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EXPE.OQ - Q4 2024 Expedia Group Inc Earnings Call

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OVERVIEW:

Company Summary

REFINITIV

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PRESENTATION

Operator

Good day everyone, and welcome to the Expedia Group Q4 2024 financial results teleconference. My name is Alex and I'll be the operator for today's call. (Operator Instructions)

For opening remarks, I'll turn the call over to SVP, Corporate Development, Strategy, and Investor Relations, Harshit Vaish. Please go ahead.

Harshit Vaish - *Expedia Group - Senior Vice President, Corporate Development, Strategy & Investor Relations*

Good afternoon and welcome to Expedia Group's fourth quarter 2024 earnings call.

I'm pleased to be joined on today's call by our CEO, Ariane Gorin; and our Incoming CFO, Scott Schenkel. 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 excludes stock-based compensation.

We will also be making forward-looking statements during the call, which are predictions, projections, or 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-K, 10-Q, and other filings with the SEC.

Except as required by law, we do not undertake any responsibility to update these forward-looking statements. Our earnings release, SEC filings, and a replay of today's call can be found on our Investor Relations website at ir.expediagroup.com.

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

Ariane Gorin - *Expedia Group - Chief Executive Officer*

Thanks, Harshit, and thank you all for joining us today.

I want to start by welcoming Scott Schenkel as our new CFO. It's great to have him on board, and you'll hear from him shortly.

Our fourth quarter results exceeded our expectations, with room nights, gross bookings, and revenue all growing double digits. This topline strength reflects our continued strong execution, along with better than expected travel demand.

Our disciplined cost management and top line outperformance resulted in strong EBITDA growth with margin expansion. Bookings for the consumer business accelerated for the third consecutive quarter to 9%, up 5 points sequentially.

Each of our core brands, Brand Expedia, Hotels.com, and Vrbo saw booking's growth. Our B2B business had a stellar quarter, with booking's growth increasing 5 points sequentially to 24%. And our advertising business posted yet another strong quarter with 25% revenue growth.

Travel demand remained healthy in Q4 despite price increases in Hotels, Vacation Rentals, and Air. Like last quarter, international demand was stronger than the US, with booked room nights growing high single digits in the US, low double digits in Europe and high teens in the rest of the world.

Our B2B business continues to benefit from this strong international demand, especially in APAC. And in our consumer business, our global expansion efforts continue to show solid progress, with booking's growth outside the US accelerating 4 points sequentially.

Within our consumer business, Brand Expedia remains strong with room nights growing mid-teens. Air on Expedia notably improved, driven by higher ticket prices, continued package product improvements, and new merchandising capabilities.

For Hotels.com, bookings returned to slight growth driven by momentum in international markets. And for Vrbo, booking's growth accelerated sequentially as well, with improved traffic and conversion.

Global active membership in our loyalty program grew 7% in Q4, and our 12-month member repeat rate was also up over 300 basis points year over year. Across our three core brands, nearly 50% of room nights came from Silver, Gold, or Platinum members. These higher tier members receive additional benefits such as member discounts, which are funded by our supply partners and help to drive loyalty to our brands.

Our strong fourth-quarter results contributed to a solid full year 2024. When I stepped in as CEO last year, we set an ambition to bring Vrbo and Hotels.com back to growth, while extending our strengths in Brand Expedia, B2B and advertising, and being disciplined in our costs. While we have more work ahead, I'm proud of how our teams delivered against this call to action and built momentum over the course of the year.

Booking's growth in our consumer business accelerated every quarter in 2024 from negative 3% in Q1 to 9% in Q4. B2B bookings grew 21% for the full year. We've grown bookings from existing partners through strong account management, great inventory, and new product features, and had our best year ever in production from new partners.

Overall, B2B accounted for 27% of our bookings last year, and we've cemented our leadership here. Our Advertising business -- sorry, our Advertising revenue grew 32% in 2024 and drove 5% of our overall revenue.

We onboarded more advertisers to our platform, launched new ad types like video, and introduced new tools for partners to manage their campaigns, all of which are resonating strongly with our advertisers. As a reminder, Advertising is a high margin, high growth business, and we see a lot more opportunity to innovate.

