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EXPE.OQ - Q1 2025 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 Q1 2025 financial results teleconference. My name is Alex. 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, to begin. Please go ahead.

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

Good afternoon, and welcome to Expedia Group's first quarter 2025 earnings call. I'm pleased to be joined on today's call by our CEO, Ariane Gorin, and our 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.

Starting this quarter, we will also be webcasting an earnings deck while going through prepared remarks. A copy of this deck will be posted online after the call. Our earnings release, earnings deck, 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 Inc - Chief Executive Officer*

Thank you, Harshit, and thank you all for joining us today. In the first quarter, we posted bookings and revenue within our guidance range, growing 4% and 3% respectively. This was at the lower end of our range due to weaker-than-expected travel demand in the US and into the US. We beat on bottom-line with 16% EBITDA growth, and 90% growth in earnings per share. We delivered these results through solid execution and disciplined cost management, while continuing to make progress on our strategic priorities.

Booked room nights grew 6%, with low single digits in the US, mid-single digits in Europe, and mid-teens in the rest of the world. US demand was soft, driven by declining consumer sentiment, and we saw pressure on key inbound US corridors.

While in the last year, we've made strides in growing our consumer business outside the US, our high US mix resulted in 1% bookings growth for our consumer business. In contrast, our B2B business, which has a heavy international presence, posted 14% bookings growth, another strong quarter of above industry performance. Similarly, our advertising business delivered a robust 20% revenue growth.

Within consumer, Expedia continued to be our fastest growing brand, with room nights up 7%. Vrbo grew modestly for the third consecutive quarter, and Hotels.com slipped back into negative territory due to softer US demand and foreign exchange headwinds.

We remain focused on what's in our control, improving every day on the basics of our business and executing against our three strategic priorities. First, deliver more value for travelers. Second, invest where we see the greatest opportunity for growth. And third, drive operating efficiencies and expand margins. As I'll discuss, AI is amplifying our efforts across all three of these.

Let me start with how we're delivering more value to travelers through our supply and products. In February, we became the first online travel agency to list Southwest Airlines inventory. The early results have been great and exceeded both our and Southwest's expectations. One third of travelers booking Southwest tickets on Expedia are new customers to us, and our hotel partners are benefiting from this new demand, offering package rates and deals to bundle with Southwest.

This is a great example of our supply flywheel. When we add new supply and flights, we bring on better supply and hotel, both of which create more traveler value and translate into new customers. Similarly, in Europe, we launched Ryanair across most points of sale. We've seen strong traction so far, and around 75% of travelers booking Ryanair on Expedia are new to us.

In addition, we continue to enhance our lodging supply, adding more member rates, more deals and more flexible rates. Our March sale produced nearly twice as many bookings as last year, with a record number of hotels participating, driving value for both travelers and our supply partners.

On product, we've shipped new features to help travelers identify great deals amid our broad inventory, like Flight Deals on Brand Expedia and Property Price Insights on Vrbo. We continue to inject AI into our product experiences, like AI-powered property Q&A, filters and property highlights to make shopping and booking easier.

We're also leveraging AI beyond our own products. We're partnering with AI search companies to ensure our brands show up well across customer queries and building new experiences to connect with travelers outside our ecosystem. We're live with OpenAI's Operator and we're a launch partner with Microsoft's Co-Pilot actions. And today, we're launching Expedia Trip Matching and Early Access on Instagram, allowing travelers to seamlessly build an itinerary based on an Instagram reel and then book directly on Expedia. These innovative features, supported by our rich first party data and coupled with our full marketplace, bring travelers back to our brands.

Now moving to the second pillar of our strategy, investing where we see the greatest opportunity to drive growth. Our B2B business continues to grow by double digits, driven by our supply, technology, commercial incentives and new partnerships. We're adding new B2B-specific hotel supply, and optimizing how our B2B partners ingest and sell it. This is another powerful flywheel. We're also expanding product features and points of sale, exploring partnerships with AI-native companies, and selectively investing in commercial incentives to profitably drive volume and share. Finally, B2B is a geographically diverse business, so as we grow, we're diversifying our overall geographic mix.

