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Call Participants

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Presentation

Operator

Good morning, and welcome to Despegar's First Quarter 2024 Earnings Conference Call. My name is Krista, and I will be your operator for today's call. At this time, all participants are in a listen-only mode. And please note that this call is being recorded. There will be an opportunity for you to ask questions at the end of today's presentation. Now I would like to turn the call over to Mr. Luca Pfeifer, Investor Relations. Please go ahead.

Luca Pfeifer

Good morning, everyone, and thanks for joining us today. In addition to reporting unaudited financial results in accordance with the U.S. generally accepted accounting principles, we will discuss certain non-GAAP financial measures and operating metrics, including foreign exchange neutral calculations. Investors should carefully read the definitions of these measures and metrics included in our press release to ensure that they understand them. Non-GAAP financial measures and operating metrics should not be considered in isolation, as substitute for or superior to GAAP financial measures and are provided as supplemental information only. Before we begin our prepared remarks, please allow me to remind you that certain statements made during the course of the discussion may constitute forward-looking statements, which are based on management's current expectations and beliefs and are subject to a number of risks and uncertainties that could cause actual results to materially differ, including factors that may be beyond the company's control. These include, but are not limited to, expectations and assumptions related to the integration and performance of the businesses we acquired. For a description of these risks, please refer to our filings with the U.S. Securities and Exchange Commission and our press release.

Speaking on today's call is our CEO, Damian Scokin, who will provide an overview of Despegar's first quarter performance as well as an update on our many strategic growth initiatives. Next, our CTO, Gonzalo Estebarena will provide you with an update on recent developments of our AI-powered travel system, Sofia. And finally, Amit Singh, our CFO, will follow with a more detailed review of the quarter's financial results. After that, Damian will end our prepared remarks with a wrap-up before we open the call for your questions. Damian, please go ahead.

Damian Scokin
CEO & Director

Thank you, Luca, and good day, everyone. Building on our strong finish last year, Despegar delivered another robust quarter. We achieved significant top line growth with gross bookings increasing 12% year-over-year to $1.3 billion. In constant currency bookings grew a strong 42% year-on-year. Notably, our focus markets, Brazil and Mexico performed well with year-over-year gross bookings there increasing 27% and 26%, respectively. These strong results reflect growing demand for packaged deals and hotels bookings in these regions, enabling us to leverage our leadership position through effective commercial execution. Our commercial efforts continue to drive impressive results as we further expand in the travel package segment, with sales in this category reaching an all-time high of 35.9% of our gross bookings. We also maintained a strong take rate of 13.4%, leading to a 9.2% year-on-year increase in revenues, which reached $174 million for the quarter. Largely, as expected, foreign exchange had a significant negative impact in our revenue growth in Q1. But in constant currency, revenues increased a very robust 36% year-on-year. And improving revenue mix with more profitable non-Air revenue now accounting for around 65% of our sales, combined with our relentless focus on cost efficiencies continue to drive operating leverage.

Adjusted EBITDA in the quarter increased 126% year-on-year to $39 million, and our adjusted EBITDA margin expanded to 22.4%, the highest ever in the Despegar history from 10.9% in the same quarter last year. Additionally, for the first quarter of 2024, our adjusted net income was $22.4 million, representing a very substantial 68% year-on-year increase compared to the $13.3 million adjusted net income in the first quarter of 2023. Turning to our business segment. B2C bookings grew 10% year-on-year during the first quarter, reaching $1.1 billion. This growth was primarily driven by the robust hotel and package sales have highlighted, particularly in Brazil and Mexico. This performance also reinforces our position as a brand leader in the region. We continue to offer a compelling product portfolio at highly competitive prices, while also offering a comprehensive array of payment options, which are essential for most Latin Americans for purchase travel. This strategic approach caters to the diverse needs and preferences of the Despegar customer base and reflects our commitment to and reputation for quality, affordability and financial flexibility. By maintaining a laser focus on our key markets and relentlessly pursuing a competitive edge, we remain well positioned to drive sustained growth and higher levels of profitability for the foreseeable future.

In addition to successfully expanding our online presence, we are pleased with the performance of our recently launched off-line sales channel in Brazil and Argentina, an asset-light business model to penetrate the off-line segment, which accounts for roughly 50% of travel sales in Latin America. As we've discussed in the past, our goal is to penetrate the region's massive offline market and to be the key enabler of accelerating the transition from off-line purchases to online ones. The B2B and white label markets continue to be significant growth drivers in the first quarter, highlighting the strategic relevance. Gross bookings in our B2B segment grew at an impressive 47% year-on-year, while our wide levels operations saw an 11% year-over-year increase. A key highlight on this front was the expansions of our white label partnerships with Livelo, Brazil's largest loyalty program. The program is operated by Banco do Brasil and Bradesco, Brazil's second and third largest banks. Through the Despegar white-label platform that customers can not only accumulate level points through purchases made on the platform but can now redeem these points for reading travel products, including packages. They also have the option now to purchase travel products with cash directly on the white label side. These new features have been highly successful and resulted in the Livelo partnership becoming our largest white label operation in Brazil.

