CEO and CFO Prepared Remarks for 4th Quarter 2024

NORWALK, CT – February 20, 2025

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

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

I am pleased to report we had a strong finish to 2024, closing out another successful year. I am even more pleased to report the progress we are making on our long term strategic plan. In a few days, I will mark my 25th year at this company, a quarter of a century, and I am more excited than ever about our potential. It is an incredible time to be in the travel industry, with the transformative force of AI, particularly Generative AI, redefining how people will experience the world. Adapting to and leveraging new technologies has been in our DNA from the start, and Generative AI is pushing the pace of technology innovation faster than ever. In this dynamic environment, I am confident that we are well positioned to deploy this technology to further benefit our travelers and partners, given our legacy of innovation, resources, proprietary data, the global nature of our business, and years of experience with AI.

I'll speak more about the AI opportunity shortly, but first I will briefly cover our financial highlights from the last quarter and the full year. Our fourth quarter room nights exceeded the high end of our prior expectations and grew 13% year-over-year. The improvement in room night growth was seen across all our major regions, each of which grew by double digits in the quarter. The stronger than expected room night growth helped drive fourth quarter gross bookings growth of 17% and revenue growth of 14%, both above the high end of our prior guidance ranges. Adjusted EBITDA of $1.8 billion was 26% higher than the fourth quarter of 2023 and 12% above the high end of our prior guidance range, driven by revenue outperformance and lower than expected adjusted fixed opex. Finally, adjusted earnings per share in the quarter grew 30% year-over-year.

Looking back at the full year of 2024, I am proud of our achievements, including advancing our Connected Trip vision, further innovating our AI capabilities, expanding our merchant offerings, growing Alternative Accommodations, and enhancing and expanding our Genius loyalty program. Our achievements in these areas allowed us to deliver even more value to our travelers and supplier partners while also helping to drive our strong financial results for the year.

For the full year, gross bookings of $166 billion increased 10% versus 2023 and revenue of $24 billion grew 11% year-over-year. We achieved these strong topline results while growing our bottom line even faster, with adjusted EBITDA of over $8 billion, increasing 17% year-over-year. Finally, adjusted earnings per share was up 23% year-over-year, helped by the 7% reduction in our full year average share count versus last year.

I would note that on a constant currency basis, our full year gross bookings, revenue, adjusted EBITDA, and adjusted EPS all grew about 1 percentage point faster than the reported growth rates I just mentioned.

Our long-term ambition, in a normalized travel environment, continues to be:

- To grow our annual constant currency gross bookings by at least 8%;
- To grow our constant currency revenue by at least 8%; and
- To grow our constant currency adjusted earnings per share by at least 15%.

I'm proud to say that we exceeded these growth targets in 2024.

At the start of 2025, we continue to see healthy demand for leisure travel globally. Assuming another year of normalized growth for the travel industry, we are targeting full year constant currency growth rates that would again deliver on our long-term growth ambition for gross bookings, revenue, and adjusted EPS. Given the importance of travel to consumers, and the aspirations of people to experience the world, we remain confident in the long-term outlook for the travel industry, and believe that we are well positioned to deliver attractive growth across our key metrics in the coming years.

Ewout will provide further details on our fourth quarter results, our expectations for 2025, and our approach to capital returns in his remarks.

AI

At Booking Holdings, we have always been driven by innovation - from the early days of the internet and online travel, to being one of the first deployers of large scale A/B testing, to the advent of the smartphone and consumer adoption of mobile apps, to using sophisticated machine learning models early in our business, we have consistently evolved to meet the needs of travelers and partners.

We believe that compelling, AI-powered offerings, like a travel vertical-specific agent, will play a central role in delivering an even more seamless and personalized Connected Trip experience to travelers. We see the development and use of AI agents, and those agents working with other AI agents, as a potential way to more quickly bring together the different elements of travel into a truly connected offering on our platforms. We are highly focused on the many opportunities with AI and will continue the sophisticated work already happening across our company to integrate Generative AI into our offerings, which includes Booking.com's AI Trip Planner and Priceline's AI-powered travel assistant called "Penny." In addition, we are pleased to see the work being done at OpenTable with its use of Salesforce's Agentforce platform, while Agoda and Kayak are making their own Generative AI advances.

As we continue to incorporate this technology, we are confident that it will enhance our ability to attract and satisfy our travelers as well as our partners, who have long relied on our technology advancements to help attract customers and grow their businesses. In addition, we believe Generative AI has the potential to drive improvements in operational efficiency, which would contribute to a further deceleration of our fixed expense growth in 2025.

