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EXPE.OQ - Q3 2021 Expedia Group Inc Earnings Call

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OVERVIEW:

Co. reported 3Q21 revenue decline of approx. 17% vs. 3Q19.

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PRESENTATION

Operator

Good day, everyone, and welcome to the Expedia Group Q3 2021 Financial Results Teleconference. My name is Charlie, and I'll be the operator for today's call. (Operator Instructions) For opening remarks, I will turn the call over to SVP and CFO Retail, Patrick Thompson. Please go ahead.

Patrick Thompson - Expedia Group, Inc. - SVP, CFO Retail

Good afternoon, and welcome to Expedia Group's financial results conference call for the third quarter ended September 30, 2021. I'm pleased to be joined on the call today by our CEO, Peter Kern; and our CFO, Eric Hart.

The following discussion, including responses to your questions, reflect management's views as of today, November 4, 2021 only. We do not undertake any obligation to update or revise this information. As always, some of the statements made on today's call are forward-looking, typically preceded by words such as we plan, we expect, we believe, we anticipate, we are optimistic or confident that or similar statements. Please refer to today's earnings release and the company's filings with the SEC for information about factors, which could cause our actual results to differ materially from these forward-looking statements.

You will find reconciliations of non-GAAP measures to the most comparable GAAP measures discussed today in our earnings release, which is posted on the company's Investor Relations website at ir.expediagroup.com. And I encourage you to periodically visit our IR website for other important content.

Unless otherwise stated, all references to cost of revenue, selling and marketing expense, general and administrative expense and technology and content expense exclude stock-based compensation. And all comparisons on this call will be against our results for the comparable period of 2019.

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

Peter Maxwell Kern - *Expedia Group, Inc. - CEO & Vice Chairman*

Thanks, Pat. Thank you all for joining us today. Eric and I will make some brief comments and then, of course, take questions.

Let me begin by saying we're very pleased with the quarter we had in Q3, nearly matching our adjusted net income and EBITDA from 2019. But I would add that -- but for Delta, this would have been our most profitable quarter ever. And I think it's a tremendous milestone for the company to be here while we are still on the throes of COVID and still coming out. And a testament really to the work we've done to simplify the company, to focus on technology and to run the business more efficiently.

And with that performance and what we're seeing in the market, we have the confidence to further pay down our preferred stock, which we did a few weeks ago, as you would have noted and which, of course, is another big milestone for us, putting COVID behind us.

As far as the trends for the quarter go, I'll do a high level and Eric will give a little more detail. But we went into the quarter following a strong Q2 and good momentum. But as we remarked last quarter, Delta had begun to have impact. We saw it impact cancellations. We saw it impact booking trends. And -- but as we got through August and into September, the Delta fears, particularly in the U.S. began to wane, and we ended stronger in the back half of September. And that has continued through into the fourth quarter with even greater strength.

We've seen improvement across all segments, really. Well, leisure and domestic have led. Even those segments, which have been harder hit like corporate and international travel, have been coming back. Cities have been returning as well. And so all in all, it's been a broad-based recovery, but it has been led, obviously, still by leisure and domestic travel. And for us, Vrbo has been a particular highlight and beneficiary of that.

A few highlights on Vrbo since you always ask. We've seen a strong share growth in our focus markets, and in particular, in the U.S. About half of our customers so far in 2021, more than half have been new customers. We expect to book in excess of \$2 billion of earnings for new Vrbo hosts who came on the platform this year. And looking ahead, we're already seeing better bookings for next summer than we saw at this time last year. So the trends continue to be quite strong there.

And while the story will continue to be impacted greatly by mix effect, which I've talked about before, we are feeling more and more confident. And as international vectors open up, which you've no doubt all read about, this is a particular strength of ours historically. And we think, again, that is a mix effect, which will generally benefit us.

And COVID recovery, of course, remains somewhat bumpy and is unpredictable to say the least, but we are feeling good. And at every turn, we are seeing demonstrated that when people can travel, they will travel for business, for pleasure and everything in between, and we are looking forward to seeing the rest of our business return.

In terms of some of the details in the business. On the marketing and brand side, our focus continues to be on bringing customers efficiently back to the platform and retain those customers for the long term and building those long-term direct relationships. Obviously, the better our product is, the better our customer experience is and the proposition, all those things add to that direct relationship, and we are feeling confident about the work we are doing on all fronts. But marketing, of course, is the tip of the spear.

And with our new focus on being a family of brands, we have launched -- announced that we will be launching 1 loyalty program, which will actually cross all our brands and all our products. We think it will be the most powerful loyalty program in the industry. And we are really excited about bringing that extra usability and added value to our customers through that loyalty plan. Because when we get to a place where people can use it across all brands, across all products, we think that just adds tremendous value to the customer. And you should expect to see us do more of that. We will be looking for more ways to unify our brands in the united front of bringing value to the customer in every way we can.

