achievements, I'm proud of our team's progress in accelerating our strategic priorities.

This year continues to underscore the exciting intersection of technology and travel. Our legacy of innovation and our scale and proprietary data position us well to continue to drive meaningful value for our travelers and partners. I'll share specific examples from the quarter shortly, but first, let's briefly cover our second quarter financial highlights.

During the quarter, we delivered strong results that exceeded our expectations, reflecting robust demand across our globally diversified business. Room nights reached \$309 million, an 8% year-over-year increase, exceeding the high end of our prior expectations, driven by strong performance across Europe and Asia. Asia, in particular, saw healthy growth, up low double digits, and we remain optimistic about our long-term outlook for the region.

The US continued to be our slowest growing region, but growth in the second quarter improved slightly from the first quarter and likely outpaced the broader US accommodations industry. The stronger-than-expected global room night growth helped drive second quarter gross bookings up 13% and revenue up 16%. Both were above the high end of our prior guidance ranges.

It's important to note that FX favorably impacted our growth rates by approximately 4 percentage points, consistent with our expectations. And finally, adjusted earnings per share in the quarter grew 32% year-over-year. Ewout will provide more detailed financial insights shortly, including our outlook for the third quarter and full year.

Beyond the headline numbers, I am energized by the significant strides we are making across several key initiatives. We continue to expand alternative accommodations, enhance the Genius loyalty program, and grow our presence in Asia. We are also pushing forward our Connected Trip vision and continue to develop our AI capabilities. All these initiatives and others contribute interactively, synergistically allowing us to deliver a better planning and booking experience for our travelers and bring incremental demand to our partners.

Let's start with alternative accommodations. Strong relationships with our partners and a broad selection for travelers are fundamental to providing a comprehensive planning and booking offering. And we're constantly working to make the alternative accommodation experience even better for both sides of the marketplace.

We strengthened our payment capabilities to deliver our partners a faster, simpler and more efficient experience. Also, we are further rolling out request-to-book functionality with prebooking messaging through an API, providing access to a segment of the alternative accommodation supply that relies on this model.

For travelers, we continue to broaden supply with Booking.com's alternative accommodation listings reaching 8.4 million, an increase of 8% year-over-year. This growth provides even more choices for our travelers and contribute to a 10% year-over-year growth in alternative accommodation room nights for the quarter, outpacing our core hotel business.

Another core way we deliver benefits to our travelers is through Booking.com's loyalty program called Genius. This program offers discounted pricing and other mostly supplier-provided benefits to our travelers. We continue to extend our Genius program beyond accommodations into other travel verticals, bringing these benefits to more elements of travel.

We've also been experimenting on how we can continue to reward and provide a differentiated offering to our most loyal customers with additional features like dedicated customer support agents. We're encouraged to see more of our travelers continue to move into our higher Level 2 and 3 Genius tiers, which now represent over 30% of our active travelers and book a mid-50% of Booking.com's total room nights. These Genius travelers exhibit meaningfully higher direct booking rates and a higher booking frequency than our other travelers.

From a regional perspective, Asia remains central to our long-term strategy. Its size and economic momentum make it an attractive travel market, and our strong position there allows us to benefit from that growth. We expect industry growth in the region to be in the high single digits over the medium term, the fastest among our major markets. And our ambition is to keep outpacing the broader industry as we have for several years.

As mentioned earlier in the call, in the second quarter, we delivered low double-digit room night growth in Asia, reflecting the strength of our two-brand approach with Agoda and Booking.com. This success comes from localizing the user experience, expanding flights and attractions, tailoring payment methods, and ensuring travelers can engage with us in their own language, all supported by thousands of our dedicated employees across the region.

Now, on to the Connected Trip. We continue to make progress there towards our long-term vision. It's all about making the plan, booking, and overall travel experience easier and more personalized, providing more value for the traveler along with a data-driven process to enable partners opportunities to obtain incremental business. Travelers who book a Connected Trip directly with us, meaning a trip that includes booking more than one travel vertical, more frequently choose to book directly again with us in the future. To put it bluntly, we see greater loyalty in our customers who have purchased a Connected Trip.

A lot of our foundational work in recent years has been about growing verticals outside of accommodations, with a view to facilitate a more comprehensive travel experience, and our efforts are showing results. Connected Trip transactions grew over 30% year-over-year in the second quarter and now represent a low double-digit percentage of Booking.com's total transactions.

Our non-accommodation verticals continue to show strong growth, with flight tickets up 44%, and attractions ticket growth more than doubled year-over-year, although from a modest base. While the direct financial impact from attractions is minimal today, we believe this vertical allows us to offer our travelers compelling in-destination experiences. These data points indicate that more travelers are choosing to book multiple elements of their trips on our platforms, reflecting the increasing value and convenience we offer to travelers, and enabling our flights, attractions, and ground transportation partners, many of whom are small- and medium-sized enterprises, to obtain incremental business.

We've always known that the Connected Trip needs exceptional technology at its core. AI in general, and now particularly GenAI, is propelling us closer to this vision. We are actively investing in advanced AI capabilities, accelerating our ability to meet the evolving needs of travelers and partners. During the quarter, we continued to see developments that are allowing us to better inform travelers by creating more personalized and responsive experiences.

