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EXPE.OQ - Q3 2026 Expedia Group, Inc. Earnings Call

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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Good day everyone and welcome to the Expedia Group third quarter 2026 financial results teleconference. My name is Joel and I will be the operator for today's call. (Operator Instructions)

For opening remarks, I will now turn the call over to Shyam Allam. Please go ahead.

Shyam Allam - *Expedia Group Inc - Investor Relations representative*

Good afternoon and welcome to Expedia Group's third quarter 2026 earnings call. I'm pleased to be joined on today's call by our CEO, Ariane Gorin; and our CFO, Derek Andersen. As a reminder, our commentary today will include references to certain non-GAAP measures.

Reconciliations of these non-GAAP measures to the most comparable GAAP measures are included in our earnings release. Unless otherwise stated, all growth rates are on a year-over-year basis and any reference to expenses exclude stock-based compensation.

We will also be making forward-looking statements during the call, which are predictions, projections and other statements about future events. These statements are based on current expectations and assumptions, which are subject to risks and uncertainties that are difficult to predict.

Actual results could materially differ due to factors discussed during this call and in our most recent forms 10-Q, 10-K and other filings with the SEC. Except as required by law, we do not undertake any responsibility to update these forward-looking statements. This call is being webcast on the Investor Relations section of our website at ir.expediagroup.com.

A replay will be archived on our site. A slide presentation containing financial highlights has also been posted to our website.

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For today's call, Ariane will begin with a review of our third quarter results Derek will then provide additional detail on our financial performance as well as our fourth quarter and full year guidance. After our prepared remarks, we will turn the call over to the operator to begin the Q&A portion of our call.

And with that, let me turn the call over to Ariane.

Ariane Gorin - *Expedia Group Inc - Chief Executive Officer*

Thank you all for joining us today. We had a strong third quarter and outperformed the industry, growing bookings 11%, revenue 12%, and expanding our margins by more than 1 point. Our results reflect our track record of consistent execution and progress on our strategic priorities. Based on our performance, we're raising our full year guidance, and Derek will cover that shortly.

In the third quarter, travel demand remained healthy, especially in the US. Consumers continued to prioritize travel even as airfare stayed elevated. And as in previous quarters, we saw strength with more affluent consumers.

Booked room nights grew 7%, up mid-single-digits in the US, low single-digits in EMEA and mid-teens in the rest of the world. Our B2B business had another strong quarter, delivering 19% bookings growth. Our consumer bookings were up 7% and accelerated in the US.

Expedia remains our fastest-growing brand and across our consumer brands, active loyalty members grew low single-digits. We're seeing faster growth in our Silver-Plus tiers and members within these tiers book more direct. This quarter, we continue to advance our three strategic priorities.

First, delivering more value to travelers. As we do this, we build trust and give travelers more reasons to return to our brands. In our products, it's about making travel more personalized, rewarding and flexible. On Expedia, where our strength has always been booking and managing everything in one place, our enhanced recommendation capabilities delivered record third quarter attach rates.

Just last week, we launched a new dynamic package search experience that gives travelers even more power to customize their trip. And we recently launched Reserve Now Pay Later across all of our brands, giving travelers further flexibility in their trip planning.

We also continue to infuse our products with conversational experiences, from search on our home pages to conversational agents in the booking flow. While still early, these experiences give us valuable information on traveler intent and can drive stronger engagement, higher conversion rates, and larger bookings.

In supply, we're focused on having the most complete marketplace and being a valuable driver of demand for our partners.

Our September sale marked our third consecutive sales event to exceed $1 billion in bookings, demonstrating the power of our two-sided marketplace. Product, supply, servicing, and loyalty remain fundamental to our differentiation and are core drivers for why two-thirds of our bookings come direct.

Turning to our second priority, investing where we see the greatest opportunity to drive growth. Travelers are increasingly planning their trips using natural language. We're capturing this demand in our own products through the conversational experiences I mentioned earlier, as well as in third-party experiences.

As traditional search traffic diversifies to AI surfaces, we're making sure our brands show up where travelers are. We moved early and we're learning quickly.

This quarter, we partnered with Google in AI mode and announced an integration with Meta Muse. While traffic is still small, we see agents as a new audience and are building the capabilities to engage them. What we learn from AEO carries directly into how we engage agents, so our progress compounds as these channels and traveler behaviors evolve.