We spent the better part of the last 6 quarters building out the organization, and in particular, in the last few months, building our creative organization. We've improved, as I've talked about before, all our performance marketing tools and technology. And we're very excited about our

position right now. But we went into the third quarter and specific with a much more aggressive posture, Delta hit, we have -- we pulled back somewhat. And now again, that we are seeing things growing and the recovery building again. We are leaning back in. We intend to go on the offense with all the new tools we have in our arsenal and our marketing group, and we expect to go on offense and expand share across the world.

On the B2B front, which we haven't talked about a lot in the past quarters, I just want to highlight a few things here. We brought our groups together. As I remarked last quarter, our supply team and our business, we had called Expedia Partner Solutions, which is a business we have used to power other partners in the travel industry. We brought those together officially in the last few months. And we're seeing lots and lots of opportunity for those businesses to build on the relationships we have with our supply partners, with our B2B partners and find increasing ways to drive their business and drive their success on our platform.

But in particular, EPS itself has done well even during COVID. We've won wallet share with our partners. We've had many new signings. And for the first time in late October, we actually booked more business than we did in 2019 in that business, and that has continued into November. So great signs there.

And then finally, on the Egencia front, you've all seen earlier this week, we announced the conclusion of our transaction with Amex GBT. We have merged Egencia and the Amex GBT. We will retain a significant equity interest. We feel really good about that. Corporate, we believe will become coming roaring back. And Egencia even during this time of transition had its highest signings this year that is ever signed in terms of new clients in the first half. So we'll have some good signs there.

But I think that deal is also emblematic, as I said before, of our desire to power more of the industry. We want to power Amex GBT with our Expedia Partner Solutions business, with our technology, with our supply, and that is something we will continue to build on as the months and years unfold. So very exciting. And I just want to thank the Egencia team who did a tremendous job building that business, getting it to a place where we could find such a great transaction to put it together with someone else and in working through the time we had during the transaction and doing just a terrific job. So I thank them and our Expedia team who helped close that transaction.

And then finally, while I've talked a lot about technology in the past, and I will keep this brief, I am as excited as I've ever been since I started about 18 months ago about where we are in terms of our technology evolution. We certainly have a lot of work left to do. But it can't be understated the importance of finally being aligned on our technology, on our road map, on our architecture. We have one plan, and everybody is growing together and our velocity is increasing. And I think delivery, most importantly, to the customer will increase along with it.

But just for clarity, on the front end, we're focused on being at first data and design driven and focused really on personalization and using all the data and machine learning and the opportunities to create better and better experiences for the customer and for our suppliers.

And on the back end, we're really rearchitecting everything. As I've talked about, we're moving from this many technical stacks to one stack on one pool of data that serves all the outcomes, all our partners, all our customers. And it's really getting exciting.

And finally, I just want to say this moment for us is really important as we move into 2022. Getting all of this aligned, getting the work stream aligned, getting everybody on the same road map is a really powerful opportunity. And it reminds us that we're finally getting to what we wanted to be getting to, which is delivering new value to the customer.

We've been internally focused for a lot of COVID. COVID was a tough thing to get through, but we are now in a position where the entire company is aligned. We can see the light at the end of the tunnel in terms of COVID and the opportunity to innovate for the customer and bring great new products and value are really exciting to us, and we're looking forward to doing that.

And with that, I will pass it over to Eric.

Eric Hart - Expedia Group, Inc. - CFO & Chief Strategy Officer

Right. Thank you, Peter. I'm also pleased with Peter mentioned with the overall recovery of our business. As you will see, it includes 2 quarters in a row of positive adjusted EBITDA. And in Q3, excluding Egencia was roughly on par with the third quarter of 2019.

And with that, I wanted to start by providing an update on the booking trends that we have seen and we are seeing. Following the pullback we witnessed for much of the third quarter and into the first part of September due to the Delta variant, we saw a notable broad-based improvement across geos and product lines.

Overall total bookings for all products net of cancels were down 30% versus third quarter of 2019, which was slightly worse than the 26% decline we saw last quarter. Given the continued volatility of the recovery, we also want to provide additional monthly detail on our total lodging bookings net of cancels. That, of course, includes both hotel and Vrbo. And those were down approximately 17% in July, approximately 25% in August, 19% in September and further improved to down -- negative 2% in October. And again, that September was also down, of course. The trends in October that we saw, again, that was negative 2%, they did improve throughout that month, so we exited at a much improved rate relative to the start of that month.