For example, Priceline's AI assistant, Penny, saw multiple enhancements, including expanded voice capabilities, leading to increasing engagement rates and improved conversion metrics. At KAYAK, the team's KAYAK.ai, which is its test lab for AI-first features, continues to improve its products to be more personalized and conversational. Another example is OpenTable's AI Concierge, which launched earlier this month. Embedded directly on restaurant profiles, Concierge draws from OpenTable's extensive restaurant data, including menus, reviews and descriptions to offer more tailored recommendations.

On the customer service side, GenAI has notably reduced live agent contact rates across our brands. It allows us to answer customer questions faster and more conveniently. At Agoda, agent enablement tools, such as auto summarization of cases and guided workflows, have resulted in more customized and seamless engagement.

At Booking.com, voice-enabled GenAI agents in customer service have improved resolution times and increased customer satisfaction scores. Continuing to advance these capabilities will yield an easier, more responsive, and better-served travel experience.

In addition to our organic efforts, we continue to collaborate with leading AI companies such as OpenAI, Microsoft, Amazon, and others on their agentic developments. This enables us to stay at the forefront of this rapidly developing field, and we believe will expand our potential sources of new customers in the future.

Of course, as we've mentioned in the past, we also continue to engage with social media platforms as travelers' search patterns and travel discovery methods evolve, particularly at the inspiration stage of the travel funnel.

On the topic of partnerships, I am thrilled by the traction the OpenTable team continues to gain. They've done tremendous work, creating genuine value for both our restaurant partners and diners. This quarter, we announced our partnership with Chase Sapphire Reserve, giving eligible Chase card members exclusive access to selected coveted restaurants on OpenTable. It builds on the great momentum from our recent Uber and Visa announcements.

Looking forward, while we acknowledge that navigating geopolitical and macroeconomic uncertainties is simply the norm for a business as global as ours, history has repeatedly shown us the enduring resilience of travel, and we remain confident in the long-term outlook for the travel industry and in our ability to adapt and innovate to continue to position us well to deliver attractive growth.

I am incredibly excited about what's ahead. Our commitment is to strategically drive our business for the long term, focusing on what we can control to seek to deliver unparalleled value to both our travelers and our partners.

Thank you. I will now turn the call over to Ewout for a more detailed financial review and our guidance.

Ewout Lucien Steenbergen

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

Thank you, Glenn. And good afternoon, everyone. I want to start by thanking all the teams across the company. Their great work is what allows us to share these positive updates today.

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

Now, let's move to our second quarter results. Our room nights in the second quarter grew 8%, which exceeded the high end of our guidance by about 2 percentage points. The higher-than-expected room night growth was driven by stronger-than-expected performance in Europe, Asia, and the US. We observed an impact in our Rest of World region in June from the events in the Middle East, which we estimate impacted global growth by about 1% in June and one-third of a percentage point overall in the second quarter.

Looking at our room night growth by region in the quarter, Europe was up high single digits; Asia was up low double digits; Rest of World was up high single digits; and US was up low single digits. The US continues to be our lowest growing region, but growth in the second quarter was slightly higher than the first quarter, and we believe it outpaces the broader US accommodations industry. However, in the US, we observed lower ADRs as well as a shorter length of stay and booking window. This may suggest that US consumers are being more careful with spending in the current economic environment.

At a global level, constant currency ADRs were flat, excluding changes in regional mix. The global average length of stay was similar to last year, and the global booking window expanded year-over-year. We saw consistent trends in certain travel corridors that were noted on our previous call. Inbound travel to the US was down year-over-year in the second quarter, particularly from bookers in Canada and to a lesser extent from bookers in Europe. That said, we also saw strong growth in other travel corridors, including Canada to Mexico and Europe to Asia, contributing to accelerating room night growth overall. These results once again highlight our global diversification as a core strength of our business.

We remain focused on executing on our key strategic initiatives to strengthen our long-term earnings potential, and we're seeing continued momentum across several areas, including alternative accommodations growth, increasing the direct and mobile app mix of our bookings, expanding our Genius loyalty program, and further growing our other travel verticals.

For our alternative accommodations at Booking.com, our second quarter room night growth was 10%, which continues to outpace the growth of our overall business. The global mix of alternative accommodation room nights was 37%, which was up 1 percentage point from the second quarter of 2024.

We also see tangible progress in our efforts to strengthen our direct relationships with our travelers and increase loyalty on our platforms. Over the last four quarters, our B2C direct mix was in the mid-60% range, which was up from the low-60% range one year ago. The mobile app mix of our room nights was in the mid-50% range over the last four quarters, which was up from the low-50% range one year ago. We find that the significant majority of bookings received from our mobile apps come through the direct channel.

We continue to provide compelling benefits and value to both our travelers and our partners through 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.

We achieved another quarter of healthy growth across our other travel verticals, as Glenn mentioned. During the second quarter, over 16 million airline tickets were booked across our platforms, representing an increase of 44% year-over-year, driven by the continued growth of our flight offerings at Booking.com and Agoda.

Our attractions vertical is scaling nicely with tickets booked on our platforms more than doubling year-over-year off a modest base. We're actively investing in driving further growth in these verticals that help strengthen our offering and underpin our long-term Connected Trip vision.