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In B2B, our strategy is to be the one-stop travel platform for partners, enabling them to grow their businesses and better serve their travelers. This quarter, we expanded our relationship with Qantas, making it the first partner to use our new agentic template. Our template brings together our existing B2B technology, supply, and servicing infrastructure with a customizable UX layer to create a tailored customer experience.

We also closed our acquisition of CarTrawler and launched our Activities API. Adding these services makes our marketplace more complete, deepens our relationships and strengthens our competitive position.

Moving to the third pillar of our strategy, driving operating efficiencies and margin expansion. We delivered record margin performance, reflecting the flow-through of higher revenue growth, further consumer marketing leverage and disciplined cost management. We continue to execute on initiatives to run the company more effectively and with greater speed, and AI is amplifying our efforts.

For example, in marketing, AI is enhancing our content production and experimentation and meaningfully increasing our testing velocity.

In servicing, we released our agentic voice experience on Vrbo, and already in the first two months, it's effectively resolving over 15% of inbound contacts driving higher satisfaction scores at a lower cost.

AI is also enabling us to accelerate product development. Our new autonomous hotel onboarding agent was built in less than a quarter by a small, focused team, while historically it would have taken multiple quarters and many more people. Together, these actions support margin expansion and create capacity to invest in growth opportunities.

As we look beyond the quarter, the question I hear most is how AI will reshape online travel. Our focus remains understanding and meeting travelers' evolving needs and preferences. What we're seeing is that while discovery is spreading across AI assistance, search and social platforms, the hard parts of travel aren't getting any easier.

Connecting to global supply across multiple lines of business with accurate prices, handling bookings and payments, standing behind bookings and fixing problems when plans change. That complexity is where trust is earned and where scale, reliability and service remain differentiators.

Our advantage is our ability to turn emerging channels into new sources of demand, while our trusted consumer brands and loyalty ecosystem bring travelers back to us directly. In closing, we're pleased with our third quarter results. I want to thank our teams for their hard work and our partners and travelers for their continued trust in us.

With that, I'll turn it over to Derek.

Derek Andersen - *Expedia Group Inc - Chief Financial Officer*

Thank you, Ariane, and good afternoon, everyone. Our third quarter performance exceeded the high end of our guidance, reflecting stronger-than-expected travel demand, continued momentum in our B2B segment, improved consumer marketing returns, and ongoing cost discipline.

Gross bookings increased 11% year-over-year, driven primarily by 7% room night growth and 3% ADR growth on an FX-neutral basis. The overall operating environment was favorable in Q3, which contributed to the robust room night growth, while strong air bookings growth was supported by higher ATPs.

Our business also benefited from pulling forward the timing of our fall sale to better capitalize on seasonal demand in Q3. Revenue increased 12%, exceeding our expectations entering the quarter on higher booking volume. Foreign exchange impacts were mixed with a half a point headwind to bookings growth and one point tailwind to revenue growth.

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Adjusted EBITDA was $1.7 billion in Q3, representing a margin of 34.2%, which is an improvement of over 1 point compared to the prior year. The margin expansion was driven by higher-than-expected revenue growth combined with continued consumer marketing leverage and overhead cost discipline.

Adjusted EPS grew 24% year-over-year, reflecting 19% growth in adjusted net income and the accretive impact of share repurchases that reduced adjusted weighted average shares outstanding by 4% year-over-year. Free cash flow reached $3.7 billion on a trailing 12-month basis, up 25% year-over-year, which has fueled the return of capital to shareholders.

During the quarter, we repurchased approximately 2 million shares for $576 million. This brought our year-to-date share repurchases to approximately $1.5 billion. Our capital allocation priorities remain unchanged, including investing organically in the business, pursuing disciplined M&A in support of our strategic priorities, and returning cash to shareholders in the form of dividends and opportunistic share repurchases.

For our fourth quarter outlook. We expect gross bookings of $27.9 billion to $28.4 billion, representing growth of approximately 3.3% to 5.2% year-over-year. We estimate that FX will be a headwind of approximately half a point in Q4 at current rates.

Our guidance reflects a moderation from the stronger-than-expected third quarter. Due to a softer operating environment in Q4, the impact of lapping the benefits from B2B partner promotional activity in the prior year, and the timing of our fall sale, which pulled demand into Q3 of this year.