For perspective, Livelo over 45 million members now have exclusive access to redeem their collective 100 billion accumulated reward points for travel services offered by Despegar. Our collaboration with Livelo marks a significant step in consolidating the Despegar position as the partner of choice for Latin America's other leading brands. It underscores the strength of our best-in-class technology platform, which enable us to provide highly customized solutions to our white label partners regardless of their size as well as the best possible travel promotions and experiences for their customers. Livelo is one of many other loyalty programs as well as banks, such as Bolivia, Argentina, Colombia and Peru that we provide travel solutions for. We eagerly look forward to deepening our relationships with Livelo as well as other significant partners in the coming months and quarters. As we have previously communicated, our vision for white label solutions is not confined to Latin America. We aim to leverage the scalability and proven strength of our platform to strategically penetrate targeted segments of the last $2.2 trillion travel market. This strategy reflects our commitment to broadening our impact and delivering exceptional value across the globe.

Next, I would like to discuss some of the ways that our continued focus on innovation are driving improvements in our operating and financial results. At Despegar, we leverage our industry-leading technology platform, along with our extensive customer database to maintain a deep understanding of emerging customer preferences across the various markets. This enabled us to deliver unique and highly tailored travel offerings that resonate with our customer base as evidenced by the increase in packaging sales, which, as already mentioned, reached an all-time high of 36% of our gross bookings for the quarter. Our focus on innovation includes our mobile apps, which serve as an effective tool for driving customer engagement and cultivating long-term customer loyalty. The first quarter marked a significant achievement in terms of app engagement. Year-on-year downloads of our app increased 30%, bringing our total installed base to nearly 70 million devices. Furthermore, a record 49% of all our transactions were processed through our apps during the quarter, driving additional organic growth. Our AppFirst strategy is delivering the most positive results in many other ways from increased customer engagement and retention to lower customer acquisition costs as well as improved cross-selling opportunities.

As discussed on our last earnings call, we are particularly proud of our most recent innovation, SOFIA. Our generative AI travel assistant is a culmination of many months of dedicated development work. After launching SOFIA about 2 months ago, we are seeing to see how customers are engaging with her, which includes discussing topics that extend beyond travel reservations, we continue refining SOFIA and enhancing our capabilities, such as incorporating customer feedback into operating features. As a reminder, SOFIA is trained on the Despegar's extensive customer data, our comprehensive product inventory and a vast array of web-based information, all of which make her a truly powerful digital travel assistant. Later in the call, Gonzalo will discuss our latest update to SOFIA as we continue to set the pace on this exciting area of travel. Next, I want to discuss how our customer-centric approach also enabled us to maintain brand leadership across the region. Our industry-leading loyalty program, Pasaporte Despegar, remains integral to our brand identity and is another key driver of customer retention. This quarter, Pasaporte Despegar maintained its impressive growth trajectory. By the close of the first quarter, total loyalty program membership had reached 26 million customers, representing a significant 83% year-on-year increase.

Furthermore, points redemption activity continues to steadily increase with redemptions during the quarter, now exceeding 12.7% of total transactions, an increase of 5.2 percentage points versus 7.5% in the first quarter of 2023. In addition to rising loyalty membership and growing point redemption, we substantially strengthened our customer loyalty as evidenced by a significant improvement in our Net Promoter Score, NPS, which rose 4 percentage points year-on-year to 71%. This improvement also underscores our dedication to delivering exceptional travel experiences. Moreover, we have been improving on this important front while simultaneously making our service model more efficient and scalable. For example, the model leverages our robust technology platform to empower customers to resolve travel-related inquiries efficiently through self-service options for a majority of cases. Innovation as well as customer satisfaction and retention continue to be the core to strengthening our competitive advantage and maintaining brand leadership in the region. Further evidence of our improving customer relationships is our unaided brand awareness, which consistently positions Despegar as the leading travel brand across all our operating markets, higher than both local and international competitors. Industry-leading brand recognition translates into not only organic traffic also makes us a preferred partner to travel product suppliers who also benefit from our brand strength.

In summary, the key drivers of our solid performance this quarter were our consistent focus on sharp commercial execution and further improvements in operational efficiency, coupled with our ongoing focus towards a more profitable product mix. Additionally, we continue to drive growth in organic traffic and further penetrate the large and high potential B2B and white label market segments. As we look ahead towards the rest of the year and beyond, we are very excited about the many growth opportunities that lie ahead. We remain firmly committed to maintaining our position as the travel technology industry's leader in profitable growth and to relentlessly pursuing excellence in all our endeavors. Continuous innovation is paramount to staying ahead of industry trends and being able to effectively navigate emerging challenges, always embracing innovation, we expect to sustain our current momentum and further consolidate Despegar market leadership. I will now turn the call over to Gonzalo, who will walk you through our most recent advancements with our AI trip planner, SOFIA.