Second quarter gross bookings increased 13% year-over-year or about 9% on a constant currency basis. The constant currency growth rate was approximately 1 percentage point higher than room night growth due to about 2 percentage points from higher flight booking growth, partially offset by a decrease in constant currency accommodation ADRs of about 1%. The decrease in ADRs was impacted by a higher mix of room nights from Asia and a lower mix from the US. As I noted before, excluding regional mix, constant currency ADRs were about in line with the second quarter of 2024.

The increase in gross bookings exceeded the high end of our guidance by 1 percentage point, driven by about 2 percentage points of benefit from higher room nights, partially offset by lower accommodation ADRs versus our expectations. The impact from changes in FX was about in line with our expectations.

Second quarter revenue of \$6.8 billion grew 16% year-over-year, which exceeded the high end of our guidance by 4 percentage points. The outperformance was greater than growth bookings primarily due to higher revenues from facilitating payments and lower merchandising spend. The lower merchandising spend is driven by timing, which we anticipate will impact revenue in the third quarter.

Revenue as a percentage of gross bookings of 14.5% was up about 40 basis points year-over-year due to the timing impact from the Easter calendar shift and higher revenue from payments, partially offset by an increased mix of flight bookings. Constant currency revenue growth was about 12%. When normalizing for the year-over-year impacts of the Easter calendar shift, constant currency revenue growth was about 10% in the second quarter.

Marketing expense, which is a highly variable expense line, increased 10% year-over-year. Marketing expense as a percentage of gross bookings was a source of leverage compared to the second quarter of 2024, driven by lower brand marketing expenses as well as higher direct mix, partially offset by increased spend in social media channels at attractive incremental ROIs.

Second quarter sales and other expenses as a percentage of gross bookings was about in line with last year despite an increasing merchant mix as higher payment expenses were offset by increased efficiencies in customer service as well as lower transaction taxes and bad debt provisions.

Adjusted fixed operating expenses increased 11% year-over-year or about 7% on a constant currency basis and was a source of leverage in the quarter as we continue to be highly focused on managing our fixed expenses. The year-over-year increase was impacted by higher performance-based compensation accruals, increased cloud cost, and a legal settlement in the second quarter.

Adjusted EBITDA of approximately \$2.4 billion grew 28% year-over-year, which was 12 percentage points faster than the high end of our guidance due primarily to stronger revenue growth. Adjusted EPS of \$55.40 per share was up 32% year-over-year, faster than the growth in adjusted EBITDA, helped by the benefit of 5% lower average share count.

During the second quarter, we realized approximately \$45 million of in-quarter savings from the Transformation Program, primarily in the sales and other expenses line. We expect the actions we have taken so far will enable approximately \$350 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 second quarter, we incurred \$38 million in transformation costs, which were almost entirely excluded from our adjusted results. We continue to estimate the aggregate transformation cost will be about \$400 million to \$450 million, which is similar to 1 time the run rate savings we anticipate from executing the program.

Now, on to our cash and liquidity position. Our second quarter ending cash and investments balance of \$18.2 billion was up versus our first quarter ending balance of \$16.1 billion. This was driven by about \$3.1 billion of free cash flow generated in the quarter and approximately \$700 million from the impact of changes in FX on our cash balance, partially offset by capital return activities, including \$1.3 billion in share repurchases and \$300 million in dividends.

In the second quarter, we issued about \$2 billion in debt, which was mostly offset by about \$2 billion in payments related to the maturity of debt, including the conversion premium on the convertible notes. Since we avoided the issuance of new shares by settling the note in cash and will realize the benefit in the year-over-year reduction in diluted share count, the cash payment of \$1.1 billion to settle the conversion has an effect similar and incremental to the regular share repurchases of \$1.3 billion just mentioned. Free cash flow in the second quarter benefited by over \$800 million from changes in working capital, driven primarily by the seasonal increase in our deferred merchant bookings balance.

Moving to our thoughts for the third quarter. At the global level, we have seen steady travel demand trends in our business so far in the third quarter. However, we recognize that comparables with the prior year will be higher in August and September. Additionally, we remain mindful that the geopolitical dynamics and uncertainty in the broader macroeconomic environment could potentially impact consumer behavior as we have seen in the Middle East most recently.

We continue to closely monitor the travel environment for any changes. Our guidance for the third quarter assumes recent FX rates for the remainder of the quarter, including the Euro/US dollar at 1.17. We estimate changes in FX will positively impact our third quarter US dollar reported growth rates by about 4 percentage points.

We currently expect third quarter room night growth to be between 3.5% and 5.5%. We expect growth to moderate from the second quarter as the third quarter has a tougher prior year growth comparison. We currently expect third quarter gross bookings to increase between 8% and 10%, including 2 percentage points of positive impact from higher flight ticket growth. We expect constant currency accommodation ADRs will be down slightly year-over-year.

We currently expect third quarter revenue growth to be between 7% and 9%, lower than the increase in gross bookings due to a higher mix of flight bookings as well as increased merchandising contra-revenue, some of which is related to bookings made in prior quarters.

We currently expect third quarter adjusted EBITDA to be between \$3.9 billion and \$4 billion, growing 9% year-over-year at the high end. We currently expect third quarter adjusted EBITDA margins to be similar to last year. This is primarily due to marketing leverage being offset by the timing of merchandising spend and increased sales and other expenses, some of which relate to the timing of payment costs.