The softer operating environment in Q4 reflects several factors, including the US election cycle and ongoing geopolitical events driving travel disruptions across EMEA. We expect revenue of $3.69 billion to $3.75 billion, representing growth of approximately 4% to 5.7% year-over-year with minimal FX impact at current rates.

We expect adjusted EBITDA of $830 million to $880 million, implying a margin of 22.5% to 23.5%. The EBITDA guidance and implied margins for Q4 reflect sequentially slower revenue growth as well as the impact of strategic investments, including the incorporation of costs from recent acquisitions.

Following our outperformance in Q3, we are raising our full-year guidance. We now expect gross bookings of $131.4 billion to $131.9 billion, representing growth of approximately 10% and revenue of $16.37 billion to $16.43 billion, representing growth of approximately 11% to 12%. Our guidance continues to assume foreign exchange tailwinds of approximately 1 point for gross bookings and 2 points for revenue for the full year.

We are also raising our margin guidance for the full year and now expect adjusted EBITDA margin expansion of approximately 180 basis points to 200 basis points versus last year. Based on this updated full year guidance. We expect to exceed the top end of the full year guidance ranges that we provided at the beginning of the year for each of bookings, revenue and EBITDA margin expansion.

With that, let's open the line to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Mark Mahaney, Evercore ISI.

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Mark Mahaney - *Evercore Inc. - Equity Analyst*

Let me try to get two questions in, please. First, just on the Q4 outlook, Ariane and Derek, are there any drag factors you would call out? The Middle East disruption is still there. There were some issues in European cities. Are there any other areas that you think are unduly pressuring growth rates and profitability in the fourth quarter?

And then secondly, Ariane, you mentioned, of course, the agentic deals or whatever with Muse and with AI overviews. Are the economics of these at all settled or is that all on the come? And anything more you can say about the -- how you view that as a channel, as a customer acquisition channel, does it look at all competitive, better than, worse than all the many other channels that you use? Thank you very much.

Ariane Gorin - *Expedia Group Inc - Chief Executive Officer*

Derek, why don't you take the first and I will take the second?

Derek Andersen - *Expedia Group Inc - Chief Financial Officer*

That sounds great. Hey, Mark. On the Q4 guidance for growth, I would say, yes, we had a stronger than expected Q3. So we are expecting some moderation in Q4 on the growth. There's a few factors driving that.

The first is we're seeing a bit of a softer operating environment to start the quarter, and that's really driven by a couple of factors. One of them is the US election cycle where we're seeing an impact that is roughly similar to what we've seen in prior election cycles in terms of softer demand there.

The other is the ongoing geopolitical events that we're seeing in the Middle East and Europe and the impact that they're having both on disrupting demand within those regions, but also on the long-haul corridors that run through those regions.

The second impact I'd call out is within our B2B segment. We're now beginning to lap the robust promotional activity that we saw from some of our largest partners that really ramped in Q4 of the prior year. And so while the fundamentals of the B2B business are still really strong, we're going to see a bit and are seeing a bit of a moderation in the growth rate in that business in Q4.

And then finally, the last factor I'd note is we did pull forward some of the timing of our fall sale so that more of it occurred in Q3 this year. And that was helpful in terms of capturing seasonal demand in Q4, and we saw that benefit in the efficiency of our marketing or sorry, of capturing demand in Q3, but we're going to now lap the timing of the sale in the prior year in Q4, so that's another factor.

The only thing I'd sort of close on there though is that we're on pace for a really strong 2026 in total. And we're now on track to beat the top end of the full-year guidance range that we set at the beginning of the year for each of bookings and revenue, so pleased with the growth that's shaping up for the year in total.

Ariane Gorin - *Expedia Group Inc - Chief Executive Officer*

And then, Mark, on your question on agentic partnerships, not surprisingly, I'll start out by saying it's early days. I'm excited about the possibilities here, and we're working with all the big players to make sure that our brands are showing up well, that they're showing up well whether it's organically or through direct integrations.

We're using the integrations to learn about how our customer behavior is changing, understand how are the agents making decisions, what tech integrations are required, and what kind of customers are using these. Right now, again, it's a small amount of traffic. It's high intent traffic, so we're pleased with that.

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From the third-party data we're seeing, we're leading in citation share in the US. So I would just caution us all that it's important to remember that these models are changing frequently, which can lead to big swings on small volumes. But that's why we've got a team focused on it.