Gonzalo Garcia Estebarena
Chief Technology Officer

Thank you, Damian. Before delving into our latest product updates, I'd like to reflect on the valuable insights we've gained since launching SOFIA. During the past 2 months, SOFIA had thousands of customer interactions, successfully providing appropriate responses in over 80% of cases. This feedback has been crucial as it not only enhances our understanding of the most pressing travel-related issues, but also identifies additional features our clients desires, ones that will make SOFIA and even more indispensable trial companion. We made several significant enhancements to SOFIA during the quarter. First, we integrated Despegar's complete hotel inventory, along with related customer feedback and pricing history. This integration enables our clients to effortlessly research, compare and book hotel stays in an innovative way. For example, a customer can now as SOFIA about accommodations in Paris and receive more tailored suggestions based on their preferences as well as past interactions with her. Second, we redesigned the landing page to offer initial travel suggestions based on the user's location coupled with inspired destinations and personalized offers derived from previous interactions with Despegar's platform. We've also upgraded SOFIA's filtering capabilities, enabling her to offer more personalized travel solutions that consider the customers' specific needs as well as available promotions.

A particularly exciting update is the enhancement of SOFIA's memory. SOFIA can now retain information from the interaction that you can recall later as needed to improve the conversation and quality of interactions with customers and to reduce repetitive input from them. Looking ahead, we will continue enhancing SOFIA's capabilities as well as integrate comprehensive aftersales services. We believe that our AI-powered solution is revolutionizing how customers interact with our platform. SOFIA consistently exceeds expectations by generating bespoke travel solutions rapidly. This capability not only enriches the customer experience by facilitating personalizable planning across multiple communication nodes and also integrates various travel components quite smoothly. The insights gained from implementing and operating SOFIA, which we intend to share in future communications are central to continuously refining and enhancing our features going forward. Beyond SOFIA, we are utilizing AI throughout our organization to drive operational efficiency and customer service. This effort includes equipping our service patients with advanced AI tools to handle inquiries more effectively, accessing accurate information faster, summarizing customer interactions automatically and analyzing the effectiveness of operations, allowing us to tailor our services to better meet customer needs. These initiatives have already shown promising results with a significant decrease in the cost per order compared to prepandemic levels while achieving higher customer satisfaction. Through our continued focus on innovation and leveraging AI technologies, we are poised to deliver unparalleled customer experiences and drive sustained business growth. Now to provide a detailed review of our first quarter financial performance, I will pass the call to Amit.

Amit Singh
Chief Financial Officer

Thanks, Gonzalo. Our first quarter results are very robust and continue to demonstrate a very positive growth trend as we built on the momentum that we gained last year. As Damian discussed, through excellent commercial execution, we effectively capitalized on the strong travel demand, especially in our key markets, Brazil and Mexico. They drove total gross bookings to $1.3 billion in the quarter. This represented a solid 12% increase year-over-year. In constant currency, this growth was much more impressive at 42% year-over-year. With that backdrop, let's take a closer look at our regional performance, starting with our main market, Brazil. As Damian noted on our previous earnings call, there has been a clear trend towards consumers prioritizing spending on services and experiences. The shift in spending, along with our focus on delivering value through affordable package offerings and attractive financing often that continue resonating with our customers is creating robust growth opportunities across our focus markets. Capitalizing on this favorable trend, we achieved impressive year-over-year growth in gross bookings in Brazil.

During the quarter, our bookings were climbed 27% year-over-year or a 21% year-over-year increase on an FX-neutral basis, reaching $580 million. This outstanding performance was primarily driven by ongoing strength in package and hotel sales, a direct result of our strategic commercial initiatives. Additionally, as we gain more market share, we further solidify our industry-leading position in Brazil. Shifting our attention to Mexico. This is our second largest market. We are also pleased with our strong first quarter performance there, nearly replicating our growth in Brazil. Gross bookings in Mexico grew a significant 26% year-on-year on a reported basis or 15% year-over-year on a constant currency basis, reaching $275 million for the quarter. This robust growth trajectory can be primarily attributed to the continuous increase in international package and hotel transactions and strengthening air travel sales. Meaning the success achieved in Brazil, Mexico's robust non-air growth underscores the continued efficacy of our core commercial strategies, which are driving more diversified and profitable revenue streams. Looking at the rest of Latin America, our gross bookings experienced a year-over-year decrease of 8% to $436 million for the quarter, mainly due to the FX pressures that affected ASPs, primarily in Argentina and Chile. But on an FX-neutral basis, gross bookings increased 74% year-on-year in this area of our business.