Whether customer service, partner service, developer productivity, or other areas where we are finding more efficient ways of working, we are already seeing some early benefits, and we plan to continue to build on this.

We are also excited to be working with leading Generative AI organizations on their agentic developments. These collaborations reflect our commitment to staying at the forefront of this rapidly developing field and are consistent with our longstanding approach to work with different sources of new customer traffic. And with our track record in this area, I am confident in our ability to create value for all participants in this new, evolving, economic landscape.

We expect that agentic models will change the way some bookers discover and use our platforms. And we believe that working with these models will be another, attractive way for us to deliver unique value to our travelers and partners through competitive pricing, loyalty benefits and rewards, offering of other travel products, high quality customer service, and an easy and trusted payment process. Given the complexity, expense, and importance of travel to customers, it is critical to deliver value and to continue to be a trusted platform in order to have customers choose to make bookings with us. I'm encouraged to see that we continue to build trust with travelers as evidenced by our growing mix of direct bookings, which was in the mid-sixties percentage of our B2C room nights in 2024.

We will continue to learn about how consumers want to interact with all forms of GenAI, but I like how we are positioned. I am excited about the changes and benefits that this technology is bringing to us now and we expect will do even more so in the future.

Connected Trip

Now focusing a bit more on our Connected Trip vision, we are making steady progress toward simplifying the planning, booking, and travel experience, making it more personalized, seamless, and enjoyable, while delivering better value to our travelers and supplier partners. We saw Connected Trip transaction growth accelerate to over 45% year-over-year in the fourth quarter, and these connected transactions represented a high single digit percentage of Booking.com's total transactions.

Flights are an important component in many of the connected trips that our travelers book. For the full year, our travelers booked almost 50 million airline tickets across our platforms, which increased 38% year-over-year and had a gross bookings value of $13.1 billion. We continued to see this vertical bringing new customers to our platforms while delivering a more complete offering to our existing customers, making travel planning and booking easier for them and creating opportunities for us to provide more value to them.

And we believe that GenAI, coupled with our data and machine learning capabilities, will enable us to improve our supplier partners' businesses, particularly the small- and medium-sized businesses who do not have easy access to these sophisticated technologies.

Payments

Another foundational component of the Connected Trip vision is our expanding merchant offering at Booking.com. Merchant capabilities offer more flexibility for our travelers and partners, while also unlocking the ability to merchandise across verticals. The mix of merchant gross bookings reached 59% of total gross bookings at Booking.com in 2024, an increase of about nine percentage points year-over-year, which is higher than our expectations at the start of 2024. We are pleased to see that processing transactions through Booking.com's merchant offering generated incremental contribution margin dollars in 2024, though this was still a small percentage of our total adjusted EBITDA. We believe that we are still very early in our fintech journey and expect over the upcoming years to reduce the costs of transactions for our travelers and supplier partners while also contributing to our bottom line.

Genius / Travelers

We believe our Genius loyalty program at Booking.com also helps to connect more elements of travel as we extend this program beyond accommodations into other travel verticals. We believe the value this program delivers will promote customer loyalty, frequency and direct booking behavior. We are encouraged to see more of our travelers moving into our higher Genius tiers of Levels 2 and 3, which represent over 30% of our active travelers, and these travelers booked a mid-fifties percentage of Booking.com's room nights in 2024. These Genius Level 2 and 3 travelers have a meaningfully higher direct booking rate and a higher booking frequency than the rest of our travelers. We continued to drive more Genius benefits to our travelers in 2024, and we have seen steady growth in the share of Connected Trip transactions that receive Genius benefits.

We believe that all of the Connected Trip elements provide value to our customers, leading them to choose to book more frequently, and directly, with us. We are encouraged to see that the direct booking channel continues to grow faster than room nights acquired through paid marketing channels.

Alternative Accommodations

Providing great supply choices for our travelers is another way we deliver a comprehensive planning and booking experience, and one area where we are actively expanding our supply is alternative accommodations. For alternative accommodations at Booking.com, we continue to see year-over-year growth with listings at the end of Q4 reaching 7.9 million, up about 8% from last year. More listings means more accommodation choices for our travelers, which we believe contributed to strong alternative accommodations room night growth of 19% in the fourth quarter, which was an acceleration from 14% growth in the third quarter. We were pleased to see alternative accommodation room night growth accelerate in the quarter across all of our regions.

We remain committed to being a trusted and valuable partner to all of the accommodation properties on our platforms by delivering incremental travel demand and developing products and features designed to support the success of these businesses, the majority of which are small independents.

Transformation Program

Now I want to briefly discuss our transformation program and Ewout will provide further details in his commentary.