I also say that the integrations are helping us to learn not only about consumer behavior on those agents, but also to bring those learnings back into the natural language experiences in our products.

So with early days, the economics of the partnerships are being worked out. We have a track record of being able to work with big advertising platforms or tech platforms to use them as channels to acquire customers at attractive economics, and that's what I think we'll see.

And I'll close by saying, so far what we're seeing is that agentic AI's real strength is in discovery, but that when it comes to bookings, people still want to book with a trusted brand where they know that they'll be taken care of. If something goes wrong, they know they can trust the content and the prices and the like, but it is an exciting time.

Operator

Eric Sheridan, Goldman Sachs.

Eric Sheridan - *Goldman Sachs International - Analyst*

Thanks so much. I'll ask a two-parter on B2B. When you think about the growth sustainability of B2B over the next 12 to 18 months, can you break down to us a little bit how you're thinking about the components of growth across wallet share with existing partners, new partners and verticals and continued supply expansion?

And the second part of the question would be on the margin for B2B. Is there a way we should be thinking about investment cycles in B2B and the different outcomes for margin over shorter duration period of times that we should be aware of that B2B could operate in as a segment.

Ariane Gorin - *Expedia Group Inc - Chief Executive Officer*

Why don't I -- let me start and then Derek can pick up. As you said, B2B had another solid quarter. It's important to note that the growth was broad-based. It was double-digit growth across all of the regions.

And when we look at the performance drivers that we expect to help us continue to grow, it starts with growing with existing partners. How are we growing wallet share through adding supply, improving the integration, supporting them on their promotions and supporting them as we are sourcing promotional deals that they can surface.

Next, it's about enhancements to our existing products. I talked about the agentic template that we just announced with Qantas. So, our three main products in B2B are the Rapid API, our travel agency platform, and our template. And as we enhance the template with agentic capabilities, as we add activities to the travel agency platform, we think that those will be growth levers in order to grow with existing partners, of course, also with new partners.

And then the last piece is our investments to really be a one-stop travel shop because we've got a lot of partner relationships. These partners are building travel programs. And if we can be the provider of everything that they need for the travel program, well, that creates growth opportunities. It's why this year we closed the acquisition of CarTrawler. It's why we acquired tickets. And so we will continue to invest to make sure that we really can be that one-stop shop for our partners.

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Derek Andersen - *Expedia Group Inc - Chief Financial Officer*

And then, Eric, just on the margin question, I think in the very near term, we are seeing a little pressure on the B2B margins. The primary drivers of that in the very near term are one partner mix. As we help our partners grow and succeed and grow their business, they get into higher tiers and all else being equal, that's going to put a little pressure on margins as we help our partners succeed and grow the overall scale of our business.

The second but smaller factor is just the recent investments that we've been making, as Ariane said, in the one-stop travel shop. And we do see a little bit of pressure on the margins there in Q3 and into Q4 on the business as a result of that.

But as I zoom out longer-term, this is a really attractive segment with a huge TAM. And that's why it's very important for us to make these long-term investments in the business so we can better serve our partner, grow our overall number of partners, which hit 75,000 more recently.

But also drive differentiation and be able to grow the relationship by servicing more of it, which is why the one-stop travel shop is so important, so we're really excited about the longer-term opportunity for the B2B business to contribute as it scales to our EPS growth as a business.

And then across EG at an EG level, we remain committed to driving efficiency through the business so we can continue to make incremental progress on the overall margins. And you can see that reflected in the updates we made today to our full year guidance where we now expect full year margin expansion of 180 to 200 bps, which is again above the high end of the ranges we communicated at the beginning of the year.

Operator

Justin Post, Bank of America.

Justin Post - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Great. Thanks for the question. First, on agentic traffic, I know it's very early, but I just was wondering if you could help us understand if that traffic might be coming in lieu of paid or direct traffic or really is it just incremental at this point?

And then second, the margin leverage on the B2C side has been really impressive over the last year. You've drawn out a lot of efficiencies, but Q4 does look like there's more spending. Is that in marketing? And how do you think about efficiencies there going forward?

Ariane Gorin - *Expedia Group Inc - Chief Executive Officer*

I'll take the first one. So as you say, it's the agentic traffic is very small so far. We think it's high -- we see it as high-quality traffic. We don't see it as impacting the direct traffic. I think it's either incremental or it's taken from other paid channels. But right now, again, it's so small, but it's hard to draw any conclusions.