Turning to the full year 2025. While we recognize there is still elevated uncertainty in the macroeconomic and geopolitical environment, we are pleased to see that global travel demand trends continue to be steady so far in the third quarter. Given these trends and with improved visibility for the third quarter, which historically has been our largest revenue and profit quarter, we are increasing our full year guidance ranges at the midpoint.

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 3 percentage points. On a constant currency basis, our current expectations continue to be aligned with our long-term growth ambition of at least 8% gross bookings and revenue growth and 15% adjusted EPS growth.

On a reported basis, for the full year, we currently expect gross bookings and revenue to be up low double digits; adjusted EBITDA to be up mid-teens; adjusted EBITDA margins to expand year-over-year by about 125 basis points, higher than our prior expectation of 50 to 100 basis points; revenue will grow faster than both marketing and adjusted fixed operating expenses; sales and other expenses to grow similar to revenue; and adjusted EPS to be up high teens.

In conclusion, we are pleased with our second quarter results and our outlook for the remainder of the year. We remain focused on executing towards our strategic vision of a Generative AI-powered Connected Trip while taking actions to drive greater operating leverage. Thank you to all of my colleagues across the company for their amazing work and dedication toward delivering value for our travelers, partners and shareholders.

With that, we will 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] Your first question today comes from the line of Mark Mahaney from Evercore ISI. Your line is open.

Mark Mahaney

Analyst, Evercore ISI

Q

Okay. Can I throw two questions by, please? First, on Asia. You gave, Glenn, a couple of product details or vertical details, but would you also give us a little bit of color on some of the many different markets in Asia? And are there particular ones that are performing well for you?

And then, Ewout, I think at a investor conference at the end of May, you asked about the potential impact of LLMs and you posited that there's potential that they actually can help the business and that they could create a diversification of traffic sources. And I just want you to follow up on that. Is there anything that you're already seeing in that that suggests that? Or is it just a reasonable hypothesis for the long term? Thank you very much.

Glenn D. Fogel

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

A

Hi, Mark. Nice to hear you. As you know, we don't break out individual countries within regions. We are pleased what's going on in Asia in general. And I will give one specific. We have talked about how we don't really think much of China as an area we're going to be able to compete well domestically at all. It's also somewhat more problematic than we'd hoped, say, a decade ago, where we had higher hopes of us being able to be a major, major player there for outbound business. We are no longer in that kind of thinking.

Of course, we still enjoy a benefit of inbound to China because we have many Europeans or other parts of the world who want to travel to China. We have a nice business there. That's probably the only specific thing I'll point out in terms of the individual country in Asia, but I will just reemphasize it is the area that we think long term is

going to have the highest growth rate, and therefore, that's the reason we're very pleased to have two great brands there.

We have Agoda, which is based there, and we have thousands of employees throughout the region, which is one of the really important things in our business is being able to actually have that person-to-person relationship with the suppliers and also really understanding what's going on in that market. And Agoda understands that. That's why they're able to do things like localization that's very powerful.

At the same time, we have our global player, Booking.com. That's obviously a global playbook, and they too are doing well. So overall, I think we have a great playbook in general there. We like what we're doing. It was our fastest-growing region for the previous quarter, which we reported. So all-in-all, good things there.

And I'm going to take a little bit of Ewout's thing on the LLMs, then I'll let him follow up because I find it's such an exciting thing that we're doing. And we obviously are talking with all the major players there and some of the minor players to come up with different ways that we can work together.

Look, this is a very, very early technology that, even though we all see so many great things coming from it right now, we know the things that are going to come down the road that we haven't thought of yet. But I see it's a great opportunity for us to be able to do even better service for both our travelers who obviously are enjoying the benefits of these large language models and be able to do discovery and all sorts of inspirational things they want to do, but also with our partners, and ways to be able to do better things for them, I just think it's the greatest thing, and then throw on the benefit, of course, and it's not your question, Mark, but in terms of improving efficiency for our business.

So we have so many great things coming out of it. And it's great that we have the scale to be able to take advantage of this, having the people, having the capital, having the AI engineers. This is one of the benefits of being a global giant that you can really be able to take advantage of these new things that come down, and that's why I'm just so excited.

But Ewout, I'll let you follow up on what you've ever said to Mark back in San Francisco.

Ewout Lucien Steenbergen

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

A

Yes. Good afternoon, Mark. So overall, I think the high-level answer to your question is, it's a little bit too early, a little bit too premature to give you a precise answer, how much LLMs will help with the diversification of channels towards us in terms of leads that come to us from those models.

So let me expand a little bit on that. First of all, I would like to point out that if you look at our direct channel, that continues to grow. That's, of course, super important for us as a company. It's now in the mid-60% level from a B2C basis from the low-60% level last year. So that continues to expand. And of course, the more travelers come directly to us, book more with us, more across multiple verticals, that's, of course, the best traffic we can have. That is also the traffic with the highest ROIs.

But then next to that, if you look at the performance marketing channels, it's actually, to some extent, interesting that the Google clicks continue to hold up quite well. Actually, they're still growing for accommodations, slightly still period-over-period. So we don't see yet a decline in that. But we would like to, of course, really diversify our performance marketing channels to other channels like we are doing with social media.