On advertising, we grew revenue 20% by adding more partners, optimizing our existing products and shipping new products. We signed a record number of $1 million plus deals for our display offerings and grew active hotel partners and sponsored listings by 22%, to our highest level ever.

Last quarter, we launched video ads and are seeing 2 times increase in click-through rates, and we're making it easier for advertisers to manage their spend with us through AI-driven bid optimization and automation. We see a lot more opportunity ahead as we continue to innovate in advertising and B2B.

Turning to our consumer business. While our overall growth isn't in line with our ambitions, we are seeing good performance in our areas of focus. Brand Expedia is scaling multi-item trips and driving more attach, and in Q1, we saw record high attach rates for insurance. On Vrbo, our work over the last few quarters to improve our offering for shorter stays is paying off. Nearly a third of Vrbo growth came from the multi-unit inventory we added last year.

Finally, our plan to reinject Hotels.com with a refreshed value proposition is on track. In late April, we launched a new visual identity and new product capabilities like hotel price insights and alerts. We look forward to sharing even more later this year.

Now moving to the third pillar of our strategy, driving operational efficiencies and expanding margins. In Q1, we delivered over one point of EBITDA margin expansion. We're taking a surgical approach, looking at areas where we can simplify our organization and improve our effectiveness. We've eliminated roles and removed layers, and we're seeing good results from deploying Generative AI to streamline our operations across technology, commercial and marketing teams.

We're also looking at every dollar of spend, including in our loyalty program. Active loyalty members grew mid-single digits and we continue to see the fastest growth from our Silver, Gold and Platinum members. At the same time, we're tuning the loyalty program by brand and by geography. Last month, we removed the always-on earn for our Blue tier loyalty members on Vrbo.

While we see healthy returns from our discretionary loyalty spending, the base earned for Blue members didn't drive sufficient repeat to justify the cost and resulting pressure on Vrbo's revenue. As we closely evaluate spend, our highly variable cost structure enables us to proactively adapt to market demand, and we'll be opportunistic about investing where we see attractive returns.

In closing, while none of us can predict with certainty how the economy will evolve, we do know that people will always want to travel. I'm confident that we're well-positioned to continue delivering for our travelers, partners and shareholders regardless of the demand environment.

Now, Scott, over to you.

Scott Schenkel - *Expedia Group Inc - Chief Financial Officer*

Thank you, Ariane, and good afternoon, everyone. I'm excited about the progress Ariane highlighted on our three strategic pillars, and there is more that we'll share next week at EXPLORE, our partner conference.

As Ariane indicated, we posted top line results within our guidance range with booked room nights up 6%, gross bookings up 4% and revenue up 3%. Our B2B and advertising businesses had another strong quarter of growth with B2B bookings up 14% and advertising revenue up 20%. B2C was more pressured given its US heavy mix and saw bookings up 1%. Finally, we delivered on the bottom line ahead of our guidance with strong EBITDA margin expansion of over a point and non-GAAP EPS up 90%.

Now on to the details. Booked room nights grew 6% to 108 million. This was primarily driven by B2B which grew 20% with strong international performance, particularly in APAC which grew 30%. Brand Expedia also posted healthy growth of 7%. Average daily rates were $214, down 1%, although up 1% on an FX neutral basis. Another one quarter of air ticket prices growing in Q4 of last year declined in Q1.

Total gross bookings of $31.5 billion were up 4%. In February, when we discussed guidance, we called out two points of headwinds in Q1 gross bookings due to foreign exchange and 1 point due to leap year. FX came in roughly one point better than anticipated as the US dollar strength softened in the back half of the quarter. However, we saw a couple of points of headwind from the macro environment which more than offset the FX benefit.

In particular, demand in the US was softer than expected, which was a headwind given two-thirds of our business comes from the US point of sale. We also noticed softness in demand for inbound travel into the US which was down 7%. As part of that, inbound bookings from Canada fell nearly 30%.

Revenue of $3 billion grew 3%. We had 1 point of headwind to Q1 revenue growth from the Easter timing shift to Q2. In addition, we had a 3 point headwind from foreign exchange, roughly 1 point worse than expected. The foreign exchange impacted Q1 revenue differently to gross bookings, as revenue is driven by gross bookings from prior quarters that were more materially impacted by the strong dollar, as well as those in the current quarter.