Supply is at the heart of our business, and we made great strides last year in improving our supply through technology investments, stronger partner relationships, and everyday efforts from our commercial teams.

We're sourcing more traveler benefits, whether through member deals or package discounts. We've released new functionality around merchandizing and have improved the quality of our vacation rental supply. All of these are great for travelers, while delivering valuable and targeted demand to our supply partners.

As we move into 2025, we have three overarching priorities, building on our progress from 2024. First, deliver more value for travelers. Second, invest where we see the greatest opportunity to drive growth in each part of our business. And third, continue driving operating efficiencies and expanding our margins. I'll share more color on each and then talk about how AI will help us across all three.

Let's start with our first priority of delivering more value for travelers. Already today, we create effortless, personalized and rewarding experiences for customers. We do this through our supply with deals travelers can only get through us, and bundles and savings that we can uniquely create. We also do it through our industry leading customer service and innovative products and features that travelers want. And in 2025 we're going to do even more.

In supply, more member rates beyond hotels, and more targeted offers. In servicing, more self-service options both in the product flows and in the virtual agent experience. And of course in product, all powered by deep insights and data that enable personalized experiences that travelers trust.

Moving next to our second priority, we'll invest where we see the greatest opportunity to drive growth in each part of our business. In our consumer business this means focusing on our three biggest brands, having clear sharp value propositions for each of them.

For Expedia, for example, that's building on our strength as a one-stop shop and focusing on differentiators like packages while scaling newer products like vacation rentals. Our consumer business is still heavily weighted to the US, and while we made progress in 2024, looking ahead we'll continue to push internationally in a targeted way.

In our loyalty program and marketing, we'll be even more targeted in our spending, for example, looking deeply at where we see the biggest impact from our loyalty earn. And in B2B, it's about sourcing unique supply for our B2B partners, testing new products, and signing new deals and deepening our commercial partnerships.

And finally, our third priority is to continue driving operational efficiencies and expanding our margins.

We were disciplined in our cost management in 2024, and that allowed us to expand profit margins while reinvesting in strategic areas. We believe we still have room to deliver further efficiencies across our variable costs and fixed cost base to expand our margins even farther.

AI is an accelerator for all three of these priorities, and we've only scratched the surface. As we look ahead, we're exploring the many ways AI will unlock even more value in our products. We're already seeing evidence of how AI is driving better experiences across the discovery, shopping, and post-booking journey, which in turn are driving loyalty and growth.

Going forward, we'll continue to test and release AI generated features to further personalize our traveler experience. AI also opens new possibilities to drive traffic to our brands as consumers increasingly search in new GenAI-native experiences, and we're ensuring that we meet them where they are.

As for our B2B business, the AI-native travel start-ups that will inevitably emerge present new partnership opportunities for us.

Finally, we see tremendous opportunity to use AI to allow our teams to move faster and be more productive. It's not just about cost reduction, what's even more exciting is how it will enable our teams to spend more time where they can have the biggest impact.

We're excited about the potential and are seeing early results across customer support, technology, marketing, and our commercial teams, really across all parts of how we operate our business.

So in closing, we're pleased with our fourth-quarter performance and the momentum we've built over 2024. And we believe that in 2025 and beyond, we have a substantial opportunity to drive even greater value for our travelers, partners, and shareholders.

With that, over to you, Scott.

Scott Schenkel - *Expedia Group - Chief Financial Officer*

Thank you, Ariane, and good afternoon, everyone. I'm excited to join Expedia Group, and I look forward to partnering with you and the team to help deliver our priorities.

Let's get started. We wrapped 2024 with a strong fourth quarter, both financially and across many of the operating metrics. Room nights, gross bookings and revenue all grew double digits with EBITDA margins expanding nicely.

Total gross bookings of $24.4 billion grew 13% with a 5 point sequential acceleration in both B2C and B2B with a better-than-expected demand environment and strong operational execution. We had a particularly strong post-Thanksgiving promotional window, where bookings during this period were our highest ever.