Moving to the P&L, starting with revenue. It was down approximately 17% versus third quarter of 2019, which was a meaningful improvement from last quarter with revenue down approximately 33%. We saw a significant improvement in both Vrbo and hotel revenue, which benefited from seasonally strong summer travel. Revenue margin for the third quarter was approximately 16%, up from approximately 10% last quarter. This was primarily due to typical third quarter seasonality in the business and product mix weighted towards lodging.

On sales and marketing. Direct spend in Q3 was approximately \$1.1 billion, which is down approximately 19% versus third quarter of 2019 levels. And as Peter mentioned, we reduced spending given the reversal in trends we witnessed in the third quarter. However, going forward, given the more positive recent trends that we've discussed, we are again leaning in the marketing spend in Q4.

Moving on to overhead costs. They totaled approximately \$530 million, a slight decrease versus last quarter and below our expectations. We saw lower-than-anticipated discretionary spend, which was down roughly 90% versus the third quarter of 2019 as employees continue to largely work from home in the quarter. I would also call out lower-than-anticipated hiring as there continues to be a high degree of competition for talent, especially for technology roles.

Looking ahead, we expect overhead to increase by approximately \$40 million sequentially in the fourth quarter, primarily due to lower capitalized labor due to the holidays as well as higher anticipated head count and people costs. In total, adjusted EBITDA was approximately \$855 million which is approximately \$650 million improvement over the last quarter, driven primarily by typical seasonality.

Moving on to free cash flow, which showed negative \$1.4 billion in Q3 on a reported basis. If we exclude the change in restricted cash, which is primarily driven by the change in Vrbo's deferred merchant bookings, free cash flow was negative approximately \$450 million. As a reminder, the third quarter is traditionally a low quarter for free cash flow due to seasonality.

In terms of the balance sheet, we continue to be investment grade-rated today and remain committed to deleveraging back to more historical levels as well as further reducing our cost of capital. As you may recall, we refinanced some debt earlier this year, which yielded \$80 million in annual interest rate savings. And last month, as Peter mentioned, given the improving trends and continued confidence in our liquidity position, we paid off the remainder of the preferred stock. In total, paying off all the preferred stock this year, it will save us approximately \$115 million in annual dividend going forward.

Finally, on to Egencia. I want to echo Peter's comments and thank the Egencia's team as well as all of those Expedia employees who are involved with Egencia for their dedication and hard work.

I would also like to point out Page 17 of the earnings press release, which provides details on Egencia's financials. For the third quarter, Egencia generated \$55 million in revenue and negative \$18 million in adjusted EBITDA for the -- again, the third quarter. As it relates to Egencia costs in

the third quarter 2021 rough numbers, but approximately \$35 million was recorded in cost of sales, \$20 million in sales and marketing and the remaining roughly \$20 million spread across tech, content and G&A.

Going forward, we will report our minority stake in the combined company within the other net line of our income statement. And in terms of the 10-year lodging supply agreement with our Expedia Partner Services business has entered with the combined company, we will account for it like any other standard EPS deal. As a reminder, at 2019 volumes, we expect this deal, the EPS deal, to be worth in excess of \$60 million on an annualized basis for EBITDA.

In closing, as Peter and I both mentioned, we're quite encouraged by recent trends, and the pace of recovery is clearly improving. Things are getting better. And I remain truly and very optimistic about the future of travel and our company. And so with that, Charlie, we are ready for our first question.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Naved Khan of Truist Securities.

Naved Ahmad Khan - Truist Securities, Inc., Research Division - Analyst

A couple of questions. Maybe, Peter, maybe you can give us some color on your thoughts around marketing spend. Do you continue to see scope for more efficiencies here going forward? Where do we stand today on this?

And then the second question I had is just around the organizational structure going forward. I think you guys had outlined cost savings from the reorg, \$750 million in fixed cost and \$200 million in variable. As we think about the organization build-out from here on, where do you stand with respect to these?

Peter Maxwell Kern - Expedia Group, Inc. - CEO & Vice Chairman

Sure. I'll go first, and Eric can take on the cost issues. I would say we are still working towards a better marketing world for the company overall, which, yes, means more efficiently being able to get customers. But it's a many-pronged attack. It's the performance marketing issues that I've talked about before. We have come a huge way in terms of the tools, the data and the algorithms, et cetera. But COVID has been a bumpy time. And we have not found normalized times to really get everything tuned exactly how we want. So yes, we believe there's opportunity ahead for that.

We also believe there's significant opportunity for our brand teams to really be much more impactful than they have historically. And that has impact not only on driving direct-to-customers, but it has an impact on how people respond to performance marketing and other things. So there's many places where those teams can have more impact and ultimately be more efficient in attracting customers.

But it's not entirely on them, right? We've got to build better products. We've got to have better engagement circles for the customer. We've got improve our service. Every -- we need to improve in every part of our game to continue to make the customer stickier and bring them back and want them -- make this their place to come for travel. So marketing can be more efficient. But it's really a virtuous cycle of how we string marketing together with the experience and that -- and with the new efficiencies that your second question goes to. All of that gives us more opportunity to reinvest in more profitable long-term customers and create long-term value for the enterprise.