In November 2024, we announced our intention to implement certain organizational changes, including modernizing processes and systems, initiating an expected workforce reduction, optimizing procurement, and seeking real estate savings. We are in the process of reviewing some of these potential workforce reductions with works councils, employee representatives and other organizations.

While workforce reductions in some areas along with investing in other areas involve very difficult decisions, we believe that these steps are critical to improve organizational agility and drive greater operating efficiencies. Reallocating resources across our strategic initiatives in a disciplined manner is a key requirement to maintain global competitiveness. Ultimately, we believe this will help drive stronger and more durable topline and earnings growth over the long term.

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In conclusion, as I look back over 2024, I am proud of all of the hard work and excellent execution by our teams as they continued to advance our strategic initiatives while delivering strong financial results. These are exciting times for our industry, and I am confident in our company's position and ability to leverage Generative AI technology to deliver an even better offering for our travelers and partners.

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

<u>CFO Prepared Remarks - Ewout Steenbergen, Chief Financial Officer and Executive Vice President</u>

Thank you Glenn and good afternoon.

I will now review our results for the fourth quarter and full year of 2024 and provide our thoughts for the first quarter and full year of 2025. 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 be posting a summary earnings presentation as well as our prepared remarks to the Booking Holdings investor relations website after the conclusion of the earnings call.

Now let's move to our fourth quarter and full year results.

Q4 Topline Results

Our room nights in the fourth quarter grew 13%, which exceeded the high end of our guidance by five percentage points. The higher than expected room night growth was driven by stronger than expected performance across all our regions, with the largest impact coming from Europe.

Looking at our room night growth by region in the fourth quarter, Europe was up low double digits, Asia was up mid-teens, Rest of World was up about 20%, and the U.S. was up about 10%.

We are encouraged by the progress we are making in enhancing the experience for our travelers and partners as we continue to advance our strategic initiatives and build towards our Connected Trip vision. This includes strengthening our offering through alternative accommodations growth, increasing the direct and mobile app mix of our bookings, expanding our Genius loyalty program, and growing our other travel verticals.

For our alternative accommodations at Booking.com, our fourth quarter room night growth accelerated to 19% and continued to outpace the overall business. The global mix of alternative accommodation room nights at Booking.com was 33%, which was up one percentage point from the fourth quarter of 2023.

We continue to strengthen our direct relationships with our travelers and increase loyalty on our platforms. For the full year, the mix of our total room nights coming to us through the direct channel was in the mid 50% range and increased year-over-year. When we exclude our B2B business, our full year B2C direct mix was in the mid 60% range, which is an improvement from the low 60% range in 2023.

The mobile app mix of our total fourth quarter room nights was in the mid 50% range, which was up from the low 50% range in 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, 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 in 2024 and this mix increased year-over-year.

In our other travel verticals, about 14 million airline tickets were booked across our platforms in the fourth quarter. Airline ticket growth in the fourth quarter was 52%, driven by the continued growth of our flight offerings at Booking.com and Agoda, and accelerated from 39% growth in the third quarter.

Fourth quarter gross bookings increased 17% year-over-year and increased about 18% on a constant currency basis, which was approximately five percentage points higher than the 13% room night growth due to a few percentage points from higher flight bookings growth and an increase in constant currency accommodation ADRs of about 2%. The year-over-year ADR increase was impacted by a higher mix of room nights from Asia. Excluding regional mix, constant currency ADRs were up about 3% versus the fourth quarter of 2023.

The increase in gross bookings exceeded the high end of our guidance by eight percentage points due to stronger than expected room night growth, as well as stronger than expected constant currency accommodation ADRs and flight ticket growth, partially offset by about one percentage point of impact from changes in FX.

Q4 P&L Results

Fourth quarter revenue of $5.5 billion grew 14% year-over-year, which exceeded the high end of our guidance by five percentage points. Constant currency revenue growth was about 15%.

Revenue as a percentage of gross bookings of 14.7% was lower than expected due to impacts from timing and a higher mix of flight bookings. The timing impact was driven by the acceleration in bookings in the fourth quarter, as well as a booking window that was more expanded in the quarter than expected.

Revenue as a percentage of gross bookings was also lower than the fourth quarter of 2023 due to impacts from timing and an increased mix of flight bookings, partially offset by increased revenues associated with payments. We expect the impact from timing in the fourth quarter will benefit our revenue in 2025.

Marketing expense, which is a highly variable expense line, increased 10% year-over-year. Marketing expense as a percentage of gross bookings was 4.2%, about 30 basis points better than the fourth quarter of 2023 due to lower brand marketing expense and higher direct mix, partially offset by higher spend in social media channels at attractive incremental ROIs.