In terms of performance by product, lodging bookings of $23 billion grew 5% while lodging revenue of $2.3 billion grew 3%. Non-lodging bookings of $8.4 billion grew 2% while our advertising revenue of $174 million grew 20%. The advertising business continues to be a powerful growth engine with strong growth prospects ahead as we launch new ad solutions and increase adoption.

Moving on to our segment's top line performance. B2C gross bookings of $22.6 billion grew 1%. The deceleration from Q4 was driven by the pull in of demand into Q4, foreign exchange and the leap year impact, all of which were anticipated. However, the previously mentioned US market softness was pressure on the quarter.

Brand Expedia remained our strongest growing consumer brand. Hotels was under some pressure in the quarter in part due to higher FX exposure given its international mix. Vrbo bookings remained positive for the quarter and grew in line with the market in the US. B2C revenue declined 2% driven by the Easter shift to Q2 and FX pressure. B2C EBITDA margins were 11.1%, roughly in line with last year.

B2B gross bookings of $8.8 billion grew 14%, materially above the market, although decelerating sequentially. We had anticipated deceleration given the strength of Q4, leap year in foreign exchange, but there was some additional pressure from the macro-related headwinds. B2B revenue grew 14%, in line with bookings. B2B EBITDA margins were 22% -- 22.8% up over 200 basis points, mainly driven by volume growth. Our B2B segment continues to benefit from our strong product differentiation, solid execution and stronger international exposure, particularly in APAC as I mentioned earlier.

Moving on to profitability. We delivered first quarter adjusted EBITDA of $296 million with an adjusted EBITDA margin of 9.9%, expanding by more than 1 point driven by B2B. We also delivered $0.40 of EPS up 90% versus the prior year, largely driven by B2B and advertising growth and share repurchases.

Moving on to our cost structure. Cost of revenue was $354 million, which was flat year-over-year, reflecting ongoing efficiencies, particularly in customer service and leveraging 44 basis points as a percentage of revenue year-over-year.

Direct sales and marketing expense in the first quarter was $1.8 billion, up 6% and slightly deleveraging as a percentage of gross bookings, driven by the growing B2B mix. As a reminder, commissions paid to our B2B partners are included in the direct sales and marketing expenses for B2B. For B2C, the business was nearly flat on marketing leverage as we continue to invest towards international expansion and growing Hotels.com and Vrbo.

Overhead expenses were $604 million, a 1% decrease, resulting in approximately 90 basis points of leverage, benefiting partly from the restructuring actions we took late last year and earlier this year. Our more recent restructuring this quarter to further simplify our organization, will drive more overhead savings for the rest of the year and be a key factor in our margin expansion goals for the year. Overall, in a more cautious consumer environment, our disciplined cost control supported profitable growth.

Moving to our balance sheet. We ended the quarter with $6.1 billion of unrestricted cash and short-term investments. In February, we successfully closed on a $1 billion debt refinancing, maintaining our total debt of $6.3 billion and a leverage ratio of 2.1 times. And we remain committed to maintaining debt levels consistent with our investment grade rating.

One aspect of our capital allocation strategy is to return some of our strong free cash flow to shareholders by repurchasing stock and issuing dividends. With that in mind, we reinitiated and continued our quarterly dividend of $0.40 per share and accelerated our repurchases versus the prior quarter, buying back $330 million, or 1.7 million shares, in the first quarter. Going forward, we expect to offset dilution and opportunistically repurchase additional shares, which in total should be roughly in line with levels we repurchased over the last couple of years.

Turning to our outlook. Given our performance to date in the continued macroeconomic uncertainty in the US and into the US, we expect our second quarter to deliver gross bookings growth of 2% to 4% and revenue growth of 3% to 5% with approximately 75 basis points to 100 basis points of EBITDA margin expansion.

Our gross bookings guidance does not assume a material impact from foreign exchange. Our Q2 revenue guidance reflects the benefit of Easter, providing a 1 point tailwind to revenue growth and an estimated 2 points of foreign exchange headwinds at current rates given the dynamic explained earlier with regards to timing of GBV translating to revenue.