I do want to take a minute, though, to add to this, which is we talk about agentic traffic being quite small. Even in our products, we've got these new natural language conversations, which are high intent, it's driving more conversion. And even there, they're small, what excites me is the way we're using AI in our products to get more personalization, to get better recommendations.

So I think just for all of us, as we think about the role of AI, both in agentic traffic and use in our products, we can spend a lot of time on the conversational search, which is important, but there are also a lot of real near-term tangible drivers of improvements in the business and the product from using AI in the product.

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Derek Andersen - *Expedia Group Inc - Chief Financial Officer*

It's Derek. I'll take the margin question. We had a really strong Q3, and that allowed us to have outsized margin expansion as a result of that. We do expect some moderation on margins in Q4, and there's a couple of factors on that.

One, as we noted earlier, we do see a slower pace of bookings and revenue in Q4. And that diminishes the leverage that we're going to get on the fixed elements of our cost structure in the quarter as a result.

And second is a year ago, we made some really significant changes in the efficiency of our marketing spending by removing inefficient spend, and we've been delivering outsized leverage from the consumer marketing line as a result of that over the last year. We still see opportunity for incremental leverage from the consumer marketing line, just likely at a slightly diminished pace relative to what we've been able to do when we made those really big changes a year ago.

I also spoke earlier about some of the pressure that we'll see on the B2B margin side that will contribute to the overall picture as a result of the investments that we've made in recent acquisitions.

And so sort of stepping back though a little bit, while the overall operating environment may fluctuate a bit from quarter-to-quarter, it's important that we sustain these investments in the long-term of the business and we've demonstrated we can deliver leverage over time through efficiency initiatives and our overall cost discipline and that really is reflected in the updates that we made to our full year margin guide that I already mentioned earlier.

Operator

Doug Anmuth, JPMorgan.

Douglas Anmuth - *JP Morgan - Analyst*

Ariane, I just wanted to go back to the agents. And can you just talk a little bit just about the integration with Muse, just what that provides you exactly and how differentiated that is. And then also, if you could talk a little bit about some of the AI experiences on your own platform for those customers coming in directly and some of the benefits you're seeing there. Thanks.

Ariane Gorin - *Expedia Group Inc - Chief Executive Officer*

Sure. So on Muse, we announced an integration. In fact, I believe potentially while we're on this call today, it's going live in the US. So basically, what the direct integration allows is that Muse is going to have access to our prices, our content and the like to be able to recognize travelers and then send them to us, either complete the booking in Muse or send them directly to us.

It's early days. I think it's going to be fascinating to watch what is it that the users choose to do. Again, right now, there's a lot of discovery in these agents and then the booking ends up happening in a trusted provider in our app. But we want to be there early test and understand how consumer behavior evolves.

In terms of AI experiences in our own products. Look, one, we've been using AI in our products for quite a while. What's changed in the last few quarters is the power of AI to help us personalize in recommendations and rankings. And that's part of what's behind the record attach rates on brand Expedia because we're just so much better in helping travelers figure out what different parts of the trip to put together.

The other thing that's new is the natural language conversations. And again, it's relatively small traffic, but let me talk you through how we think about those natural language touch points.

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It starts with natural language search on the homepage. So instead of someone just typing in a destination and dates and number of travelers, they can use natural language to describe what they're looking for. That not only gives us more information about their intent, which we can then personalize. I think it will allow us to capture people earlier in their traveler journey to sort of move up funnel.

Next is conversational experiences in the booking flow. So we've got an AI compare agent and a property expert agent that while people are in the lodging booking flow allows them to make better decisions, comparing properties, understanding what the amenities will be without necessarily having to go into the hotel cards themselves. And what we've seen is that pushes people deeper into the funnel and leads to more conversion and larger purchases.

And then finally, post-booking, we've had our servicing agent and we just recently introduced an activity agent, which helps the traveler build an itinerary. And we've already seen, it's very early days, but we've seen that the people who are using that are twice as likely to book an activity within seven days of using it.

So again, all of this is early, but it's exciting sort of proof points that we're seeing of what happens when people have conversations in the app.

And then just to close. Last week, we had our fall product release. We released over 30 features across our brands. Most of them were not related to natural language search. It was things like the updated flexible package search path on Expedia, Reserve Now Pay Later on Vrbo and the like. So with the team, we're focused on what are all of the product features that we can bring out that we know travelers want, some of which are natural language search.