To better capitalize on strong secular tailwinds, particularly in Brazil and Mexico, we continue prioritizing non-air sales within our commercial offerings and customer value proposition. This focus is particularly reflected in travel packages, which reached a significant 36% share of gross bookings versus 34% in the same quarter last year. As a result, none revenue surged passed air ticket sales to reach 65% of our revenue mix. Analyzing our distribution channels, we observe that robust travel demand translated into a 10% year-over-year increase in gross bookings at our core B2B business, reaching $1.1 billion in the quarter. Our above-market growth is evidence that we continue gaining market share throughout the region. Moreover, our ongoing efforts to drive growth in the adjacent B2B and white label segments have further solidified our position. These segments delivered year-over-year increase of 47% and 11% in gross bookings, respectively. Our commitment to improving Despegar's revenue mix while delivering unmatched value to our customers continues to pay off. With the first quarter yielding a strong 13.4% take rate and a solid $174 million in revenue. This translates to a 9% growth rate in revenue and a remarkable 36% increase in constant currency. We firmly believe that our 36% FX-neutral top line growth reinforces Despegar's position as a leader in the region and one of the fastest-growing travel technology companies globally.

In line with our efforts to optimize financial performance, we remain focused on capturing efficiencies with a particular focus on streamlining growth strategies, particularly with respect to our G&A and technology expenses. Through our improving operating leverage, we were able to deliver an adjusted EBITDA of $39 million, up 126% year-over-year and implying an adjusted EBITDA margin of 22.4% for the quarter versus 10.9% in the same quarter last year. As Damian noted, it was our highest adjusted EBITDA margin since the company's IPO in 2017. As an additional point of reference, I'd like to highlight adjusted net income, which we started reporting in the previous quarter. This metric aims to give our investors a clearer picture of our underlying profitability on a normalized basis by excluding largely nonrecurring expenses and to help facilitate comparing our results with the figures peers. The specific adjustments made to calculate this metric are detailed in the reconciliation table of our earnings release. For the first quarter of 2024, our adjusted net income was $22.4 million, representing a very substantial 68% year-on-year increase compared to the $13.3 million adjusted net income in the first quarter of 2023.

Looking at our operating cash flow, we used $2.6 million during the quarter, which compares to $5.2 million of cash generated during the first quarter of 2023. More specifically, while CapEx during the quarter was approximately $8 million and roughly in line with our expenditure in 2023, we used a portion of our cash balance during the quarter to factor less of our accounts receivable in Brazil with the objective of reducing our factoring expenses. This is in line with our strategy of accretive uses of our cash on the balance sheet, as we have discussed previously in our earnings call. For the quarter, we reported total cash and cash equivalents of $213 million, reflecting a decline of $15 million year-over-year. This decrease was expected as we paid $15 million of dividends to holders of our preferred shares, almost half of which was a catch-up payment on interest peaked in 2021. In addition, as discussed earlier, we used cash on our balance sheet to reduce factoring expenses. We anticipate rebuilding our cash balance in the second half of the year, in line with cash trends observed in prior years. Our commitment to a prudent approach to capital allocation remains steadfast. We continue to prioritize investments in organic growth initiatives with a particular emphasis on bolstering our B2B initiatives. Our strategic focus on this new growth avenue will help fulfill our long-term vision for Latin America, while positioning us for potential expansion into new markets beyond the region.

Although we evaluate potential M&A targets with a specific focus on deepening Despegar's market penetration or enhancing our travel ecosystem, we remain disciplined in our approach. Any acquisition must deliver clear synergies and significantly enhance our organic growth trajectory. Lastly, our strong cash position also allows us to reduce debt and financing costs, which we also examine regularly. Looking ahead, we still have a bullish outlook on our business. Our confidence stems from the positive trends that we continue to observe in the online travel market as well as the success of our various strategic initiatives that are consistently driving strong revenue and profitability. We, therefore, maintain our revenue guidance of at least $820 million for 2024, which equates to robust annual growth of at least 16%. While our constant currency revenue growth remains far ahead of other industry players, FX has created some headwinds for our reported revenue growth this year. That said, we still expect to be a global industry leader in reported revenue growth. Moreover, in the second quarter of 2024, we expect our reported revenue growth to accelerate from 1Q levels. Additionally, our focus on profitable growth, efficiency and increasing operational leverage is now allowing us to raise our 2024 adjusted EBITDA guidance from at least $150 million to now at least $155 million, which implies year-over-year growth of at least 34%. Building on our growth in revenue and exceptional adjusted EBITDA expansion, we remain firmly committed to maintaining the Despegar's position as the world's fastest-growing travel technology company.

Our continued success is driven by a powerful combination of market-leading brands, proven commercial strategy, unparalleled local market expertise and supplier relationships and a relentless focus on cost efficiency. Combined with our leading technology platform and a culture of innovation, we remain well positioned to unlock future operating leverage, maintain industry-leading revenue growth and further expand our margins for the foreseeable future. Also, as anticipated, the global online travel market is experiencing solid growth, further bolstering our optimism about the long-term potential we see in Latin and in entering markets outside Latin America. Now I'll turn the floor over to Damian, who will provide a brief summary of today's review before we open the floor for your questions. Thank you.