Just to give you another data point there, actually the spend in social media channels was up this quarter 25% compared to the second quarter of last year. So also there, we're continuing to learn and experiment, finding new modern channels that travelers are using to get inspired for travel and finding ways to ultimately book.

And then also, as you know, we are very actively working together with all the hyperscalers and what they are doing with respect to their agent development. So for example, we're very proud that we were mentioned as one of the key partners for ChatGPT agent mode, and Booking.com was clearly highlighted in the demos that they showed a couple of days ago. So a little bit overall, still too early to say. But what you should take away, I think, main point is we are really trying to expand to learn, and the more channels we can use, the better it is for the company in the future.

Mark Mahaney

Analyst, Evercore ISI

Q

Thanks for all the extra color, Glenn and Ewout.

Operator: Your next question comes from the line of Brian Nowak from Morgan Stanley. Your line is open.

Brian Nowak

Analyst, Morgan Stanley & Co. LLC

Q

Thanks for taking my questions. I have two. The first one is on the US. Maybe can you just talk to us about some of the growth initiatives you have internally to really sort of catapult the growth in the US to be durably faster going forward?

Then the second thing, Glenn, I know we've talked a lot about GenAI and GenAI assistance over the last few years. Walk us through sort of in your mind, the biggest one or two technological hurdles that have to be cleared in order to make sort of scalable GenAI assistance that can be deployed to hundreds of millions of people any time soon.

Ewout Lucien Steenbergen

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

A

Brian, first, on the US. I think our strategy and approach with respect to the US is a lot of small initiatives that ultimately add up to us every period gaining a little bit of market share. And then over time, I think our position gets larger and larger. So to give you a little bit more color on that. We are investing in product. We're investing in supply. We're investing in marketing. We're investing in brands. We are investing in many different initiatives, for example, of course, also alternative accommodations to really improve our position.

If we look at the growth, as we said in our prepared remarks, second quarter growth was slightly above our first quarter growth. So we definitely see some early signs of strengthening of the US market. But there are also signals that are a bit mixed because if we, for example, look at ADRs, they were slightly down. There was a shorter booking window, shorter length of stay. Domestic travel was up but was up less than international travel. International travel is definitely stronger. So there's a lot of those signals that we're seeing at the same time.

But if we bring it all together, we believe that based on third-party data sources, we have been able to grow faster again in the second quarter than the market in general. So in other words, another quarter where we have gained a little bit of market share in the US.

The other positive thing I would like to say is, of course, our global diversification. So we're such a large global business. We're not overly dependent on the US. So if we see differences in travel behaviors, differences in travel corridors, wherever people want to go, we're picking up that traffic. And therefore, I think the global diversification is clearly a sign of strength for Booking Holdings.

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

Hi, Brian. So your question is one that we think about an awful lot because – and the ultimate goal is to provide the greatest, greatest service to both our travelers and our partners. And I think you were seeing more on the traveler side, the demand side. We know there are hundreds of millions of people who are using different LLMs right now to do all sorts of research-esque questions. So one of the ones that people are looking at a lot is inspiration for travel or how to do their travel better or where should they go and all sorts of questions like that.

When you look at our customer base, and Ewout, I think, mentioned it, so in our business to consumer, right now, we're getting a mid-60% of the people are coming to us right now directly. And our mission, what we have to do is continue not only to keep that mid-60% want to keep coming to us instead of going over to any of the other ways they could start doing their travel, but even increase that.

How are we going to do that? Well, you've got to give them better reasons. You've got to give them better service. You've got to do this. And how will these large language models, how will this GenAI, because it may not be a large language model, it may be a very specific travel model that we are creating on our own, such that they really feel that they are achieving what they want, which is getting the best service, the greatest value, making it efficient, easy. And God forbid anything goes wrong, that everything gets fixed right away. Or even in our case, what we really want to do is fix it before they even know something is going wrong. That's what we're building right now.

Now you may be asked, well, how long it's going to take? When is that going to happen? The truth is, though, this will not be one of those things that a year from now or two years from now, oh, it's done. Here it is. So this is happening incrementally. And you're already seeing little things here and there coming in.

So for example, maybe you've already tried at Booking.com being able to search using natural language. Instead of having to go through a whole bunch of filters to get what you want, you're just typing in, I need a villa on the beach on the Jersey Shore, of course, villa on New Jersey Shore probably doesn't match up well, but even the natural language thing would figure that one out and give what you want. That's one example where we already have that going out and things like that, and it will be building on and on.

In addition, we're looking at other things a little bit more technical, a little more physical. I don't want to give away the entire playbook, but we are looking further ahead for a more technical thing that would be something here that would be definitely better for the consumer. I get what you're saying. That's what we want to do. And I believe in the long run, this is going to happen. Our job is to get there faster.

Brian Nowak*Analyst, Morgan Stanley & Co. LLC***Q**

Great. Thank you, both. Thanks, Glenn and Ewout.

Operator: Your next question comes from the line of Doug Anmuth from JPMorgan. Your line is open.

Doug Anmuth

Analyst, JPMorgan Securities LLC

Q

Thanks for taking the questions. Glenn and Ewout, I have two. Just first, it sounds like you're more encouraged certainly on the backdrop, and you mentioned the tougher August and September comps and some tougher macro and geopolitical headwinds. Are there any other factors that we should be thinking about for 3Q that might be keeping the outlook in check there?