Lodging gross bookings grew 12%, which includes our hotel business growing 14%, and continued acceleration at Vrbo.

Outside of our lodging business, we also saw notable strength in our air business driven by higher air prices, growth in multi-item packages, and our new merchandising capabilities. Revenue of $3.2 billion grew 10%, led by our B2B business which grew 21%. Revenue growth accelerated 7 points from the third quarter primarily driven by Vrbo's bookings momentum throughout the year translating into stays, and further improvement in Hotels.com.

Gross margin was nearly 90% for the quarter, up 125 basis points. We are pleased to see our ongoing initiatives continue to deliver transactional efficiencies, particularly in customer service.

Direct sales and marketing expense in the fourth quarter was $1.5 billion, up 13%, leading to flat leverage as a percent of gross bookings. This was over 20 basis points of sequential improvement driven by continued efficiencies at Brand Expedia.

As I noted earlier, Brand Expedia did benefit from the merchandising actions for our air business as they resulted in bookings without any incremental marketing expenses. Overhead expenses were $643 million, a decrease of 1% resulting in nearly 250 basis points of leverage. This was primarily driven by lower people costs and product and technology from our actions in 2024 as well as overall strong expense control.

We remain committed to driving efficiencies across our P&L, and were pleased to see another quarter of strong overhead leverage.

We delivered fourth quarter EBITDA of $643 million, up 21%, with an EBITDA margin of 20.2%, an expansion of 175 basis points. This was better than expected due to both the higher revenue growth and effective expense management.

We delivered $338 million of EBIT with a margin of 10.6%, up 280 basis points. This was 105 basis points greater than EBITDA margin expansion driven by lower stock base comp and ongoing depreciation leverage.

Turning to the full-year results, we posted gross bookings of $111 billion, up 7% and revenue of nearly $14 billion, also up 7%, underpinned by a notable recovery throughout the year in our B2C business, and continued strength in B2B and our advertising business.

While we decided to invest in marketing to accelerate our B2C business we feel that was net beneficial to the business, and we paid for this by being financially disciplined and driving gross margin improvement of 170 basis points and overhead of approximately 140 basis points. As a result, EBITDA margin for the year was 21.4%, an expansion of approximately 60 basis points.

This strong earnings growth enabled us to generate another year of robust free cash flow at $2.3 billion, up 26%, driven primarily by higher EBITDA, growth in deferred merchant bookings and lower capital expenditures.

Moving to our balance sheet. With the strong cash flow, we ended the quarter with $4.5 billion of unrestricted cash and short-term investments. In late January, we notified the holders of our May 25 debt tranche that we will pay those notes in February. We continue to actively manage our balance sheet with the goal of maintaining debt levels consistent with our current investment grade rating.

As a result, and subject to market conditions, we intend to refinance and maintain our target leverage ratio of 2 times. As part of our disciplined capital allocation strategy, we repurchased $1.6 billion, or, 12.1 million shares in 2024. This, combined with the shares we have repurchased since we reinstated the program a little over two years ago, has resulted in over $4 billion, or 36 million shares repurchased.

So in summary, a solid year, with a strong Q4 finish. Moving to our first-quarter guidance. We expect our first quarter gross bookings growth to be in the 4% to 6% range and revenue growth to be 3% to 5%. This reflects approximately two points of foreign exchange headwind at current rates, and the impact from lapping Leap Year, and in revenue, the Easter shift to April.

In Q1, we expect EBITDA margins to be flat to slightly better year-over-year. As a reminder, the first quarter is our lowest EBITDA quarter, causing margins to be highly sensitive.

Moving to the full-year guide, we expect our 2025 gross bookings and revenue growth in the 4% to 6% range, which is roughly in line with 2024, factoring in the two points of negative FX impact. On the bottom line, we will continue to optimize our cost structure to deliver efficiencies. And as a result, we expect to deliver another record year of EBITDA, with margin expansion of 50 basis points year-over-year.

With strong performance on EBITDA and cash flow, we will continue to buy back our stock opportunistically with approximately $3.2 billion remaining on our share repurchase authorization.