Damian Scokin
CEO & Director
Thank you, Amit. To conclude, it is evident that our first quarter results were solid and aligned to our long-term goals, representing significant progress for Despegar's once again. Our continued success is the result of disciplined and rigorous execution of our well-defined growth strategy. Our deep local market knowledge, coupled with commercial excellence, a strong brand presence and the leading-edge technology platforms were instrumental in driving exceptional performance again this quarter. This core strength continue to bolster our competitive advantage as we strategically leverage our brand across the region to expand our B2C as well as B2B and white label offerings. Our key strategic objectives continue to be expanding package revenue, driving direct traffic through our established portfolio of high-performing apps and nurturing the continued success of our loyalty program. All of this will be achieved while maintaining a highly competitive cost structure. Accordingly, we are firmly committed to delivering sustained top line growth while further increasing operating leverage. It is important to also reiterate our excitement towards Sofia and our intention to build on the early success of our innovative digital travel system. SOFIA represents a parading shift in the travel booking experience, a future characterized by efficiency, personalization, adaptability and a highly interactive user experience. We look forward to keeping you apprised of SOFIA's latest innovations and functionalities as they are introduced to the market. With that, let's open the floor for questions.

Question and Answer

Operator

Thank you. [Operator Instructions] Your first question comes from Andrew Ruben with Morgan Stanley.

Andrew Hodges
Value Investment Professionals, LLC

Congrats on the result. Two items, if I may. Maybe the first on the revenue side. Amit mentioned in 2Q, you expect to see a revenue acceleration looking at the guidance, it implies there's going to be a pickup as we get through the year. So I'm curious if you could help us break down some of the drivers, how you're thinking about what countries can contribute to the pickup, whether it's consumer-facing or anything on B2C, anything on FX? Just anything to really help us bridge to the acceleration? And then the second point would be more on the business. We see the app penetration continues to pick up, increasing, I think it was 13% year-on-year. So it's a sizable gain. I'm just trying to get an understanding of what you're doing on the commercial side or marketing or what you attribute the significant step-up in the app that would still be was very helpful.

Damian Scokin
CEO & Director

This is Damian. Thank you very much. In terms of the revenue pickup, that's, as you recall, very consistent what we said last time. We not only see an increasing growth trend in the B2B business with the pipeline of deals that were very close to announce, but we also see a trend of the market remaining strong and even increasing very solidly in Brazil and Mexico. That's the basis of our budget, and we see that reflected on the current market conditions and the perspectives we see going forward. As per the app, as you know, there's a lot of things going on. We're really excited about how the app is performing in many dimensions, and it's a result of many actions taken. Obviously, how user-friendly, our app has become. There's a lot to do of the type of offers and the push notifications, we are able to tailor to each consumer. And we expect much more news on that front, too. The important thing about that is not only the increased loyalty interactions with customers that obviously, you see that reflecting on our customer acquisition cost that will come further down as long as the app continues to gain penetration.

Andrew R. Ruben
Morgan Stanley, Research Division

Great. And maybe just even a quick follow-up. In terms of SOFIA, how are you seeing the consumer engage between the app and the desktop? And any early indication on what type of queries interaction search is anything that you've noted or has surprised you in terms of that uptake?

Gonzalo Garcia Estebarena
Chief Technology Officer

Yes, this is Gonzalo. So many people tend to use the SOFIA in the app. So I would say it's very consistent with what Damian was saying before in terms of the preference by channel, let's say, for the users. In general, they prefer to do much of the browsing and the understanding of where they want to go in the app even when some of them tend to then move to the rest to convert in the normal flow. SOFIA is much more exploratory. In most cases, people react to use it in the app. And what we have seen and has surprised us is that constantly, our users are prices in terms of trying to use features that have not yet been developed at the beginning, when we initiated launch SOFIA only for flights and some initial recommendations on destinations. People would ask about hotel. Now that hotels are available, people ask a lot about after sales. We have only a very small beta version and aftersales service and people always try to use the next thing that is not yet available. I mentioned how users are getting used or accepting this technology as being given and they normalize the fact that they expect the assistant to be able to do the next [indiscernible] very soon.

Operator

Your next question comes from Naved Khan with B. Riley Securities.

Naved Ahmad Khan
B. Riley Securities, Inc., Research Division

Maybe just on the guidance. What are you assuming in terms of exchange rates or currencies when you give this guidance? And what are you assuming in terms of the organic growth rates of the underlying growth rates? That's one. The second question I have is just on the cost side. So seeing really nice improvement in our leverage in technology, G&A. Is that a baseline we should be working off of as we model out? And about the factoring sort of expense that you're trying to reduce the savings going to continue to kind of build from here or give us your thoughts in terms of how we should think about the factoring expense.