Operator

Jed Kelly, Oppenheimer & Co., Inc.

Jed Kelly - *Oppenheimer & Co Inc - Analyst*

Over the last couple of years, you've had really strong margin expansion, probably over 200 basis points last two years. As we kind of move into 2027, has most of the low-hanging fruit been chopped? Or how should we think about margin expansion and balancing growth versus profitability going forward into next year?

Derek Andersen - *Expedia Group Inc - Chief Financial Officer*

Hey, Jed, this is Derek speaking. Yeah, we've had a lot of progress on the margin expansion, as you noted. If you actually look over the three years from 2024 through the full year guide here for '26, it's more than four points of margin expansion.

We've really done that across a number of different dimensions. Number one is the investments we've made in our own products. And in operational execution that have helped to drive steady, solid top-line growth in a healthy demand environment, and that gives us the opportunity to drive leverage over the fixed elements of our cost structure.

The second is we've had much improved consumer marketing returns. We've also driven out efficiency across cost of sales and I think one recent example I'd cite there is just the work that we've done to leverage AI and traveler support and how we've seen that improve cost efficiency there, but also deliver higher satisfaction scores, which is great.

And finally, just we've maintained discipline over the overall overhead cost structure. In the most recent quarter, as just one example, we were up 1% year-over-year even as we drove bookings and revenue growth double-digits. So we've had a pretty good run here of really good margin expansion. As I look forward, I see a lot of opportunity for us to continue to make incremental progress across the cost structure.

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One is the investments that we've made to continue to drive longer-term growth and pointing to things like the one-stop travel shop on B2B is just one example of that, the things that we're doing to improve services and experiences for the consumer business that Ariane touched on.

We also see many of the changes that we've made on the consumer marketing side to drive leverage there. Well, some of that was big gains that we got from removing inefficient spend. There's things that we've done around how we measure and calibrate those results and how we can move spend effectively and measure accurately to drive it to the most efficient channel and that's more durable and we see room for incremental margin improvement on that as well.

So we do believe that we can continue to make incremental progress on margin by staying disciplined on the costs and continuing to drive efficiency out. And hopefully, you can see that reflected in the updates we made to our full year margin for this year, where we now expect to see about 180 to 200 bps and hope to make some incremental progress as we go forward and execute on our strategy.

Operator

Ken Gawrelski, Wells Fargo.

Ken Gawrelski - *Wells Fargo Securities LLC - Equity Analyst*

Thank you so much. Two, if I may, please. One kind of more strategic, there's a lot of discussion of agents around the consumer side of the B2C side. Could you talk about the opportunities that your very well-established B2B operations and capabilities might enable in an agentic world? That's question one.

The second question is just a bit more tactical. As you're thinking about the 4Q bookings guide that you offered, could you give us any sense about the contributions, how we should think about ADRs versus room nights and any factors we might think about either from a comparability standpoint or other factors that play into the mix between those two?

Ariane Gorin - *Expedia Group Inc - Chief Executive Officer*

On the agentic opportunities in B2B, I really separate into two. One is, for our existing partners, how do we help them as they're adopting agentic capabilities in their travel experiences.So making sure that we've got the technology that allows them to build whether it's conversational experiences or other agentic experiences and opening themselves up to agentic commerce. So that's sort of one thing which is just on the existing business.

The second is, if there are agents who say, what, we want to be the provider ourselves of travel booking rather than being a demand channel for existing travel brands. We clearly are well positioned to be able to do that. So again, it's early days on all of this. I think what's important to know is that the technology investments and the infrastructure and supply and all of that that we have in B2B, that global reach, that ability to do servicing allows us to both help our existing partners and potential new partners as they look at agentic commerce.

Derek Andersen - *Expedia Group Inc - Chief Financial Officer*

It's Derek. Ken, I'll take the part on just what we're seeing on bookings drivers going into Q4. I touched a little bit on the drivers of the overall number. But under the hood, as you're thinking about room nights and the other drivers, first, just touching on air, we've seen really elevated ATPs in air. And so we expect that dynamic to persist and be relatively steady from Q3 to Q4, at least that's what's assumed underlying the guide.