Additionally, today we announced that we are reinstating our quarterly dividend starting in March of 2025 with a dividend of $0.40 per share which is approximately a 1% annual dividend yield.

So in closing, we remain focused on delivering long-term profitable growth while being disciplined capital allocators.

I'm confident that with our strategies for growth and strong ongoing execution, we will continue to deliver shareholder returns in 2025 and beyond.

Let me now open the call for questions.

QUESTIONS AND ANSWERS

Operator

Thank you. (Operator Instructions) Mark Mahaney, Evercore ISI.

Mark Mahaney - *Evercore ISI - Analyst*

Thanks. I just wanted to ask about Vrbo and Hotels.com, the recovery that you've seen, the improvement recovery for HCom and the ongoing improvement for Vrbo. Just just talk about the sustainability of those into next year, what were the initiatives that you think really started turning those businesses around? So help us to have confidence that that's going to continue into '25. Thank you very much.

Ariane Gorin - *Expedia Group - Chief Executive Officer*

Okay, thanks, Mark. Let me start with Vrbo. We did a lot of work in 2024 on product, supply and marketing, and all three of those drove the acceleration through the year. And I do want to take a minute to thank the teams for that because it was a big task to do it.

We are cognizant of the fact though that Vrbo with Hotels.com was meaningfully disrupted during the re-platforming, and we lost travelers that were still winning back. On products, we put back some features that we had lost. Vrbo also benefited from some of the platform capabilities like dateless search or property comparison. But we recognize that we still have more work to do, whether it's on product or supply, in particular, and we've got some exciting plans coming in 2025 around both of those. So I would just say, especially on product and supply, we know there's more work ahead. We're going to continue leaning in where we see the best returns and pulling back where the returns aren't as strong.

When it comes to Hotels.com, that one was also -- that brand was also pretty meaningfully impacted with not only the tech migration, but also the change in the loyalty program and pulling back in international. As I said, we have come back to modest growth at the end of the year. And the team has some big plans around really reinvigorating that brand that we'll see come to life in 2025. So I would say all up, we've got conviction in these two brands. We know there's still a bunch more work to do, but we feel good about where we are right now.

Operator

Justin Post, Bank of America.

Justin Post - *Bank of America - Analyst*

Looks like Q1 guidance has some detail in bookings. Could you talk about -- I know there's been some weather issues maybe and other issues. Any headwinds early Q1 that you're thinking about? And then just longer term on margins, 50 bps, nice improvement year-over-year. But where you are versus peers, it looks like there's a lot of room there. How are you thinking about longer term and what you can do with margins versus your peers?

Scott Schenkel - *Expedia Group - Chief Financial Officer*

Let me start with the Q1 guide. First off, as I said in my script, the bookings growth is 4% to 6%, factoring in 2 points of FX headwind and about 1 point lapping leap year. So if you look at that, that's roughly 7% to 9% excluding those two realities. When -- nothing appears to be structurally different in the travel environment, to your question. We have seen some softening relative to Q4, which was strong, as we pointed out, and our latest guide reflects that.

And in light of strong -- some strong holiday promotions in December, we also believe there may be some -- there might have been some pull-ins of some of the January bookings. So we think all of that kind of brings us to the 4% to 6%, and we feel pretty good about that.

But pivot to revenue growth, just to kind of close out the point, I'm sure our guide of 3% to 5% reflects some added pressure from lapping last year, in particular, the Easter timing shift. So you take 3% to 5% plus 2 points of foreign exchange, plus 1 point from leap year and roughly 1 point from Easter, we're at a kind of rate very equivalent to last year is the way we think about it. Maybe I'll take a shot at margins.

Look, I think, 0.5 point of margin in 2024 and 0.5 point of margin in '25, nice 1 point is a good start. And I think we're doing it in a way that balances growth, make sure that we handle what we need to with marketing and make sure that we keep the traffic and demand up, and we balance the forward-looking needs for overhead and make sure we reduce that. And I think you've seen both in 2024 and '25 overhead come down and realized some nice leverage in the cost structure.

Ariane, I don't know if you can add anything else.

Operator

Deepak Mathivanan, Cantor Fitzgerald.