Amit Singh
Chief Financial Officer

This is Amit. So let me first start with the FX part. As we had discussed in the last earnings call, especially this year, we -- and we discussed this during our prepared remarks as well. This year, we do have significant FX headwinds, but it's as expected. We don't specifically lay out in our guidance, our FX expectation for the full year. But you should see our overall reported revenue growth trend, as we had discussed last time, starting below that 16% mark in the first quarter and then picking up in the second half. Some of that is helped with as FX has been tamper down a little bit, plus a lot of B2B initiatives start kicking in, as Damian had mentioned. So that's on the FX. On organic and inorganic, as you know, right now, our growth is 100% organic. The last acquisition we did was a while ago. So overall, our growth trajectory until now and here on has been -- and the guidance and all has been very much focused on that. In terms of cost, we continue to drive very strong cost leverage. As you have seen in our first quarter, now our adjusted EBITDA margin is the highest since our IPO. Obviously, if you look at our guidance, our overall guidance for the full year is below our -- in terms of adjusted EBITDA margin, it's below what we reported in first quarter because what we are doing is while we are driving very strong adjusted EBITDA margin, we also have plans to invest in the business.

So we still feel very comfortable in getting to a very normalized adjusted EBITDA margin of that 20% and then eventually getting to that mid-20%. But until then, we plan to do this gradually while investing in our business to drive very strong long-term organic growth. And then coming to the -- sorry. On your factoring question, so we discussed in the past earnings call, we have strong cash on balance sheet. Obviously, we remain active on evaluating any M&A targets. But one of the very accretive uses of our cash is, as you know, we factor our receivables in -- especially in Brazil. And so for us, what we are doing is moving some cash to Brazil. And what that does is you see an increase in our accounts receivable, but it shows a decrease in cash. But net-net, in terms of total assets, there's no change. You just see an increase in account receivable for the same amount of decrease in cash. But it reduces our factoring expense. So even in this quarter, we don't specify exact amount. But even in this quarter, we had a small amount of net income benefit from that strategy. And going forward, that will be our strategy going forward as well, that whenever it makes sense for us, we utilize the cash on our balance sheet to move it to Brazil, reduce our overall factoring in turn, reducing our factoring expense and helping our net income.

Naved Ahmad Khan
B. Riley Securities, Inc., Research Division

That's very helpful. Just to clarify something you just said in answering my question. So you talked about investments kind of affecting margins from here on. So what are the areas you're investing in? And did you -- I mean, you kind of talked about top line improving in the second quarter, but how should we think about EBITDA.

Amit Singh
Chief Financial Officer

Yes. So investments, of course, we are investing across the board. But the main areas of investments remain B2B. And a lot of these investments are also to position ourselves for long-term growth. Establishing our bases where we can drive B2B at a very strong rate over the very long term. But at the same time, investments in our B2C capabilities as well, like how do we further solidify our position in the markets that we are already in, then investments towards our loyalty program. All of these are investments right now, but they eventually help us solidify our long-term growth rate.

Naved Ahmad Khan
B. Riley Securities, Inc., Research Division

And then EBITDA for second quarter? How should we think about that?

Amit Singh
Chief Financial Officer

We don't specifically, as you know, guide to guide to EBITDA or margin for quarter-to-quarter basis. But what I can say is we feel very confident about the full year EBITDA guidance that we just raised in this quarter.

Operator

Your next question comes from the line of Kevin Kopelman from TD Cowen.

Kevin Campbell Kopelman
TD Cowen, Research Division

Can you share what presumable partner prices of our overall business and maybe share how harder are? And then I mean you mentioned expanding the mortgage, what markets are you looking into? And any progress there than...

Luca Pfeifer

You breaking up quite a bit. Would you mind repeating that question?

Kevin Campbell Kopelman
TD Cowen, Research Division

Yes. Yes, can you hear me?

Luca Pfeifer

Yes, this is better.

Kevin Campbell Kopelman
TD Cowen, Research Division

I was asking what percent the Livelo partnership of the overall B2B business and how big customers are and then outstanding market, but that's spent markets, maybe what markets you're looking into in any part of [indiscernible].

Damian Scokin
CEO & Director

Yes. Livelo, it's not only a great partner, but it's a very big revenue opportunity for Despegar given that it's the largest loyalty program in Brazil, and we are the leading travel agent. There's a lot of room for joint cooperation at the white label business, even exploring options on exchanging points meeting their loyalty programs and Pasaporte Despagar. Ample growth opportunities that we're just scratching the surface.
As per B2B, as we mentioned in the past, we are surprised by the traction the business is gaining in all different geographies. Obviously, we are focusing on the largest markets, Brazil and Mexico and started to respond to some inquiries from people beyond Latin America into exploring partnership models in other geographies. So I would say that the geographic footprint of our growth is well diversified and starting to look to opportunities beyond LatAm.