And then just on alternative accommodations, room night growth, looks like a little bit of decel. Do you feel like that's a broader industry trend? Or is there something else more specific going on? Thanks.

Ewout Lucien Steenbergen

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

A

Doug, first of all, if you look at the third quarter guidance that we have provided, the backdrop is the following, very steady results we have seen so far this year across the board, all the regions up to and including the month of July. So very steady results we have seen so far.

Having said that, if you look back to 2024, the market started to accelerate in August and September. So we're facing some very high comps for those two months, and we have taken that into consideration with respect to our third quarter guidance. But overall, what I would like to recommend is don't look too much on a quarter-to-quarter basis. That is also not how we manage the company. There can be fluctuations on a quarter-to-quarter basis. There can be timing of certain items, as we called out during our prepared remarks.

But the most important thing is the full year guidance. And if you look at the full year guidance, we really believe it's very strong. We've actually increased our guidance at the midpoint for both top line metrics and bottom line metrics. So overall, we feel very good about the year, how the year is progressing and also the outlook in terms of the guidance for the full year 2025.

Glenn, do you take alternative accommodations?

Glenn D. Fogel

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

A

You can take it.

Ewout Lucien Steenbergen

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

A

So alternative accommodations, I think, overall, we are quite pleased, Doug, with where we are in the growth in the second quarter. It still outpaces traditional accommodations in every region in the world. And from our perspective, it continues to have quite a large potential also over the next period.

I do need to point out it is reaching a level of maturity now for us as a company. We have today 8.4 million listings, and that is up 8% year-over-year. And we're now approximately 75% of the largest player in this space with respect to room nights. Obviously, we don't know exactly where that is because we are not including experiences in our number, but we say approximately 75%.

Maybe one more thought on this as well as we are looking more at overall growth, and not so much in subcategories, because it's, in the end, the preferences of our traveler customers that we're trying to serve. And sometimes they like to go to a hotel, sometimes to a resort, sometimes to a home or an apartment. So for us, in

the end, the overall growth and how well we are serving and delivering value for our travelers is the most important. But I would say great growth in alternative accommodations and it continues to be, from our perspective, an important driver of future growth as well.

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

A

And when you think about this in the longer term and you tie back to that question about GenAI in trying to come up with something that people really feel that it's a better way to do it. So right now, we have a customer that comes to us, and they're not sure what they want, but they're fortunate they come to us because we offer both homes and hotels. And they can go in. They can use filters or something. Now we have, for Booking.com, we have that natural language search. And that's a good start.

But what we really want to be able to do is tie everything together, personalization, what we know about that customer. When they come to us, because they're logged in, we know about them, what kind of family they have, what kind of trip is this. And they're typing, and you're having a conversation back, just like you used to do with an old-time human travel agent, and being able to come up with what really is the best potential ways they can accomplish their goal of going on this holiday, this vacation, this trip, maybe with a family, maybe with children.

All the elements and all the knowledge and all the data that we have, proprietary data that we have, reviews, everything we have and be able to come back with that better solution. That's how we win in the long run. And that's why we don't think too much about, sure, is it accommodations, alternate accommodations, or hotels? We want to offer what the customer needs and put it all together in a holistic, synergistic improvement upon what has been done in the past.

We're getting there. We're definitely going to get there. And I think, at that point, we'll have that question before about when we have that big increase in people really saying, aha, this is better. And that's what's really exciting.

Doug Anmuth*Analyst, JPMorgan Securities LLC*

Q

Great. Thank you, both.

Operator: Your next question comes from the line of Eric Sheridan from Goldman Sachs. Your line is open.

Eric J. Sheridan*Analyst, Goldman Sachs & Co. LLC*

Q

Thanks so much for taking the question. I appreciate the stats on Connected Trip and how that continues to scale. Can you talk a little bit about what some of the key investments are that are still left to sort of building scale on the inventory side behind Connected Trip? And give us a little bit of color on how broadly that is marketed in terms of owning more of the overall basket size of travel and how that go-to-market approach might evolve over the long term? Thanks so much.

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

A

So I'll talk a little bit about it, Eric. I'll let Ewout talk more in terms of basket size in terms of finance if he wants to reveal anything in that area. Look, it's interesting you asked about what we need more in supply in that area. And the important thing is, remember, Connected Trip is everything. It's all things travel. And we always want to make sure we have the greatest selection for the customer.

So we talk, in general, about some of the individual verticals. And I think every single time we've done this call, I've mentioned about how we want to get more alternative accommodations. And I talked about it in the past. I talked about it in the US, certain types, et cetera, et cetera. And none of that has changed. We still want to get more of that, et cetera. Flights, of course, we want to make sure we have all the flights throughout the world that people want. And attractions, same thing. We're always doing that.

So there's no particular area where we say, oh, we need more of this. And that would make a huge difference. We always want to get more of everything because we want every customer to have the opportunity to get whatever they want. The critical thing is putting it together in a way, using the data we have, using what we know, again, going back to my previous answer about personalization, bringing it all together using science to be able to present it in the right way at the right time so that customer is being shown what they are most likely going to want, that is most likely to achieve their goals.

And by the way, the great thing is the other side of the marketplace. And we don't talk enough about this. The Connected Trip gives us incredible opportunity for us to give our partners, and I said it in our prepared remarks about how so many of them are small- and medium-sized enterprises. These are small businesses. They don't have the technology. They don't have the knowledge. They don't have the data. They don't have the scientists. They don't know.