Deepak Mathivanan - *Cantor Fitzegerald - Analyst*

Ariane, I just wanted to dig a little bit deeper into the B2B side. What's driving the strength in APAC? Can you also talk about kind of like the road map of new partnerships? And what would be the primary growth drivers as we think about 2025 for the B2B business? And then, Scott, great to hear from you again.

Maybe I'll just ask you to expand a little bit on the margin comment. Last year, you guys had cost-saving efforts that helped with margin expansion. This year, you should still see fixed cost leverage. But what is the high-level strategy beyond achieving fixed cost leverage, maybe also in terms of how you're thinking about marketing investments and so on? Any color you can add about different line items that should help with the leverage would be super helpful.

Ariane Gorin - *Expedia Group - Chief Executive Officer*

Yeah. Thanks, Deepak. So on B2B, the couple of things that are driving the strength in APAC is, one, the partnerships that we have there. We're adding new partnerships. We have some deep, long-standing partnerships and the fact that the markets there are growing well. So the partners that we're working with are growing in line or faster than the market, and we're able to win share with them.

So typically, what we do is you'll sign a partner, you'll have -- you'll get some of their business. And then over time, as you deepen the relationship as we put in place sort of new strategies with them, we're able to win share. So that's really what's going on in APAC. And then in terms of B2B for this year, as I said, it's really a formula of what can we do with our existing partners as they are growing.

What new inventory can we put in with them? Where can we have our inventory surface more? It's also signing new partners and testing -- we're going to be testing some new products in market. I also want to make sure everyone understands the importance of supply.

The quality of our supply is so critical in growing that B2B business. And we've, over the last couple of years, done a lot of work in being able to get some supply that is particularly relevant to some of our B2B partners.

Just on the margins, maybe I can pick it up for Scott as well is, -- but we're not going to break out the different pieces. But clearly, we see opportunities in a number of places. We just want to make sure that we maintain the ability to invest in the areas that we see good long-term growth.

During 2024, we talked a number of times about how we were leaning into international markets. We were leaning into Vrbo, maybe in ways where it wasn't as good a short-term return as we might get elsewhere. But we believe we need to have that ability to balance sort of investment for the long term and also remain committed and disciplined in our margin expansion.

Operator

Naved Khan, B. Riley Securities.

Naved Khan - *B. Riley Securities - Analyst*

So I remember you guys added some inventory to Vrbo. I think it was apartment type of inventory or roughly 1 million properties. Wondering if you have any any color to provide in terms of how that inventory performing relative to expectations. And as you think about 2025, is that the type of inventory we'll try to kind of add to Vrbo or it would be more of a whole homes? And the second question I have is really just around the advertising revenue. So this 25% growth really is strong and wondering how sustainable that is into '25.

Ariane Gorin - *Expedia Group - Chief Executive Officer*

Okay. Thanks for the question. On the Vrbo inventory, as you said, we added 1 million properties. These were a lot in urban areas. There are always properties that aren't shared spaces that have no host. There were a number of apartments. And I'm not going to say specifically how they're doing other than to say that did contribute to Vrbo's recovery.

As we look to supply in '25, it's not only about adding new supply but also how do we make sure that the supply that we have has flexibility, has great cancel policies, has maybe longer -- different promotions and the like. So when we think quality of supply, it's not only in the number of properties, but it's also in rate types and flexibility.

In terms of ad revenue, you're right that the last multiple quarters, we've been growing that very quickly. We still see a lot of road ahead, whether it's getting more advertisers into our products, into our auctions, because we work with tens of thousands of hotels and other partners around the world, whether it's innovation in the products themselves so that the advertisers are getting better returns and we're able to monetize or new ad types in our brands. So the team has quite a road map ahead, and they're very focused on driving more value to our partners and also doing it in a way that's positive for our travelers.

Operator

Trevor Young, Barclays.

Trevor Young - *Barclays - Analyst*

Ariane, in the prepared remarks, I think you mentioned potentially partnering in AI. Can you expand on that? And do you view using some of those applications as a potential customer acquisition channel for Expedia and whether you'd be a supply partner for them? And then relatedly, does that shape how you think about some of the investments in Romie AI and other AI capabilities in-house? And then second question with Despegar getting -- or potentially getting acquired, any thoughts on how that changes your outlook for LatAm and your partnership there?