Operator

Your next question comes from Joao Soares worries with Citi.

João Pedro Ribeiro Soares
Citigroup Inc. Exchange Research

Guys, I just wanted to dig a little bit deeper into the short-term front. You're clearly gaining a large share when you compare the gross bookings trends versus the largest peers in the sector. So I'm just wondering, I mean, what -- how is -- what level of market share are you at currently in Brazil? And I'm trying to understand a little bit of what's happening in terms of the supplier side with the airline companies. If I could get an update there, we understand there's some consolidation happening. And yes, those are...

Damian Scokin
CEO & Director

Jacob, thanks a lot. This is Damian. I would highlight a few things. First of all, as you said, we're growing more rapidly than our competitors. But the important thing is we are growing profitably. And in terms of potential, even, as you know, we do not disclose market share by country. But if you look at our overall size vis-a-vis the total Latin American travel market was still really small. So comparing our growth potential, our profitable growth potential, what still lies out there for us to grow in Latin America. It's not an issue of market share. That's -- we can be 10x larger and still have ample room for growth.

Amit Singh
Chief Financial Officer

And I will add to that, if you look at, let's say, just Brazil, our top market, if you look at not just our top line growth, but also we don't go into individual profitability of the region, but our profitability in Brazil is also improving. So while we are growing much faster than peers, we're also doing that while materially improving our profitability. So we feel very good about how the company is moving from here, not just in Brazil, but other regions as well as we are organically consolidating the market, right? With our scale and our commercial strategies, this is giving us the opportunity to be the #1 market pair in all the regions. And then we expect this trend to continue in the coming quarters and years.

João Pedro Ribeiro Soares
Citigroup Inc. Exchange Research

Okay. Just a quick follow-up. One thing that you commented on it and such based on the factory side, right, you're utilizing cash from other geographies and placing in result to reduce the factoring expenses. I'm just wondering about the relationship with financial partners, both to I think to reduce that factory to pass that those receivables to a financial partner and also function as possibly a sales enabler given how dependent of credit that consumers are in Brazil. So I'm just wondering how you guys are seeing those opportunities, right, and to reduce bottle those factoring expenses as well?

Amit Singh
Chief Financial Officer

So we have a very, call it -- and again, we don't provide specific targets for it. But internally, we have a very strong path laid out or strategic pad laid out how to reduce our overall cost of installment and even credit card processing fees. And there's a lot of things that go into it. We have individual country leaders managing the relationship with these financial partners in each country. But we also have a global strategy where we are working -- as we are gaining scale, for example. It is helping us or it will help us even more going forward where we can direct more and more volume towards specific partners, which in turn will help us drive lower rates. So our growth and market share gain in the future will potentially also help us reduce the overall factoring expense rate, so to speak. And at the same time, while we have a strong position of cash on balance sheet, we'll utilize that cash to reduce our factoring expense, wherever it makes sense to, in the end, help our -- or improve our overall net income.

João Pedro Ribeiro Soares
Citigroup Inc. Exchange Research

Right. And just to finalize or to just one last point. I mean as you go into B2B, you should also naturally expect -- I mean it doesn't require that much factoring as well, right?

Amit Singh
Chief Financial Officer

That's true. It does not require as much factoring expense. And the other thing also is, as you know, the interest rates are trending downwards, and we'll see where they go, but the trend is more positive. So that should help us reduce factoring expense going forward as well.

Operator

Your next question comes from the line of Thomas Shinske with Cantor Fitzgerald.

Thomas Shinske

I guess just on SOFIA a little bit. Good to see all the momentum there and the new memory storage, more customer retention data should be great for the generative AI model. I guess, is there any thought within the model, train it to recommend customers towards more of your higher-margin packages versus single accommodations. I guess any thoughts there?

Damian Scokin
CEO & Director

Yes. So thanks for the question. Basically, the answer is, yes, of course, we haven't yet launched packages because in the way we have implemented the solution. Basically, we have been -- so SOFIA basically is trained to be able to use all of the features of our back-end technology that we have already developed or many, many years and make it available in a simpler, more humane way, let's say. And the fact that our packaging solution is built on the combination of our flights and accommodation solutions means that in terms of how we develop it, it's basically necessary in a way to explain SOFIA how to book a flight and how to book an accumulation in order for SOFIA to book a package. But the logic one that is done is exactly that one to try to steer demand towards a more valuable products, which is definitely packages in the same way that we currently do it within each product category. Today, when SOFIA recommends any of the products within one of the categories is that it with the same logic that our website as that is basically a combination of what is potentially most effective to the client, but also that it's most profitable to us.

Thomas Shinske

Awesome. And then one more, if I may. Just a bit of an increase in accounts receivable, kind of a headwind to cash flow from operations. Just wondering the seasonality on that and how we should be thinking about accounts receivable throughout the rest of the year.