Eric Hart - *Expedia Group, Inc. - CFO & Chief Strategy Officer*

Great. I'll take the second part of the question regarding the costs. So just to remind everyone, it was the program at both fixed and variable costs. On the fixed side, we -- the most recent update that we provided was \$700 million to \$750 million, and we expect it to land in the higher end of the range. And on the variable side, we said to achieve greater than \$200 million. But remember that's at, call it, normalized level or 2019 levels because we need the volume to come back to be able to see that fall into the P&L.

I would say both of those are substantially complete. There's been a ton of work by the teams to simplify the business. And I think we're feeling really good about the fixed and the variable side. But I'll also add, we are a technology company. We're going to continue to invest and improve our services for our customers and in the way that we operate this business.

So while this program, I think, has been a tremendous accomplishment of ours in simplifying our business, we don't expect to stop there, and we'll keep going. But I think from a program perspective, I think we can put the \$1 billion to rest.

Operator

Our next question comes from Kevin Kopelman of Cowen and Company.

Kevin Campbell Kopelman - *Cowen and Company, LLC, Research Division - MD & Senior Research Analyst*

Great. Could you dig in a little bit into this -- the significant improvement that you saw in booking trends in October? If you could talk about kind of key segments, geographies at all, maybe Vrbo versus hotel?

Peter Maxwell Kern - *Expedia Group, Inc. - CEO & Vice Chairman*

Yes. Thanks, Kevin. I would just say generally, I know it feels bland, but we've seen it everywhere. Cities are picking up, International has picked up. There are -- virtually every area has seen growth. I will say that some of the benefit we have seen -- I've talked about mix effects before. When cities were forbidden places, that obviously hurt us. Cities have been a great market for us.

And as we've seen cities come back, now there's great -- they're still greatly lagging major leisure destinations like beaches, but they're coming back and that return benefits us probably disproportionately compared to some others.

So that mix effect thing -- we had some winners and some losers as always, but we've seen cities come back more. We've seen relative to the growth we've seen in sort of the consistently strong leisure areas and the opening of international channels, the announcements from the U.S. from Singapore, et cetera, about allowing international travel, we see that lift up basically as soon as it's announced. We see search queries go up.

And again, in places like EMEA, where we're traditionally stronger in international travel as compared to domestic, those openings, I think, all go well for us going forward.

So it really is a broad-based recovery. I mean it is every -- I mean, not down to every country because there are blips in countries that have COVID spikes, et cetera, but down to every region. And some regions are trailing dramatically like APAC and Latin America, but they're improving, too. And so it's really broad-based, and it's just what the base you're building off of and some are different than others.

Eric Hart - *Expedia Group, Inc. - CFO & Chief Strategy Officer*

The only I'd add to that, that is as we've talked about over multiple quarters now, there will be volatility in the recovery of a series of many stories and a lot of the intersection points that Peter just mentioned. So we'll continue to monitor, manage our marketing spend appropriately. As we did in Q3, we tap the brakes on some areas of that just because of -- we saw a bit of a slowdown. But so far, so good in October and going forward.

Operator

Our next question comes from Deepak Mathivanan from Wolfe Research.

Zachary Tempe Morrissey - *Wolfe Research, LLC - Research Analyst*

This is Zach on for Deepak. Just 2 questions. First, your kind of large main competitor in the space reported less -- your room rates are still lagging, I think, down 33% in the third quarter versus 2019, that's lagging kind of bookings performance. I just -- is there any kind of driving force or explanation that's driving that delta in performance? Is it mix, certain markets lagging? Is there a timing delay? I know there's a difference in reporting structure. So any kind of color there would be helpful.

And then just on COVID restrictions, I know it's very dynamic and hard to predict, but are you seeing any differences in terms of travel restrictions and implications on demand when we see COVID cases rising in certain markets now versus 6 or 12 months ago?

Peter Maxwell Kern - *Expedia Group, Inc. - CEO & Vice Chairman*

Yes. Thanks, Zach. A lot of good questions in there. I would say, first off, yes, you have to remember that they report on booked. We report on stays. So it's sometimes challenging to compare. But I would say, as I've said before, and I mentioned regarding cities, the mix has helped them. They've always been better in smaller markets, long-tail markets, et cetera. We've always been really strong in big cities when cities were dragging, cities get built by international travelers. So we also have been strong in long-haul air for those travelers like all those mix effects actually impact things. And so some of them, we won in. Vrbo has been a beneficiary. Some of them we lost in big cities and international travel. So it's always been a balance.