Ariane Gorin - *Expedia Group - Chief Executive Officer*

Yeah. Thank you for the question. I would say in AI, I would really think about it sort of in three buckets. The first bucket is how are we using AI to make our products better, whether it's for travelers or for partners. And we've been doing it for a couple of years. There's obviously a lot more to go. But we need to make sure that when travelers come into our brands, well, A, they want to start there with their search and they're getting a delightful experience that makes them want to come back. Same thing with our partners, whether it's through onboarding or things we're doing in advertising, how do we use all of the great developments in AI in our product?

The second is looking at changing traveler behaviors. As I remarked, travelers are going to start to search in different ways. And so we need to make sure that our brands are showing up in those new places where people are using GenAI-native search. And fortunately, we've got a very tech-sophisticated marketing team that's making sure that we do show up there. And then there's a question of if there are these native AI travel start-ups, could we go partner with them and can we go power them.

And that's why, to me, if I think about all three of those, we see opportunities across the board, and we want to make sure that we're really on the front foot. And of course, in all of that, I'm not even talking about how are we using AI for our internal uses.

In terms of Latin America and Despegar, I would say it doesn't change our perspective on LatAm. Despegar is a great partner for us. We have our own brands in LatAm, and we have a number of partnerships there as well.

Operator

Conor Cunningham, Melius Research.

Conor Cunningham - *Melius Research - Analyst*

Hi everyone, thank you. I think you saw some nice leverage on the marketing side. Could you just talk about the tactical changes that you're making there and just if that's aiding in just like underlying growth within the international markets and whatnot. And then I think you mentioned in the prepared remarks, just merchandizing and better cross-selling of product, can you talk about that a little bit more? How has bundling been and what's your expectation for that in the '25 in general? Thank you.

Ariane Gorin - *Expedia Group - Chief Executive Officer*

Yeah, thanks for the question. Just on marketing, we've talked over the last a year and a half about how we've been looking at marketing, loyalty, and our sort of promotional spend. We look at all three of those together to say where are we getting the best returns and which of those works the best in which place. And the teams are getting more sophisticated on understanding that, understanding those returns both by brand and by geo.

So I would say it's not really a tactical change. I mean, it's just -- it's continuing down that path of better understanding returns and being able to act decisively when we see things, and you can expect more of that in the year to come.

Some of the international growth also came from work we've done in packages. I've talked about sort of, work on the package product also on promotions, and some countries tend to be more package heavy countries than others, so that's helped us in the growth.

We do see that when travelers buy multiple items from us, they're more likely to repeat. And so, we know that we give travelers a great deal when they buy a package from us or when they, buy one thing and then add something else on. So they're getting a good deal and we know that it drives repeat for us. So that, I would say has been in the Expedia brand's DNA since the beginning and it's something we continue to lean into.

Operator

Jed Kelly, Oppenheimer.

Jed Kelly - *Oppenheimer - Analyst*

Hey, great, thanks for taking my questions. Two, if I may, just looking at your full year guidance for '25, one would assume it implies some type of deceleration in your B2B segment. So can you just give us an update, how we should think about B2B in '25? And then I was a little surprised you're saying your margins are going to be flat in 1Q. I figured you were comping last year where you pulled back on some verbal advertising in 1Q. So can you just give us an update on how you're viewing your advertising around Vrbo? Thank you.

Scott Schenkel - *Expedia Group - Chief Financial Officer*

Sure, why don't I take that and then you weigh in. The -- first off, like we talked about, effects of the headwind for the year as well. So if you index off the revenue growth, I'll start there of 3% to 5%, you got 2 points of headwind from the foreign exchange. Got a little for Q1, and you have a little bit of an Easter shift as well from the comping of Easter in really getting pushed out to the second quarter.