Fourth quarter sales and other expenses as a percentage of gross bookings was 2.0%, in line with last year despite the higher merchant mix, as higher payment expenses were offset by efficiencies in customer service.

Adjusted fixed operating expenses were up 9% year-over-year, which was better than expected due primarily to lower IT and G&A expenses. Throughout this year we have been very focused on carefully managing the growth of our fixed expenses.

Adjusted EBITDA of $1.8 billion grew 26% year-over-year, and was 12% above the high end of our guidance range largely driven by the higher revenue and also by the better-than-expected adjusted fixed operating expenses. Adjusted EBITDA margin of 33.8% in the fourth quarter was up versus last year by about 320 basis points due primarily to leverage from adjusted fixed operating expenses and marketing expenses.

Adjusted EPS of $41.55 per share was up 30%, and benefited from a 5% lower average share count than the fourth quarter of 2023.

On a GAAP basis, net income was $1.1 billion in the fourth quarter and was impacted by a mark-to-market adjustment to the conversion option premium of our convertible note due May 2025. This was mostly offset by FX remeasurement gains on our Euro bonds. Both items were excluded from our adjusted results.

Full Year 2024 Commentary

When looking at the full year, we are pleased to report that our 2024 room nights grew 9% year-over-year. On a regional basis, we saw full year room night growth from Europe up high single digits, Asia was up mid-teens, Rest of World was up high single digits, and the U.S. was up mid single digits.

European bookers represented about half of the room nights booked in 2024, Asian bookers were about a quarter, and U.S. bookers were a low double digits percentage.

The growth in room nights helped drive increases in gross bookings, revenue, and adjusted EPS that were above our long-term annual growth ambition.

Our full year gross bookings and revenue increased 10% and 11%, respectively, and both growth rates were about one percentage point higher on a constant currency basis.

Revenue as a percentage of gross bookings was 14.3% in 2024, which was up slightly versus 14.2% in 2023 due to a positive impact from increased revenues associated with payments, mostly offset by an increased mix of flights. Our underlying accommodation take rates continue to be stable year-over-year.

Marketing as a percentage of gross bookings in 2024 was 4.4%, down slightly from 4.5% in 2023, driven by higher direct mix, lower brand marketing expenses, and higher performance marketing ROIs, partially offset by higher spend in social media which became a more significant channel for us in 2024.

Our full year adjusted fixed operating expenses were up 8% versus 2023, which was better than our expectation for low to mid-teens growth at the start of 2024, and was a source of leverage due to many management actions taken throughout the year.

Our full year adjusted EBITDA was more than $8 billion, which was up 17% year-over-year and up about 18% on a constant currency basis. We are proud to have generated $1.2 billion more adjusted EBITDA than in 2023, delivering profitable growth and expanding margins while investing in strategic initiatives.

Adjusted EBITDA margin was 35%, which was 170 basis points higher than our adjusted EBITDA margin in 2023 and ahead of our expectations at the start of the year. Our adjusted EBITDA margins, along with every other profit metric that we report, includes the impact of stock-based compensation expense, as this is a very real cost of doing business.

Our full year adjusted EPS was over $187 per share, which was up 23% year-over-year and up about 24% on a constant currency basis. Our full year average share count was 7% lower than 2023 due to the impact of our share repurchase program.

Cash & Liquidity

Now on to our cash and liquidity position. Our fourth quarter ending cash and investments balance of $16.7 billion was up versus our third quarter ending balance of $16.3 billion due to about $1.9 billion of debt raised in November and about $650 million in free cash flow generated in the quarter, partially offset by about $1.4 billion of capital return including share repurchases and dividends. Free cash flow in the fourth quarter was pressured by about $825 million from changes in working capital, driven primarily by the seasonal reduction in our deferred merchant bookings balance.

For the full year, we repurchased about $6 billion of stock and paid out $1.2 billion in quarterly cash dividends. Since restarting our repurchase program in early 2022, we have repurchased almost $23 billion of stock, or 21% of our shares outstanding at the start of 2022. We ended 2024 with about $7.7 billion remaining under our existing share repurchase authorization.

As we look ahead, we remain focused on strategically investing in our business and returning capital to shareholders while maintaining our strong investment grade credit ratings.

We are pleased to announce today that our Board of Directors approved a new $20 billion share repurchase authorization, along with a 10% increase to our quarterly cash dividend per share. These actions reflect our confidence in our earnings power, strong free cash flow generation, and our ability to consistently return capital to shareholders through both share repurchases and dividends.