We do it for them to be able to give them more incremental business and putting it up when that person is going to want to buy this small business person's offering and doing it in a way that it combines for both sides, that's what we're building. And we're using technology and using science data, and that's what's so great right now is we are finally achieving that level where we're beginning to see how this comes together.

Breaking through that double-digit number for the percentage of transactions that are being done on the Connected Trip, that was something I saw, I said, great. That is so good. Yeah, a long way to go still because, eventually, we'd like to have everybody, anybody who does anything with us to be a Connected Trip because we won't get everybody. Somebody's going to take a drive trip to get a hotel, it's going to be their car. But we want to get as much as we can. And I believe this is the start.

Seeing that increase year-over-year that Ewout mentioned, over 30% increase in Connected Trip year-over-year, that's showing results. And that brings back loyalty. That brings back more frequency. It's a flywheel that continues to accelerate. And that's why things are so exciting right now.

Ewout Lucien Steenberg

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

A

Let me add two other points, more from a value-creation perspective to Glenn's answer. One is payments. Payments as a strategic underpinning of our Connected Trip because payments gives us an opportunity to create value for partners, for travelers, gives us an opportunity to have competitive pricing in the market. And it is great for our shareholders because it's an added benefit to the P&L overall. So payments, really important as an underpinning for Connected Trip as well.

And the second point is about the economics because besides the convenience, the peace of mind, having all these pieces of a Connected Trip together and logically linked to each other, Generative AI-powered behind that for a traveler, I think for us, the benefit is that usually if we see travelers booking across multiple verticals, that we only have to incur the acquisition cost once. And that, overall, bringing that all together actually increases the economics for us as a company.

Moreover, if we see people booking more often with us, more across multiple verticals, they tend to come back more often. They tend to come more back directly to us in the future. So also that is clearly a benefit for us ultimately from an economic perspective. So I think, in the end, everyone is a winner with this outcome of Connected Trip growing very rapidly.

Glenn D. Fogel

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

A

And when you add on, and you mentioned the glue, Ewout, of the Connected Trip, we throw on another piece of glue is all of our incredible Genius offering, which now is going across all the verticals. And again, using the data coming up with what Genius offering should be added perhaps at that specific time to that specific customer, and that contribution many times is going to come from the supplier, not from us.

The supplier wants to offer up that Genius benefit to get that sale. The traveler wants to get that benefit, of course, because it benefits them. And we're happy to be in between the two, providing that incredible knowledge that this is the right time, the right place, the right offering to get that sales done. It all comes together. And I'll tell you, it's just so exciting right now.

Eric J. Sheridan

Analyst, Goldman Sachs & Co. LLC

Q

Thank you.

Operator: Your next question comes from the line of Kevin Kopelman from TD Cowen. Your line is open.

Kevin Kopelman

Analyst, TD Cowen

Q

Great. Thanks so much. Looking at the US, you noted some softening of metrics like booking window, length of stay. Can you comment on any trends you've seen in US behavior, if any, as you move further away from what seemed like peak macro concerns in April? And then could you also comment on what you're seeing in those kinds of macro-sensitive metrics from your Europe and APAC customers? Thanks.

Ewout Lucien Steenbergen

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

A

Kevin, just a few additional data points on what we said in the prepared remarks. We see generally top end of the US consumer market will be a little stronger, spending more in the 5-star hotel category, spending more on international travel, including Europe. You would say, Europe is much more expensive now with the exchange rate of euro/dollar, but still at the high end, people are traveling to Europe and are spending.

We see at the lower end, more careful behavior of US consumer. That is more where we see the pressure on the domestic travel, on the lower star rated hotels. So there is definitely a little bit more of the negative behavior that we see in terms of impact to the US consumer.

If you look at other parts of the world, actually, Europe is holding up quite well. We see Europeans booking earlier. They are booking at higher prices than a year ago. And Europeans clearly continue to prioritize travel as a part of their discretionary spend over other categories. So that is, I think, clearly positive.

And then in Asia, here, if you look at the second quarter over the first quarter, we see an incremental growth quarter-over-quarter sequentially. That is mostly coming from some of the impact we saw in the first quarter around some of the events, the political aviation and earthquake events in the first quarter. But the markets do very well. The demand is doing very well. And we are very well positioned in Asia, as Glenn already mentioned, with Agoda, which is really the Asian champion outside of Mainland China, and Booking.com also has a strong position in several markets.

So overall, again, I think the fact that we are such a global business and that we can service consumers across the board in many different parts of the world, I think is overall clearly a positive from a profile perspective for the company.

Kevin Kopelman

Analyst, TD Cowen

Thanks, Ewout.

Q

Operator: Your next question comes from the line of Justin Post from Bank of America. Your line is open.

Justin Post

Analyst, BofA Securities, Inc.

Great. Just would like to think a little bit about Q4 and what's implied in your guidance. But can you just remind us of what happened last year, why it was so strong? And how you're thinking about forward holiday bookings at this point? And then I know advertising was one of your initiatives for growth this year. Just maybe give us an update on how that's going, and how you think about the advertising opportunity from here. Thank you.