So that pressures revenue as well. So you're really looking at a range, factoring in those three items of 7% to 9%, roughly to spell it out. So, yes, the deceleration, but some of that we're factoring in is really driven by some of the dynamics that we talked about with regards to seeing what we've seen in the first few weeks in January. So without rehashing that, we factored that into the guide.

Ariane Gorin - *Expedia Group - Chief Executive Officer*

And I was just going to add on the Vrbo question it was really in Q4 '23 that we pulled back significantly in the advertising on Vrbo because that was the time that we were going through the migration, so that just --

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Scott Schenkel - *Expedia Group - Chief Financial Officer*

And margin wise, we're roughly flat. I think, it's leaving enough room for us to make sure that we can redeploy marketing as we talked about very much in line with what Ariane just said a minute ago, as well as continue to get the leverage out of overhead and some of the other cost buckets, but, leaving room for the for the investment as we see fit to drive growth.

Operator

Lee Horowitz, Deutsche Bank.

Lee Horowitz - *Deutsche Bank - Analyst*

Great, thanks so much for taking the time. Maybe on margin -- appreciate you guys won't break out the pieces of the margin guide. In the past we've obviously talked a lot about marketing leverage. Can you maybe help us understand if you expect to get marketing leverage in '25? Is that an input to that 50 bps of margin, or are there other sort of, areas of fixed and variable cost efficiency that can drive this kind of margin?

Scott Schenkel - *Expedia Group - Chief Financial Officer*

I think to reflect that roughly half a point, we're not going to have margin expansion for the year, we're not going to get into the different line items. We'll explain them as we go through the year, but I appreciate the question. I understand why you're looking for that.

Lee Horowitz - *Deutsche Bank - Analyst*

Okay, no worries. And then maybe just on Vrbo, any comments, obviously pointing towards a little bit of a slowdown in the 1Q relative to a strong 4Q. Any comments on Vrbo quarter to day trends and maybe just like your outlook for where Vrbo can grow sort of longer term, particularly relative to a market that -- is maybe growing low to mid-single digits. Do you think you guys can outpace the market for quite some time, and what do you see as the key differentiators to do that?

Ariane Gorin - *Expedia Group - Chief Executive Officer*

So we're not going to give sort of directional guidance on one of the brands, but what I can say is, we believe that Vrbo has a differentiated value proposition of being a vacation rental pure play where there's no host and it's whole homes. Again, we recognize that, there, it hasn't had some of the investments or some of the investments whether it's in product supply and the like until last year, and we believe that there's a lot of growth that we can get from it.

At the same time, I would argue we're still testing what are the things that work the best, whether it's around marketing spend, the loyalty program, we've learned a lot in the last year, in particular regarding the loyalty program of what are the returns from various things.

So I think you will find in the year to come that we'll continue to be investing in the brand, as I said, across marketing supply and product. And that we'll make decisions based on what we need to do in order to grow it, but we completely have conviction.

Operator

Kevin Kopelman, TD Securities.

Kevin Kopelman - *TD Securities - Analyst*

Great, thanks a lot, and Scott, congrats on the start. Yeah, I just want to ask you about capital returns philosophy, if you can give us any more color on, first, I guess how you're thinking about share repurchases and your philosophy there and then with the reinstitution of the dividend, how you're thinking about the size of that dividend over time and where it falls with your capital returns. Thanks.

Scott Schenkel - *Expedia Group - Chief Financial Officer*

Yeah, absolutely. Let me just start with the basics around capital allocation. So we talked about in the script about repaying some of the debt, and we plan to refinance that if market conditions are favorable. So we'll remain committed to the target leverage ratio of 2 times.

Buybacks specific to those, we remain a cap -- it remains a capital allocation priority for us. In '24 alone, as I covered, we bought back 12 million shares for a $1.6 billion, and while the pace of these buybacks can vary quarter to quarter, with over $3 billion remaining in our current repurchase authorization, we'll continue to be opportunistic how we buy those shares back. You can expect us to be in the market doing that.

Specific to dividends, what I'd say is let's start with $0.40 and let's see how things progress from there. Obviously, part of this is making sure that we have a dividend for income investors that want to be invested in our stock and have thresholds. So it's really important that we do that.