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In terms of room nights and ADRs, we saw a moderation in ADRs from Q2 to Q3. So ADRs were up about five points in Q2 and moderated to two in the most recent quarter or three on an FX-neutral basis. We expect relatively to have basically that moderation continue through.

And so you'll see -- what we're assuming under the hood in terms of room nights is that the growth there will be positive in Q4, but more modest and that the decel will be roughly in line with what we're guiding to on bookings on an FX-neutral basis. So that together with the assumptions around there should give you a pretty good sense of the components under the hood that are driving the bookings into Q4.

Operator

Deepak Mathivanan, Cantor Fitzgerald.

Deepak Mathivanan - *Cantor Fitzgerald LP - Research Analyst*

Thanks for taking the questions. I wanted to ask a couple of ones on marketing. There's a lot of changes happening on Google Search with traffic shifting toward AI mode and other AI services. Is that in any way impacting Expedia at all, both positively or maybe negatively? Can you talk about what you're seeing also with paid marketing in Search?

And then secondly, OpenAI launched many advertising products in the last few months as well. Are you participating in those programs? Can you talk about what you're seeing there as well?

Ariane Gorin - *Expedia Group Inc - Chief Executive Officer*

So traffic is changing, as you say, like Google Search, things are changing very quickly. The good news for us is that we've got really good metrics and measurement on incrementality and returns of various channels. So we're keeping an eye on, obviously, where all of the traffic is coming from over the last 12 to 18 months as we've improved our understanding of returns and incrementality.

We've moved our investments across channel from search to social and the like. And we have teams who do this day in, day out who are very technical in making sure that we're getting the best returns possible.

As you alluded to, OpenAI has launched some advertising products. Yes, we are participating. I think it's important as there are new products that come out on the market to take a posture of testing, being willing to maybe expect some returns that aren't as high as more established products that are more optimized. And that's our approach across the board as some of these new AI services come out with new products. We'll be testing, learning and then over time, I believe many of these will become big channels for us. And to the extent that there's more fragmentation at the top of the funnel, that's a good thing for us.

Operator

Lloyd Walmsley, Mizuho.

Lloyd Walmsley - *Mizuho Securities USA LLC - Analyst*

Can you just give us a sense of the contribution from CarTrawler in I guess the partial quarter in 3Q and then in the 4Q outlook and like where does that fall from a segment basis?

And then second one was just the advertising growth looks like it slowed a bit, especially on the Expedia side. So anything unusual there and how should we think about that sort of steady-state advertising going forward?

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Derek Andersen - *Expedia Group Inc - Chief Financial Officer*

Lloyd, as it pertains to the CarTrawler acquisition, that closed near the end of Q3, so relatively minor impact there. Into Q4, no one of our acquisitions is really material to the overall results in total, but the combination of CarTrawler and the other acquisitions we've made earlier this year and the investments that we're making. In our one-stop travel shop organically as well. All of that combined is a little bit of upward pressure on the overall investments there.

And that falls CarTrawler specifically into the B2B segment in terms of where it contributes. In terms of advertising, yes, advertising did decelerate in the quarter. We grew 13 points last quarter, 7 in the most recent.

While it did slow the rate of growth, it did still continue to grow. We're in the middle of implementing some really important product improvement that we believe are really important to the long-term success of the ad business. These changes will give advertisers a number of things, including better campaign management capabilities but also layering the groundwork for more AI-enabled tools going forward.

But if I step back a little bit, the advertising business is already becoming large and it's a high margin business for us and we see a long runway ahead in it. We reach travelers as they're deciding where to stay and what to book, which is incredibly important. We're also in the midst of broadening the business. We expanded our sponsored listings offering to Vrbo this year and we're growing display advertising as well as off-platform.

And we're using AI in our products to make it much simpler for partners of any size to set up and run campaigns. So while there's a lot of changes happening in our ads business at the moment, we continue to have high conviction in the long-term opportunity ahead here and we're excited to see our team land some of these changes for our partners in the months ahead.

Operator

Alex Brignall, Rothschild & Co Redburn.

Alex Brignall - *Rothschild & Co Redburn - Analyst*

I'll jump back to B2B if I could. One of the most frequent questions I get is just sizing the market and how you think about the share that you have. It obviously is very different across the different products, the commission rate and margins, which is very different between lodging and air. But to the extent that you can. Could you just give us as much info as you can share on the size of the opportunity, either globally, within the US, what share you think you have of it, how fragmented it is, how big the biggest participant is, all of those? Thank you so much.