Amit Singh
Chief Financial Officer

Yes. Like we mentioned, account receivables do go up as we are factoring less and move cash. So that's sort of a strategy as we were discussing earlier. And account receivable overall should trend in the same direction as bookings are trending throughout the whole year. So I wouldn't see -- I wouldn't expect outside of our specific strategies to reduce factoring. The normalized account receivable growth should trend similar to the bookings growth trend.

Thomas Shinske

Congrats on the quarter.

Operator

Your next question comes from the line of Tom Champion with Piper Sandler.

Tom Champion

Maybe 2 for Damian or Amit. First, I'm wondering if you could just flesh out a little bit more the Brazil off-line sales strategy. You referenced that in your script. And it seems like you have a ton of momentum on direct traffic and with your app and your app downloads. And I'm just wondering what would take you on off-line strategy. I'm sure there's some valid reasons behind it. And then secondly, just curious if you could talk about the macro and your results seem very strong. I'm just trying to parse the execution versus improving market dynamic. How do you feel about the market relative to 90 days ago?

Damian Scokin
CEO & Director

Tom, thank you very much. Two things. On Brazilian offline initiatives. Remember that we have only 11 of stores at the moment. And the main strategy there is to capture a portion of what still is 50% of the market transacting offline and to accelerate the conversion of those customers into online customers. I think we mentioned on our last call or the previous one, the fact that roughly 69% of the customers who bought on our stores where customers that had not bought from Despegar before. So we are tapping into a new market and converting those new clients into online clients. As per the macro, what we've seen so far on this very much in line with what we planned for. And our expectations is that our current outlook, the performance of the business will accelerate not only on the top line side, but we'll be able to capture even more operational leverage as we grow. So outlook remains as positive, perhaps a little bit more positive than 90 days ago.

Operator

Our last question comes from Jed Kelly with Oppenheimer.

Jed Kelly

Just a couple of ones. Just on the AI investments you mentioned earlier, can you talk about how it's helping you on the customer service? And then just into -- in the Brazil market, I realize that's one of the key markets for Airbnb. Can you just talk about if you're seeing any competition from them and just the competitive dynamics in that market?

Gonzalo Garcia Estebarena
Chief Technology Officer

Okay. So I'll take the question on differential correctly on AI and customer service. So basically, we use AI, not only in the visible SOFIA travel assistant, but also a lot in our in our back office, we have several initiatives. Just to mention a few of those. One, for example, has to do with the fact that up until now in order to be able to offer some, let's say, continuity of the conversation when a customer called again on a follow-up call, we would have our agents create a small summary of the interaction so that the next patient would be able to pick up on the conversation easily. And that is now automatically done with an AI to that creates the summary on the slide. And that is currently saving us approximately 17% of the time that our nation dedicates to specific call. So it's a very significant saving for us. Another of the opportunities that we are already also capturing is the fact that we are able to use also the same AI tool that understand not only the transcript of the conversation, but also the tone of the client and is able to relate that to a lot of other data points that we have on that client-specific needs, like for example, whether he has suffered a disruption in his trip, what is the current situation in terms of ample how many days have -- are still before the trip and things like that to predict what is the chance that this person will have a major complication and especially for Brazil, that is a very -- a market in which lawsuits are very, very common from customers to businesses. If there is a chance that this person will create a legal claim and it will eventually cost us significantly.

And we use that model that predicts a data analyzing the conversation and all the other data points, to be able to, for example, prioritize that call in our waiting list of calls to be answered or remains to be responded and even to break our commercial policies when appropriate. Another one is, for example, we use that also to understand how much our customer agents are following our recommended, let's say, a script of how to take the conversation during a call. So the adherence to the processes that we have. What we are doing is that we are currently using our AI, let's say, supervisor to create a score on the different interactions that can then be used by human supervisors to select which calls to, let's say, create a sample of which calls they will hear and give feedback to the agent based on what the AI supervisors recommended, okay? So these are just some examples of what we are doing at this not only creates a much better productivity for us in the back office, but also an enhanced customer service where we dedicate and steer our resources to the more complicated cases.

Damian Scokin
CEO & Director

And Jed, this is Damian. On the vacation rental side. First, keep in mind that this category, I mean, Latin America represents today less than 15% of all searches. So it's battery is relevant, but it's not as relevant as others. Even though that we just mentioned, we're growing very strongly on vacation rentals, and that's part of the reflection of our growth on non-airbookings, which will reach an all-time high. So in the overall scheme of things, we are doing very well in vacation rentals. But more importantly, we're doing very well in the overall hotels category that is much larger in Latin America.

Operator

Ladies and gentlemen, I would now like to turn the floor back over to Mr. Scokin for any closing remarks.

Damian Scokin
CEO & Director

We'd just like to thank you all for your interest in Despegar for joining our call today, and we are really looking forward to get in touch with you again when we release our second quarter results. Thanks a lot, and take care.

Operator
This concludes today's conference call. You may now disconnect.