We are less focused on room nights rather than room dollars, if you will. I mean, it's a little misleading. We could book 1 million more 1-star hotels nights and it wouldn't mean much to our P&L, and we could book 100,000 5-star hotels, those would mean a lot. So you have to take it all in balance, but we are feeling good about the recovery. And in general, our numbers domestically are running ahead in lodging of where we were 2 years ago. So I think we're in good shape there, and we feel good about that.

And again, we have had a somewhat conservative bent along the game with COVID. We've been -- Eric mentioned tapping the brakes, we tried to respond. Sometimes we get over our skis, sometimes we're behind the recoveries. It's a balancing act. But we are getting more confident, more aggressive. And I think you'll see us continue to lean in to gain share across the globe.

In terms of the COVID question, it remains to be seen. And every -- as Eric said, every story is its own. But I will tell you, if you look at recent news, for example, of the COVID cases in the U.K. spiking from recent openings. And I was in London and it was amazingly open. I would say that queries have remained elevated since the international announcements to the U.S., and they remain elevated, and we have not seen a pullback from the caseload news.

So I think that remains strong. And of course, science is helping us out along the way. We just announced that kids will be able to be vaccinated in the U.S., which is a great benefit for society, let alone our business. And likewise, the announcement today about the U.K. approving the Merck pill for treatment. This is, I think we all agree, is probably going to be an endemic not a pandemic. And the more treatments we get and the more ways we get to deal with it, the better off we're all going to be.

Operator

Our next question comes from Eric Sheridan of Goldman Sachs.

Eric James Sheridan - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

Maybe following up first on the growth initiatives when you're looking out against the recovery. Are there any things we should be keeping in mind in terms of the ability to continue to grow supply or align some of your supply priorities, especially outside of North America to capture as much of that growth as you can?

And second question, guys. Coming back to capital return and how you're thinking about a more normalized environment, Booking called out the ability to possibly return capital to shareholders as we get into early 2022. Any updates there on how you're thinking about return of capital on the balance sheet over the medium to long term?

Peter Maxwell Kern - *Expedia Group, Inc. - CEO & Vice Chairman*

Sure, Eric. I'll take the first one, and Eric can comment on the second one. But I would say that we continue to look tactically around the globe at what the right vectors are to focus on in terms of supply.

I don't think we feel like we're terribly deficient, but we've been a little bit peanut buttered around the globe. As we did with Vrbo during COVID, we were very focused on those compression markets, freeing up supply there, making that supply really successful right out of the gate and that is the virtuous cycle that we think is most valuable. So we -- you will continue to see us do that for Vrbo, but you will also see us do that in a very targeted way around the globe. And that's with the focus that's tied into where we are marketing, where we are driving our brands, where we think we have the opportunity to win.

And again, remember, in many markets around the globe, our B2B business, our Expedia Partner Solutions business drives those markets more than our direct relationship with consumers. And so driving the right supply to feed those businesses as well is a critical piece.

So we will continue to drive into it. I would say, if anything, we've been relatively modest in terms of supply growth during COVID with a particular focus, again, on Vrbo, which was a different use case. But as things are reopening, we're seeing more demand. You will see us go after in a targeted way more supply, and again, in a very targeted end-to-end way keying on the markets we're focusing on growing and where those markets want to travel to. So we feel very good about that opportunity. It's just a question of focus. It wasn't a big focus during COVID. But as things improve, we will continue to roll that out.

Eric Hart - *Expedia Group, Inc. - CFO & Chief Strategy Officer*

Yes. And thanks for the question, Eric. I'll take the second component of that. And I would say just from a macro level that our philosophy is -- and strategy is consistent. First and foremost, want to remain -- we are and want to remain investment-grade rated, and we'll commit to that, of course, going forward. Second, is our commitment to continuing to lower our leverage ratios and get our cost of capital down. We've taken some great steps on that this year, and we'll continue to make progress as we move forward on it. And third, we, as a company, have traditionally been committed to returning capital to shareholders in different forms.

I would say right now is, again, not necessarily the right time for us to do it, but it's certainly something that we're committed to doing over the long haul, and we'll just continue to serve and make what we deem to be, if you will, the right choices at the right time going forward.

Operator

Our next question comes from Mark Mahaney of Evercore.

Mark Stephen F. Mahaney - *Evercore ISI Institutional Equities, Research Division - Senior MD & Head of Internet Research*

Just 2 quick questions. You referred to those growth rates for the 4 months, July, August, September, October. I'm sorry, was that room nights or was that bookings? And then secondly, I know you've said that generally, all the regions are recovering just to be specific about it. And I know that there are flare-ups in countries, markets here or there. But in the major European markets like Germany, you didn't see a -- you have not seen a, whatever, a dampening of demand at the end of October recently?