As we consider the same factors for the full year, we are revising our guidance for gross bookings and revenue. Our updated guidance is 2% to 4%. We expect foreign exchange to drive a 1 point headwind to revenue at current rates, with no material impact from book from FX to bookings. At the same time, we continue to focus on profitable growth and are raising our bottom-line guide to roughly 75 basis points to 100 basis points of EBITDA margin expansion for the year, up from 50 basis points that we mentioned on the last call. The actions I discussed earlier will aid in driving this.

In summary, we remain focused on driving long-term profitable growth while maintaining disciplined capital allocation. Our execution and strategic initiatives position us well to navigate the evolving environment and continue delivering shareholder value.

Let me now open the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Anthony Post, Bank of America.

Justin Post - *Bank of America - Analyst*

Great. Thank you. Thanks for taking my question. It's Justin. A couple questions. Just on the marketing spend. Obviously, you're beating EBITDA. Are you kind of at your ROI frontier and could you have spent more to drive higher bookings? And then, second, Ariane, could you talk about the Hotels.com turnaround? Are you feeling more optimistic that you're making positive change there? Thank you.

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

Why don't I start with the first one and then I'll hand it over to Scott for the second one. On Hotels.com, look, I feel optimistic. I mean, I've always believed that this is a brand that travelers love. This is a brand that was heavily impacted from the period a couple years ago when we did a migration, and we changed the loyalty program, and we've got a great leader in there. As I said, we relaunched the brand a couple weeks ago with a new visual identity, a new mascot. There's actually been some nice positive -- I'd say positive momentum behind that the last couple weeks and we have some good things coming in the back half of the year.

So it's a brand that people love. We need to be targeted at which countries are we growing it in. Where are we growing it in. And I feel good about where we are.

Scott Schenkel - *Expedia Group Inc - Chief Financial Officer*

Yeah. On the sales and marketing costs, we spent about a $1.8 billion in Q1. As I mentioned in my prepared remarks, this slightly deleveraged by about 11 basis points. By BU, this was flat in B2C approximately 4 points of deleverage while the rest of it was mixed impact from B2B growing faster.

As far as for the full year trend, we'll maintain our focus on profitable growth, investing in marketing where profitable growth opportunities exist or reducing costs where they do not, where we think about it for the rest of the year.

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

And Justin, let me just come back to the end of my answer. Am I happy that Hotels.com was not in growth in Q1? No. Do I feel good about the plan that the team has in place going forward? Yes.

Justin Post - *Bank of America - Analyst*

Great. Thank you.

Operator

Deepak Mathivanan, Cantor Fitzgerald.

Deepak Mathivanan - *Cantor Fitzgerald - Analyst*

Great. One for Ariane and one for Scott. Ariane, can you discuss Expedia's opportunity to kind of manage maybe macro headwinds if it gets worse? How do you think about the sensitivity that the B2B business has compared to B2C? And then, on the B2C side, are there things in your control that you can help hotels with perhaps by doing more bundling or pricing adjustments that you can maybe help manage demand?

And then maybe, Scott, on the margins guidance for the full year being revised up, how much of this is already from the efforts that you have done compared to more things that you can do over the next few quarters, it gives you confidence about the margin guidance for the year. Thank you so much.

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

Thanks. So let me take the first one on how our business is set up if macro headwinds get worse. As you said, we've got a very strong B2B business which is quite diverse geographically. It's diverse not only geographically but also by segment. So it's exposed to corporate travel, to leisure travel, to travel bundled with airlines. Really, we sort of run the gamut of partners. It's a profitable business. We tune the levers really well in that. So look, obviously nobody can predict what's going to happen, but that's a really well diversified business.

And then on your question about what can we do to help our hotel partners? By the way, it's our hotel partners, it's also our car rental partners and the like. The beauty of working with Expedia Group is that supply partners will get access to demand in consumer and in B2B. And we have a lot of ways for them to do that, whether it's through member rates, whether it's mobile rates, targeted rate, geo targeted rates.

Packaging is a big strength of ours. And what we often see is that hotels really like to participate in the package pack because it tends to be longer length of stay, longer booking windows, lower cancellations. And many of those are opaque. So they don't impact one of the hotelier's public revenue management strategy. So we've got a lot of data. Our teams are working with supply partners every day to help them fill their rooms and fill their airplane seats.