And it was important for us as a company as we think about having to have turned off the dividend during the -- during COVID. That to bring it back is important for our shareholders and our overall capital allocation methodology and thought process.

And then I think it's also important, we have room in our capital structure to invest in the business, including M&A, if the opportunities present themselves. So it's important to keep that flexibility. But I think with a really strong stock buyback with the allocation that we have, a strong dividend coming out of the gate at 1%, we feel pretty good about where we're going to go and what we're doing.

Kevin Kopelman - *TD Securities - Analyst*

I think that's really helpful and just maybe a follow up on your comment there with kind of the core consumer brands doing better. Does that change the way that Expedia is thinking about larger acquisitions and whether it would be a time to add another brand into the fold?

Scott Schenkel - *Expedia Group - Chief Financial Officer*

Look, I think -- look, I'm coming in new here, but I think any time a company is at our scale and our technology base, we should be in the market and looking at M&A and I think they've been and will continue to be. I don't know, Ariane, if you have any other --?

Ariane Gorin - *Expedia Group - Chief Executive Officer*

I mean like you said it, well, obviously we have a team that's looking at deals. Right now, we're continue to be focused on running the brands that we have, growing the B2B business, the advertising business, and continuing to have strong returns.

Operator

Doug Anmuth, JP Morgan.

Dae Lee - *JPMorgan - Analyst*

This is Dae on for Doug. Thanks for taking the questions. I have two. First one, could you share your views on the overall travel demand in 4Q and to the 2025 travel season and if there were any particular regions in 4Q or you might have been taking share, and any impact from the appreciation in the US dollars. And then secondly, we're curious if you have any updated thoughts on your loyalty strategy in 2025, particularly in markets outside of the US and the UK.

Ariane Gorin - *Expedia Group - Chief Executive Officer*

Sorry, can you repeat that last? I didn't hear the last bit.

Dae Lee - *JPMorgan - Analyst*

So we're curious about your -- if you have any updated thoughts on your loyalty strategy in 2025, particularly in the markets outside of the US and the UK.

Ariane Gorin - *Expedia Group - Chief Executive Officer*

Okay, yeah, thank you. So just in terms of the travel environment, as we said, the travel environment was very healthy in the fourth quarter, and while we've seen some softening in January relative to Q4, as I said, some of it we think pull forwards from the strong Thanksgiving promotions. There was FX pressure, there's some moderation in prices, but we don't think anything has structurally changed and that the environment is healthy.

In terms of regions, where we're taking share -- I shared in my prepared remarks that our room night growth was higher in international markets than in the US, and we believe that in a number of those markets we are taking share.

In terms of the impact from the stronger dollar, obviously Scott's shared the impact of that on our guidance, but what it also means is that over time a stronger dollar makes it more attractive for Americans traveling abroad. And whenever there are opportunities around that, our teams are always looking at how can we help travelers understand when there are good deals for them.

In terms of our loyalty strategy in '25 outside of the US and the UK, as you all may know, we paused the rollout of One Key after the UK. And so what our teams are now working on is taking the learnings that we've had from One Key where we know that it's been a net positive for Expedia.

It's been a drag on bookings for Hotels.com, and for Vrbo, it's driven new travelers from cross sell, from people who have earned on Expedia and Hotels.com, then redeeming on Vrbo.

But we're still assessing the impact of the always on earn on Vrbo, so we're going to take all of those learnings and then look by brand and by geography what we need to do in loyalty, and we'll share more in the year to come.

Operator

Thank you. At this time, we'll take no further questions. So I'll hand back to CEO, Ariane Gorin, for any further remarks.

Ariane Gorin - *Expedia Group - Chief Executive Officer*

So thank you all for joining us today and we appreciate the questions. We closed the year with a strong fourth quarter and solid full-year results.

Looking ahead, we're focused on our three priorities of delivering more value for travelers, investing where we see the greatest opportunities to drive growth, and expanding our margins.

And I'd like to close by thanking our team for their work and dedication on behalf of travelers and partners all around the world. Thank you.

Operator

Thank you all for joining today's call. You may now disconnect your lines.