Peter Maxwell Kern - *Expedia Group, Inc. - CEO & Vice Chairman*

Yes. I'll take the second part first, Mark. There are some blips here and there. For better or worse, I wish our business were bigger in domestic EMEA, but we don't feel those blips in quite the same way. And we had the countervailing issue of more interest in international. So that has probably offset some of what others may have seen. But yes, there are blips here and there. And -- but as I mentioned, even in countries that are more COVID-challenged, in general, we have seen sustained interest probably buoyed by the international vector as opposed to perhaps what was going on in the summer.

Eric Hart - *Expedia Group, Inc. - CFO & Chief Strategy Officer*

And then, Mark, on the first question, it is lodging gross bookings net of cancels.

Operator

Our next question comes from Mario Lu of Barclays.

X. Lu - *Barclays Bank PLC, Research Division - Research Analyst*

So I just wanted to ask you about your comment on continuing to gain share in alternative accommodations in your key markets. Can you expand on the initiatives that you guys have made on your end to allow you guys to gain share and whether you think that is sustainable?

Peter Maxwell Kern - *Expedia Group, Inc. - CEO & Vice Chairman*

Yes. Thanks, Mario. Look, I think it's a combination of good work we've done and popular use cases. We know that the whole home solution has been a very popular solution during COVID, and that has helped us as compared to say, apartments in cities where we might be less strong.

But on the -- what are we doing side, we've done a tremendous amount to work on the brand, to land the brand, to make people really think about it as a primary source of -- Vrbo as a primary source of vacation options. We've invested more than ever -- much more than ever in that brand. And we've really driven it hard. And as I mentioned, more than half our users so far this year, our customers, have been new customers to the experience, and we think the experience is great.

So we do think we have sustainably landed the experience and the use case and the brand, and that will continue to benefit us for many years to come. How share exactly shakes out when the market moves back or people are going to cities, if things will change -- we're not strong everywhere. In terms of Vrbo supply, we are more focused on leisure destinations.

But we think we have sustainably put Vrbo in the minds of many people and other brands in other parts of the world that are strong, like Stayz in Australia, et cetera, and that is really a powerful long-term benefit for us.

X. Lu - Barclays Bank PLC, Research Division - Research Analyst

Great. And just a quick follow-up. In terms of the new users on to the platform, have those user behavior kind of match those of prior users? Or have they been stronger during this time? How should we think about the new cohort?

Peter Maxwell Kern - Expedia Group, Inc. - CEO & Vice Chairman

Yes, I think it's early to say. I'd like to tell you that people use Vrbo every 2 weeks, but they tend to need vacation time in the -- in school vacations and other things. We'll know more as things unfold. But again, as I said, bookings for next year are already running well ahead of this time last year when there was a lot of pent-up demand for Vrbos already.

So I think we are seeing the multiplication effect of adding new successful customers to the experience and piling those things up and people figuring out that they better book next summer, they better book next Christmas, they better book spring break. And that's really a powerful wheel cycle that works for us. So we're really excited that we've added so many happy customers, the experience. And we believe there will be tremendous long-term value from that.

Operator

Our next question comes from Doug Anmuth of JPMorgan.

Dae K. Lee - JPMorgan Chase & Co, Research Division - Analyst

This is Dae Lee on for Doug Anmuth. I have 2. So first, you talked about improving the user experience a few times in your prepared remarks. So I assume combining the loyalty program with all of those. But curious to hear where you see the biggest opportunity looking ahead. And then secondly, could you guys talk a little bit about how your book-to-stay window looks like today and how that compares to what you saw earlier in the year and historically?

Peter Maxwell Kern - Expedia Group, Inc. - CEO & Vice Chairman

Sure. I'll take the number 1 again and let Eric do number 2. I would say, frankly, we see enormous opportunities across a wide swath of work to improve the customer experience. Some of that is, yes, things like loyalty, things that we can do to enhance what it means to be part of our platform. But it's also in the product. It's also in payments. It's in our CRM relationship with customers, how we give them information, how we reveal and give them discovery and find the right products and the right value at the right time. All of those things are real opportunities and ripe for innovation.

We invented this industry 25 years ago, and I wish we had done more along the way to innovate for the customer. So I feel there's tremendous opportunity ahead for us in virtually everything we do, from service to -- on the product, to how they discover and book multiple products in a trip, to how they get informed about cancellations or delays or other things in the trip and how the app becomes their companion in terms of the experience. We are working across all those fronts and determine to keep bringing innovation to the customer. Every week, month, quarter, for the next many years in a way at a velocity that we haven't done in a long time.

Eric Hart - Expedia Group, Inc. - CFO & Chief Strategy Officer

And then on the -- to your second question, just on booking windows, we continue to see it revert back and trend towards more of what we would have seen or expected in 2019 though it still is a bit skewed. So for example, on the hotel side, it continues to be a little bit on the shorter-term side and Vrbo a bit on the longer-term side at the macro level. So still a little bit impacted by COVID and booking patterns but generally trending back to more normal levels.