Now, I'll turn it over to Scott for the second part.

Scott Schenkel - *Expedia Group Inc - Chief Financial Officer*

Yeah. I think the way we think about the 1 point, the 75 basis points to 100 basis points of margin expansion, the employment actions that we took over the last really four or five months helps achieve that. We have more work to do as it relates to working on discretionary costs, balancing marketing for the rest of the year. And that's what gives us confidence that we can deliver the 75 basis points to 100 basis points.

Deepak Mathivanan - *Cantor Fitzgerald - Analyst*

Great. Thanks, Scott. Thanks, Ariane.

Operator

Naved Khan, B. Riley Securities.

Naved Khan - *B Riley Securities - Analyst*

Great. Thank you very much. Curious if you can share any color on the -- in terms of monthly trends, if April and week to date into May kind of stable or are you continuing to see consumer weakening? And when you talk about sort of consumer softness, what exactly is that? Is that booking window changes? Is that length of stay or the consumer trading down, any kind of color or commentary there would be great. And then, the second question I have is around the social opportunity. You mentioned Instagram videos as an opportunity. How should we think about the ROIs on the channel and how large it can get for you? Thank you.

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

Let me take that one first and then Scott and I will take the second one together. Social as a channel is -- it's an important channel for us. We know that people are going more and more to social to get travel inspiration. And it's been multiple quarters that we've been working to make sure our brands are showing up well and that we're getting good returns on the marketing spend there.

What I announced today is actually, I mean, it's a great trip planning feature because what we realized is that people were watching reels and then they wanted to share them or they wanted to figure out how to build an itinerary from it. So because of the relationship we had with the partner we were working with Instagram in this case, we were able to create a product that came from an insight of customers wanting to share. And then in one click, we'll give people an itinerary, it'll give them recommendations and then allow them to book with us.

So what I think is exciting, whether it's with social or any of these new AI players, is figuring out how do we show up sort of in a paid way or in their organic results. But then also are there new ways that travelers would want to interact where we can make sure our brands are there? So that's the first one.

On the second one, in terms of what we're seeing in the demand environment, because we said we saw a slowdown in the first quarter, both US domestic and inbound, April was somewhat softer than March, especially in the US driven in part by Easter timing. Yes, we're still continuing to see pressure on travel into the US, but we've also seen some rebalancing. So Europeans are traveling less to the US, but more to Latin America.

We're also starting to see a shift to lower ADR rate plans, so whether travelers are going from refundable rates to non-refundable rates. So it's not a star rating shift, it's more of a rate plan shift. And it's also starting to see hotel partners providing more discounts. So obviously, we can't predict with certainty how this is going to evolve but we know that we're well-positioned to serve the demand that's out there.

Naved Khan - *B Riley Securities - Analyst*

Thank you.

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

Thanks.

Operator

Trevor Young, Barclays.

Trevor Young - *Barclays - Analyst*

Great. Thanks. First one, just on experiences and attractions, that category is getting a bit more attention with a clout from Booking Holdings and Airbnb relaunching their effort next week. Can you speak to your own efforts and experiences? Is that something that you're increasingly focused on or an area of investment that you want to put more dollars to work going forward? And do you see an opportunity to be particularly unique or differentiated there?

And then second question, Scott, just to the employment actions that you alluded to, can you speak a bit more to that in terms of size, in terms of either number of employees impacted or potential savings from that effort, and whether any of that is getting reinvested. Thank you.

Scott Schenkel - *Expedia Group Inc - Chief Financial Officer*

Yeah, absolutely. Why don't I start there? So since last year we restructured approximately 4% of our employees. And we've also reduced our contractor population by about 7%. So in addition to the cost there, we also expect us to simplify our model, speed up our efforts and prioritize what we're working on. So we feel good about what we've done as it relates to the margin dynamics for the company.

We do expect to reinvest some of those savings back into the company, somewhat in the form of lower cost locations and somewhat in strategic initiatives. Net-net, we expect about $75 million over the course of the next three quarters to benefit our EBITDA for the next -- as I said, for the next three quarters.