Q1 2025 Commentary

Moving to our thoughts for the first quarter.

We expect the comparison to the extra day in February 2024 to be about a one percentage point headwind to our first quarter growth rates. Also, we expect the calendar shift of Easter from March in 2024 to April in 2025 to be a small tailwind to room nights and gross bookings growth and a larger headwind to revenue and profitability growth in the first quarter.

We expect first quarter room night growth to be between 5% and 7%, which includes a slight benefit from the calendar shift of Easter into April.

We expect first quarter gross bookings to increase between 5% and 7%, which includes about four percentage points of impact from changes in FX, offset by about two percentage points of positive impact from higher flight ticket growth, about 1% higher constant currency accommodation ADRs, and a slight benefit from the calendar shift of Easter.

We expect first quarter revenue growth to be between 2% and 4%, which includes a headwind of about three percentage points from changes in FX and about three percentage points from the calendar shift of Easter into April.

We expect first quarter adjusted EBITDA to be between about $800 million and $850 million, down 5% year-over-year at the high end, which includes about 14 percentage points of year-over-year impact from the Easter shift and about two percentage points of impact from changes in FX. Note that historically the first quarter is our seasonally lowest EBITDA quarter for the year.

Normalizing for the impacts of Easter timing, changes in FX, and the leap year, our expectation for first quarter gross bookings, revenue, and adjusted EBITDA is for low double digit growth at the high end of each of those ranges.

Full Year 2025 Commentary

Turning to the full year 2025. We are targeting full-year constant currency growth rates that would reach our long-term growth ambition of at least 8% growth for gross bookings and revenue, and 15% growth for adjusted earnings per share. We believe we are well positioned to achieve these levels of growth given the investments we have made to build a stronger foundation for our business and a better product offering for our travelers and partners.

At recent FX rates, we expect changes in FX will impact our reported growth rates by about three percentage points for gross bookings and revenue, and by about three and a half percentage points for adjusted EBITDA and adjusted EPS.

As a result, we expect full year reported gross bookings and revenue to increase mid single digits, and on a constant currency basis to both increase high single digits.

We expect to drive leverage in our marketing expenses.

Additionally, we expect revenue to grow faster than adjusted fixed operating expenses, in line with our prior commitment for 2025, which we communicated at the start of last year.

As a result, we expect adjusted EBITDA to grow a couple of percentage points faster than revenue, and on a constant currency basis to increase low double digits.

We expect to continue to expand our adjusted EBITDA margins in 2025, and deliver margin growth of slightly below 100 basis points.

We expect our full year adjusted EPS to grow low double digits, and on a constant currency basis to grow mid-teens.

Finally, we remain focused on managing our capital expenditures, and we expect that capex will be about 2% of revenue, similar to 2024.

Transformation Program

Turning to our new Transformation Program, which we announced in November. Our intention is to implement certain organizational changes to reduce complexity and increase agility, which we estimate will ultimately produce annual run rate cost reductions of approximately $400 to $450 million versus our 2024 expense base, and we expect the majority of these savings to be realized after 2025. By the end of 2024, we have already actioned over $35 million in run rate savings. We estimate the aggregate transformation costs that we will incur over the coming two to three years to be similar to the expected annual run rate savings. In order to provide transparency, we will report these costs separately in a Transformation costs expense line, and we expect that certain of these costs will be excluded from our adjusted results.

Embedded in our full year 2025 guidance is about $150 million in cost savings related to the Transformation Program, the majority of which we expect to be in variable costs. Beyond the Transformation Program, we expect to drive additional efficiencies in our ongoing operations. With the capacity created by these savings and efficiencies, we are reinvesting about $170 million above our baseline investments in 2025 to support our strategic priorities for long-term value creation while still expanding our adjusted EBITDA margins for the year. These investments will be in areas such as progressing our GenAI capabilities, advancing our Connected Trip vision, and expanding our FinTech offering. We see the potential for these investments to contribute incremental revenue growth in future years and deliver attractive returns.

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In conclusion, we are pleased with our fourth quarter results and our outlook for the first quarter and the full year of 2025. We are excited about our long-term vision for the Connected Trip and enhancing our offering through technological advancements such as Generative AI. Thank you to all of my colleagues across the company for their amazing work and dedication to drive new product offerings, tech innovation, speed and agility, and deliver value to our shareholders, travelers, and partners.

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, Priceline, Agoda, KAYAK and OpenTable. The mission of Booking Holdings is to make it easier for everyone to experience the world. For more information, visit BookingHoldings.com and follow us on X @BookingHoldings.

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