Operator

Our next question comes from Jed Kelly of Oppenheimer & Co.

Jed Kelly - *Oppenheimer & Co. Inc., Research Division - Director & Senior Analyst*

Just what you mentioned on the loyalty program across all the brands. Can you sort of talk about how your tech stack is going to be able to do that and sort of merchandise, say, flights with Vrbo and then developing more of like a vertically integrated tech stack around your loyalty program?

Peter Maxwell Kern - *Expedia Group, Inc. - CEO & Vice Chairman*

Yes. I wouldn't describe it quite that way, Jed. But what -- the way I would think about it is we're building every domain where we -- that we own. So I think loyalty, checkout, et cetera, to be multi-tenant and to work across our brands and our partners because we have many, many B2B partners. And in doing so, we enable our brands -- our multiple of brands to live on one stack, to live in one currency if they wish to allow you to burn that -- earn that currency and burn that currency wherever you want. And this is one of the powerful things that we talked about new Vrbo customers coming on the platform. But imagine when they're not only in the Vrbo product stream and enjoying that, but then they're earning value that they can use across air and other things when they have different travel needs. And likewise, the inverse, the Expedia and Hotels.com travelers who might want to rent a Vrbo for a vacation.

So that expansion of being able to spend across all those brands, that architecture for our technology, which is really building everything we do into multi-tenant, ultimately, having all our -- one app all on one stack and one way -- that doesn't mean we will have separate brands, but they'll run on the same technical infrastructure. They'll have their own differentiation for brand, et cetera, or products. But it's all going to be built for multi-tenant. It's all going to be built for us and for our partners.

And we have the richest data set really -- travel data set in the world. And that data set powers all our machine learning, all our AI and our ability to innovate constantly in terms of what the customer sees, how the partners participate. And that's just super powerful once we get it right. Now there's a lot of work still to do, but we can see the path now, and we are all aligned on that path.

Jed Kelly - *Oppenheimer & Co. Inc., Research Division - Director & Senior Analyst*

And then any update on where you are in terms of having more Vrbo supply on Brand Expedia?

Peter Maxwell Kern - *Expedia Group, Inc. - CEO & Vice Chairman*

Yes. I mean it's tied up in the same question, Jed, which is we have Vrbo supply on Brand Expedia, but the experience isn't terrific. It's a little disjointed for the customer. We can't do everything. This is the -- one of the many things that are the power of bringing these tech stacks together that allow us to seamlessly move content around onto different stacks, make the checkout process seamless, make the servicing seamless. They can all feel like it's coming from the right place. It's not just one piece. It's not just about getting the content up. It's got to work all the way through the customer experience because we're in the business of getting and retaining customers, not just getting transactions.

So that is a process we need to solve end-to-end, and it is more than just what you've historically heard about on, hey, can we get the content on Brand Expedia. Now we need to do it. It's a big opportunity. Frankly, it's one of a dozen of equal opportunity, but all of it is enabled by getting the tech, right?

Operator

Our next question comes from Andrew Boone of JMP Securities.

Andrew M. Boone - *JMP Securities LLC, Research Division - Director & Equity Research Analyst*

So with travel coming back and Booking, calling out, leaning into marketing channels yesterday, can you talk about any changes you're seeing to the competitive dynamics within performance marketing? And then question #2 is with -- it sounds like nice progress being made on the technology rebuild kind of restacking. Can you help us just more tangibly understand what this unlocks? Do you have any examples that you can call out?

Peter Maxwell Kern - *Expedia Group, Inc. - CEO & Vice Chairman*

Yes. You're on my favorite topic there, Andrew, on the second one, which is there are myriad opportunities. We have massive opportunities on the CRM front. We are not at first adequately and the app is not a seamless product across all our brands, that's a huge opportunity. The ability to sell multiproduct, which we've been the leader in, in the industry for years, but honestly, it could be so much better at in terms of how our checkout paths work and how we get there. So there's -- I mean -- and everything I just said is measured in the billions or tens of billions of GBT opportunity, in my opinion.

So I think they're really all over the place and many of them unlock and enable really big opportunities on the B2B front and our ability to power partners, power our suppliers, et cetera. So it's really -- I could give a dissertation for the next 2 hours on it, if you want to miss the Airbnb call. But in the meantime, suffice it to say that there are dozens of them around the company, and they are big rocks and big opportunities.

As far as travel coming back and our friends leaning into marketing, we've kept a pretty consistent model. We've leaned into brand marketing. And frankly, we've been leaned into brand marketing even when maybe our brand marketing could be better and sharper, and that's why we've rebuilt that team. We're bringing the creative teams in-house now and really going at it in a different way.