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

And then on the activities question, I think of it in the context of, in particular of Brand Expedia and our B2B business. Brand Expedia is the travel superstore. And as people go on trips, they want to have an activity often. So we think about how do we use activities as a way to attach to the full trip.

Now, it's a growing business for us. We talk a lot about it as a team of where are the areas we do want to double down. As I said, one of our three priorities is investing where we see the best opportunities for growth and attach, and the complete trip on Expedia is one. But I don't have anything to share right now about a particular investment on activities.

Trevor Young - *Barclays - Analyst*

Thank you, both.

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

Thanks.

Operator

Eric Sheridan, Goldman Sachs.

Eric Sheridan - *Goldman Sachs - Analyst*

Thanks so much for taking the question. I wanted to go a little bit into the AI theme that you talked about in the prepared remarks. We're coming up on roughly about a year from the last EXPLORE event where you talked a lot about AI and how it could change both the internal running of the company and elements of how AI might change the consumer interfaces across your brands.

What do you see as the biggest strategic investment you want to make in AI looking over the next 12 to 18 months? And maybe talk a little bit about how that might change the consumer funnel in terms of travel activities or what your current base case is for that going forward. Thanks so much.

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

Okay. Thanks for the question. I'll just start by saying it is an incredibly exciting time. I mean, AI, it's -- it feels like it's -- when the mobile was here. AI is changing everything and we see it as an accelerator across our business.

I've talked about it as sort of four ways we think about it. How are we using it in our products, how are we using it to drive traffic to our brands, what new partnership opportunities do we have and then how are we using it to make our teams more effective?

So let me just talk about each of those. In terms of enhancing our products, over the last year, we have our AI assistant, but we've also made huge progress on using AI in the traveler shopping funnel. So using AI to summarize reviews, using AI to highlight certain features of properties.

And so what we found is it's great in the existing funnel once they're in the product as well as having an AI chatbot that can someone chooses to interact with it on their own, they can. I think what's exciting going forward is thinking about how do you do both of those together? So someone's in the AI chat experience and then they want to seamlessly get into the native flow. And our teams are working on that. It's moving very quickly. So that's sort of in our product funnel. And as I said, it allows people to go between the two flows.

In terms of driving traffic to our brands, we all see that people's search behavior is changing. People may be going to ChatGPT or to other of these native AI players. So we need to make sure that our brands are showing up well there. Those companies are quickly evolving what they're doing. So how do we make sure we're there. Both in the organic search, but also with these agentic experiences with operator and others.

So I don't know where that's going to go. I know our teams are sort of working deeply with those partners and what we found is no matter what, because travel is complicated, the idea of being able to buy from a brand that's a well-known brand, that's got all the supply, that's going to service your booking well, gives me confidence that bringing traffic over from there is attractive for our brands versus the worry that people are just going to book somewhere else.

I've talked about identifying new partnership opportunities. I think the ecosystem is evolving very quickly, and we've got this great asset with our B2B team and our B2B assets. And then, finally, on the effectiveness of our teams, our developers are getting quite a bit of time back. Our sales team is actually increasing their win rate by using GenAI technologies to coach them, to give them tips and just to make them more effective. And our marketing team is using Generative Creative AI, both to make their marketing more effective and also to save time. But I would really just say it feels like we're still very much at the beginning of this.

Eric Sheridan - *Goldman Sachs - Analyst*

Great. Appreciate it.

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

Thanks.

Operator

Conor Cunningham, Melius Research.

Conor Cunningham - *Melius Research - Analyst*

Hi, everyone. Thank you. Just I want to talk a little bit about the booking curve just given the environment. Can you just talk about how that's looking right now. Are you seeing hesitation further out in the curve, and then there's just a lot more close in demand. Just trying to understand that.

And then, secondly, can you just talk about your international rollout, how that performed during the quarter relative to your core? And just how you're seeing supply there and just kind of mark us on the international rollout. That would be helpful. Thank you.

Scott Schenkel - *Expedia Group Inc - Chief Financial Officer*

Yeah. On the booking dynamic, I wouldn't call out anything that's unusual versus what you've already heard in terms of the pressure that we saw kind of in addition in Q1 and what we referenced for Q2 and the rest of the year. Effectively what we saw is a step down in both intra US and into the US dynamics that we mentioned.