Ariane Gorin - *Expedia Group Inc - Chief Executive Officer*

At the highest level, the way I think about the size of the B2B travel market is you take the overall travel market, which is over $3 trillion. You remove from that sort of all of supplier direct, you remove from that couple of the biggest OTAs in the world, and you say all of the rest is the addressable market for B2B.

Now, there's a lot in there. There are corporate travel agencies, there are offline retail travel agents, there are companies that use travel for their loyalty programs, there are smaller online travel agents in emerging markets. So it's a large market. You do need to look at each of them individually. So where are we on offline travel agents? We work with tens and tens and tens of thousands of them.

But it's not only can you work with more travel agents, but it's also with the ones you work in, can you gain share of wallet? Because in a lot of our partnerships, they are not necessarily exclusive partnerships. And so it's about day in, day out gaining share of wallet.

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So that's sort of how I think about it at a high level. There are some partners in which we are high in the share of wallet. And so if you think about the potential there, it's about how much will that partner itself grow so that we can grow with them. And then there are a number of partners we work with where we're still sort of a lower level of share of wallet.

So it's really multidimensional, where can we grow share of wallet with the existing partners and what's that opportunity where there are new partners where we can displace someone else and then also what new businesses are being created that want to use travel as a way of driving customer loyalty?

Alex Brignall - *Rothschild & Co Redburn - Analyst*

Thank you. I guess the natural follow-up would be in the past you split out the growth organically within each of your partners and then the number of partners that you have into the components of your B2B growth. Is that something that you can share again?

Ariane Gorin - *Expedia Group Inc - Chief Executive Officer*

Sorry. Are you referring to something we did a couple of years ago when we went to -- I'm trying to think of what you're referring to because we've never disclosed it in our financial statements. I believe a couple of years ago, we did a presentation in which we provided a click down within B2B. Is that what you're talking about?

Alex Brignall - *Rothschild & Co Redburn - Analyst*

You used to give commentary on the quarterly course about the split of your growth sort of organically within each partner and then the number of partners that you were adding.

Ariane Gorin - *Expedia Group Inc - Chief Executive Officer*

Okay. We'll look at what we'll disclose in future quarters. I think, again, what we've said in the past, and Derek just said, we've got 75,000 partners that we work with. We've talked about double-digit growth across all of our regions. And we've talked about there isn't a concentration, an inordinate concentration in any particular partner. So I'll go back and look at what is it that we've said in the past that you may be looking for.

Operator

Naved Khan, B.Riley Securities.

Naved Khan - *B. Riley Securities, Inc - Equity Analyst*

A couple of questions from me, maybe just on the bookings. Ariane, you spoke about September promotions kind of contributing over $1 billion. Is that something that and you talked about timing, so last year, did that fall into October and then obviously that's affecting the booking for Q4 but helped in Q3, is that the right way to understand that?

And then the second question I have is around Vrbo. I think you recently made changes to the host fee and just wanted to get some clarity on how does it affect the overall take rate as well as what has been the reception of those changes so far?

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Ariane Gorin - *Expedia Group Inc - Chief Executive Officer*

Sure. So on the first one, yes, the September, the fall sale that we did this year was pulled forward a few weeks versus where it was last year. So that's why more of it fell into the fourth quarter last year. As we looked at the calendar this year and where we saw demand, we just thought it made more sense to do it on these dates and it just happens to move across quarters.

On the second one, yes, we just made some changes to the commission fee. We don't expect that to impact the take rate all up. This is really about simplifying things for travelers. And whenever you make a change like this, there's always a lot of discussions and education as hosts think about what does that mean for them, especially because across the industry, we're all getting closer to similar structures that there are some uniqueness across players.

So we're having really productive conversations with our partners. And we think at the end, this is going to be a good thing for travelers.

Operator

There are no further questions at this time. I will now turn the call back to Ariane Gorin, CEO, for closing remarks.

Ariane Gorin - *Expedia Group Inc - Chief Executive Officer*

So thank you all for joining the call and for the questions. As you saw, we delivered a strong third quarter, and we're pleased to see consumers continue to prioritize travel. As always, I want to thank our teams for their hard work and our partners and travelers for their continued trust in us.

Operator

That concludes today's call. You may now disconnect your lines. Have a nice day.

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