But we expect to be balanced. We've seen our competitors move around and gyrate a bit. We've kind of kept to a balance between brand and performance. We feel like there's opportunity to be more aggressive as our performance marketing machine gets sharper and better and all the tools, right, we're seeing vectors of opportunity that we can lean into.

And so we definitely will have opportunities to lean in, and I'm really excited about what our brand teams are going to do. Our brand teams are second to none in the industry. We will be the best in the industry. And our performance marketing is phenomenal, and finally brought together in a way that will be really powerful.

So I think what that balance is, we'll have to -- as I mentioned, the market's got to normalize. We don't exactly know yet. But it is a virtuous cycle. And the better our brand marketing is, the better our performance marketing will do. And we believe strongly in both, and we'll continue to kind of lean in, in a balanced way. I think our friends have gyrated a little more than us in and out of some of those things.

Operator

And our penultimate question comes from Brian Fitzgerald of Wells Fargo.

Brian Nicholas Fitzgerald - *Wells Fargo Securities, LLC, Research Division - Senior Analyst*

Very thorough call. We wanted to ask a little more color on the mechanics of the GBT Egencia deal. We think Egencia traditionally has gone to market with low air fees and make up for that by making margin on hotels, leveraging the supply footprint. Just wanted to check on the mechanics and see if the margin there would be comparable to Partner Solutions as a whole or any other color there.

Eric Hart - *Expedia Group, Inc. - CFO & Chief Strategy Officer*

Brian, it's Eric. I'll take it. So thanks for the question. And I don't mean to be flippant in my response. But ultimately, I think you got to ask GBT and Egencia going forward what their ultimate strategy is around how they plan to monetize and develop customer solutions. I can say that they plan to run Egencia to be a core part of their offering. In fact, they expanded it into some of their existing customer base. So we see a great opportunity with that relationship that we have. We see a great opportunity in the equity component that we have, and we also see it on the EPS side, not only for the existing Egencia volume but also potentially upside with some of their other volume as well.

Peter Maxwell Kern - *Expedia Group, Inc. - CEO & Vice Chairman*

Yes. And I would just add, Brian, that our goal longer term is to continue to export more of our technology to power more of our partners, and we think that is our true advantage. And so as a partner, we hope that we find more ways to help Amex GBT monetize their customers better long term and serve their customers better. We'll do work on it.

Operator

Our final question comes from Dan Wasiolek of Morningstar.

Dan Wasiolek - *Morningstar Inc., Research Division - Senior Equity Analyst*

Just 2. So on the Vrbo booking strength you talked about for summer '22, wondering if you have any comments looking at rate and occupancy, the split between that. And then the second one, just direct mix, kind of maybe how that's been trending and how you see that direct mix evolving with the investments you're making in tech structure, Vrbo and loyalty.

Peter Maxwell Kern - *Expedia Group, Inc. - CEO & Vice Chairman*

Yes. So I'll kind of take those in reverse, Dan, I think, which is Vrbo has consistently had a very strong direct business. I mentioned our continued investment in brand across the globe, really, on Vrbo or its sister brands. We mentioned, I think, 2 or 3 quarters ago that we got out of -- we got out of performance marketing for Vrbo in the U.S., and it benefited from that with more direct traffic and having felt the effects of it. So I think we feel very good about the direct nature of that business.

As far as how the product will continue to improve, how loyalty will add to it. Again, that's just other veins of opportunity for us across our Expedia customer base or Hotels customer base, et cetera. So we want to create the universe of people that want to move between our brands and use them and build value and use that value. So I think we will continue to see that.

As far as rates and occupancy goes, rates have been -- ADR has been very strong throughout COVID. There's been a lot of competition for the product, and owners and managers know that, and they have pushed price where they could. And so we've seen a lot of price increases, and those have helped. There seems to be no abating of those. And likewise, occupancy in those compressed markets. If you want to be on a beach in the Southeast or on a beach in Hawaii at Christmas, good luck, it can't be done.

So we're going to keep seeing that. I think that's why you're seeing this effect of, okay, I want to get out in front of next summer and get the house I want. And that's a great -- that's smart for the consumer, and it's great for the business, and it gives us a lot of confidence going into next year that this use case will continue to be highly top of mind for many consumers, and we are well positioned.

So with that, I will thank you. Thanks, Dan. Thanks, everybody. I hope you all stay safe. Looking forward to watching travel recover, and feel free to start that corporate travel now that it's safe out there. Thanks for your time.

Eric Hart - *Expedia Group, Inc. - CFO & Chief Strategy Officer*

Thanks, everyone.

Operator

Ladies and gentlemen, this concludes today's call. You may now disconnect your lines. Have a nice day.

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