If we double click a little bit on that, we're looking at US NBV inbound to the US is down about 7% and specific quarters like Canada are down nearly 30%. Now that in greater context of things is less than 1 point of growth just for the intra -- into the US, but it gives you a dynamic of what we're seeing underneath the covers and that dynamic you see in the intra US dynamic. But I wouldn't call out anything different intra quarter that to your question.

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

No. And we're seeing some slight expanding in booking windows for hotels, but the booking windows are declining in vacation rentals. So it's sort of a mixed picture.

In terms of the international rollout, I mean, I start by just reminding us that the B2B business, very international. Scott talked about the 30% room night growth in Asia. So that's going well. For the consumer brands, we're very focused on which geographies does each of our brands in particular Expedia and Hotels.com already have good brand awareness and where we have strong supply and product, and then investing surgically there.

What we found for Brand Expedia, for example, is that in Western Europe and three of the big Western Europe countries, we're growing room nights at mid-teens. Last year, we launched two new points of sale in the Middle East and while they're off a small base, they doubled quarter-over-quarter. So we're seeing progress there. Hotels.com, stronger in the Nordics, but again, it's off of a smaller base. So it's something we're invested in. We want to grow, but we're going to make sure that we do it surgically.

Conor Cunningham - *Melius Research - Analyst*

Appreciate it. Thank you.

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

Thanks.

Operator

Jed Kelly, Oppenheimer.

Jed Kelly - *Oppenheimer - Analyst*

Hey, great. Just circling on Vrbo. You said it grew in line with the vacation rental industry. Can you just talk about a summer travel season? If you do have less US people go abroad to Europe. And then, how are you thinking about with Vrbo in terms of your brand spend at year-end, and is that committed or can you pull back if the back road deteriorates? Thank you.

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

I would just say Vrbo is also a very US-concentrated brand. And as I said, it's the third quarter in a row where we've been growing even if it's softer because the US demand was softer. We've been focused on improving the product and improving the quality of our supply. I talked about how the work we're doing on shorter stays and the like. But we're obviously keeping a close eye on what's the market demand and what are the returns that we're getting for our marketing spend. And we can adjust that along the way.

Jed Kelly - *Oppenheimer - Analyst*

Thank you.

Operator

Lee Horowitz, Deutsche Bank.

Lee Horowitz - *Deutsche Bank - Analyst*

Great. Thanks. So we know you guys aren't guiding B2B versus B2C, but sort of the updated guidance perhaps suggested your B2C business could perhaps go negative this year. We know the US market is a bit softer, but that doesn't seem to be the expectations from a lot of others in the industry. So can you maybe just unpack that a bit more and help us understand what's driving some of this differential? And how you see the path back to getting the B2C business back towards mid single digit growth.

Scott Schenkel - *Expedia Group Inc - Chief Financial Officer*

First, why don't we start with -- I'll just reframe kind of what I heard here and then you can talk about the future.

Let's talk Q1 for a second. Q1 effectively goes went from four -- we're at 4% in Q2, we're going 2% to 4%. We don't talk about the mix of businesses, but with PLS at or B2C -- B2B at mid-teens growth. I think we feel pretty good that we're going to be -- when you do that math, slightly lower than we were in B2C for the next quarter.

Now where that goes, we'll see. We've got growth anchors, growth benefiting from advertising. We've got other things that we're working on. So I don't feel like we start with that. It's going to be hugely negative but I think it's definitely going to be pressured as we think. And it's going to depend a bit, as we said, on intra US and into the US as we've talked about.

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

And to add to that, it's also going to depend a lot on pricing. Right? As Scott said, in the first quarter we saw ADRs actually go negative in part due to FX. We saw air ticket prices go down. So some of what we're guiding toward is also related to pricing.

But I would just come back on our B2C business. A year ago when I took this role, I said we need to have strong brand value propositions for all three of our brands. We need to invest in the areas that are differentiated for us and make sure that where we are invested, it's paying off. Expedia's got a great flywheel going. Obviously, all three of the brands faced into the softer US market. But Vrbo and Hotels.com, we are still making sure we've got strong value propositions that travelers have a reason to come back, and we're adding lots of features in the product for that.