Q

Ewout Lucien Steenberghe

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

Justin, with respect to the fourth quarter of last year, what we saw was basically two main effects. One is we saw growth continuing. I was already mentioning that growth started to accelerate from August and September onwards, so that continued in the fourth quarter. But the second effect that we saw as well was that, of course, compared to the fourth quarter of 2023, we had relatively low comps, and so that helped also optically with the growth in the fourth quarter.

A

So obviously, the first impact is something that is real, and we are facing in the fourth quarter of this year. The second factor is not so real because that was more a comparison of 2024 over 2023. So that is not something that we are taking into account in terms of our forward expectations for the fourth quarter.

Maybe to add to that is we're not so much now guiding implicitly for the fourth quarter. We're really looking at the full year guidance. And again, if you look at the full year guidance, we have raised our expectations at the midpoint. You see that the top line metrics look better. The bottom line metrics look better. The EBITDA margin outlook has improved. So that is, I think, overall, what we believe will happen for the year as a whole.

With respect to advertising and as a new channel of growth, you see advertising revenues going up 11% compared to the second quarter of 2024. In that category is KAYAK. So KAYAK is, of course, technically purely an advertising business. But you see also the growth of some of our strategic investments in advertising because it's one of the elements of our \$170 million investment program this year, and that is scaling up nicely as well. So therefore, 11% growth on that line item, which I'm quite happy with in terms of results for the second quarter.

Justin Post

Analyst, BofA Securities, Inc.

Q

Great. Thank you.

Operator: And your final question comes from the line of Ron Josey from Citi. Your line is open.

Ronald Josey

Analyst, Citigroup Global Markets, Inc.

Q

Great. Thanks for sneaking me in here. I have just two. One is a follow-up. Glenn, you mentioned with natural language now live on Booking, talk to us a little bit more just about conversion rates that you're seeing from this new tool. Are you seeing better conversion rates, repeat usage, and things along those lines?

And then, Ewout, maybe a quick follow-up to Justin's comment on investments but just on the OpEx side, given the rise in direct bookings, Genius adoption, and usage and mobile, just longer term, talk to us how you see the P&L evolving just given direct is a larger part and you could see some continued leverage in sales and marketing. Thank you.

Glenn D. Fogel

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

A

So regarding just that one small use of GenAI, natural language, I'm not going to give a specific, but as you know, we do a lot of testing. If something's not working, we take it off. Every single pixel is very, very valuable on our business. And if anything just is not working, we don't have it anymore. So if it's still there, it means that it's doing something positive for us. That's just one element.

And there's so many other areas where we're doing other things. And we talked about the other businesses in our group that are doing this, like OpenTable with their Concierge system now, and going back and use all the data they have to present in a way that is better for the diner. Or we mentioned things like Priceline and things that they're doing when they've made a number of improvements to the, what they call, Penny, which is their GenAI way to help their travelers figure out what they want to do and then actually buy.

All these different things, each one individually, increasing benefits to the whole company. And the great thing is then sharing that knowledge among all of our different brands, knowing what's working best and then be able to port that over and do in those other places, too. That's the benefit of a very, very large-scale business with the opportunity to do so many different things in an area that's growing so rapidly, where a person that doesn't have that kind of scale because I have that many people working on it, I'm taking one shot at home and that's the one that's going to work. Whereas we were like, imagine you're in a casino and you're able to put bets in so many parts of the table. That's the benefit that we really have. And that's one of reasons I'm really enthusiastic about where our future is going.

And Ewout, I'll let you finish us off here.

Ewout Lucien Steenbergen

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

A

Yeah. Ron, I love your question about investments, because I'm really super passionate about that topic. And the way how we look at this from a management philosophy perspective, I call it the double discipline.

So we are, on the one hand, very disciplined in going after operating leverage, efficiencies, opportunities really to take the scale that we have as a business as an advantage. We can run much higher volumes over the scale of the company that we have today, and therefore, really achieve those efficiencies. And that will help longer term from a P&L perspective.

But then the other side of where we have the discipline is we have so many opportunities to reinvest in our business. And we have mentioned several of those during this call, but there are so many others where we can grow this company so much faster in the future by really making investments in those verticals, in Generative AI, in fintech and many other areas. But obviously, we are very disciplined around reinvesting in those initiatives because we have to make sure that ultimately they end up in a place of driving higher top line growth for the company in the future.

It's two very different mechanisms, but we have them both in place. This year, we are, for the first year really working through it by taking \$150 million out of our Transformation Program in year savings and reinvesting \$170 million. But I think over time, there's so much more we can do on both sides. And the outcome for shareholders, of course, that we can drive the top line faster, grow this company even faster than we otherwise would have been able to accomplish.

So it's really exciting what is possible in the future with the company. And ultimately, that, of course, shows up in the P&L as well.

Ronald Josey

Analyst, Citigroup Global Markets, Inc.

Q

Thank you, Glenn. Thank you, Ewout.

Operator: And that concludes our question-and-answer session. I will now turn the call back over to Glenn Fogel for some final closing remarks.

Glenn D. Fogel

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

Thank you. And I want to thank our partners, our customers, our dedicated employees and our stockholders. We greatly appreciate everyone's support as we continue to build on the long-term vision for our company. Thank you. And good night.

Operator: This concludes today's conference call. Thank you for your participation. You may now disconnect.

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