So of course, I wish these things happened overnight. But we've got three big brands we believe in and a great product and tech and marketing team behind them.

Conor Cunningham - *Melius Research - Analyst*

Maybe one follow up on loyalty, too, if I could. Obviously, Ariane, you made a number of changes to the loyalty program since you've been there, both at HCOM and now Vrbo. I guess, how has sort of the return you've gotten on loyalty writ large evolved during your time? Are you getting the kind of repeat behavior that you want? And strategically, how are you thinking about loyalty growing forward? Is it still core to sort of your overall growth plans and the way that you want to build this business?

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

So first, I'd just start by saying loyalty is incredibly important. As I said, our Silver, Gold and Platinum members, they account for almost half the room nights in the US and they're growing faster than any other part of the business.

So let me just start. Loyalty is important. When we launched One Key almost two years ago, it enabled us to create tiered member deals, those Silver, Gold, Platinum member discounts. And it's a very powerful common currency across the brands. We're looking for -- we're always looking for new ways to deliver value to all of our loyalty members. And the tweaks that you've seen or the changes that you've seen us make are really around sort of the always on earn. Right?

We changed it for Vrbo Blue because when we looked at the numbers we realized that that investment -- that always on investment of 1% of one key cash wasn't making a difference or wasn't making enough of a difference when people were booking on Vrbo. And so that investment probably better used elsewhere. Same thing when I stopped the rollout of the loyalty program outside of US and UK because what I realized was that loyalty program was a big differentiator for Hotels.com. And once you took it away, it really diluted the value proposition.

So what we're looking at is what are the things that matter to travelers? It's probably different by brand. And then where are the areas we're working with our supply partners to help them lean into the loyalty value proposition with the discounts and then where are the things that we're going to fund ourselves? And that's still a work in progress. But I feel good about the couple decisions that we've made. I think we're having a better idea of where the returns are and making sure it's -- as I said, it's part of our third strategic priority of expand margins by making the best use of every dollar.

Lee Horowitz - *Deutsche Bank - Analyst*

Helpful. Thank you.

Operator

Doug Anmuth, JPMorgan.

Dae Lee - *JPMorgan - Analyst*

Great. This is Dae Lee on for Doug. Thanks for taking the questions. First on your B2B performance. So could you unpack that a little bit? I know you talked about Asia exposure being a benefit there, but you also did mention the travel into the US seeing softness. So wondering if B2B has any exposure to that? I guess if people are changing their destination based on what's happening in the US?

And then, secondly, on your advertising business, also a very good performer for you guys. Wondering if you guys are seeing any impact of the softness in the US on your advertising side as well? Thank you.

Scott Schenkel - *Expedia Group Inc - Chief Financial Officer*

Yeah. Why don't I take ads? As we called out in the prepared remarks, our ads business continues to be super powerful, and we're excited about its growth prospects as we look forward.

Obviously, with a tougher B2C performance in the quarter, it's going to take down a little bit of the growth. But I think they did a great job working through those dynamics and we see growth accelerating hopefully in the future. And particularly with its new ad solutions and platforms like video and AI driven bid optimization that Ariane talked about, there's a ton of opportunity to increase adoption and expand with our supply partner base. So double-digit growth rate should be achievable and we feel good about that going -- really good about that going forward.

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

And then, on the B2B business, there's still -- a good portion of the B2B business that originates in the US with US partners and that part of the business also experienced pressure in the same way that other that our consumer brands did. We've got B2B partners that are in Canada and their business into the US was also impacted. But as you can see, it's a pretty globally diversified business and that's why it was able to sustain the double-digit growth.

Dae Lee - *JPMorgan - Analyst*

Got it. Thank you.

Operator

Thank you. I'll now turn the call back over to CEO, Ariane Gorin, for any further remarks.

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

So I just want to thank you all for joining the call today and for all of your questions. We delivered results within our guidance range this quarter amidst softer US travel demand, thanks to our strong execution, disciplined cost management and the global reach of our platform. Against the backdrop of an uncertain macro environment, we're laser-focused on what's in our control and pushing forward our strategic priorities.

I want to thank our global team for their work and dedication every day to helping travelers have successful trips and build lasting memories. Thank you.

Operator

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