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EXPE.OQ - Q2 2025 Expedia Group Inc Earnings Call

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## OVERVIEW:

Company Summary

## CORPORATE PARTICIPANTS

**Dan Semo** *Expedia Group Inc - SVP, Corporate Finance*

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

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

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**Anthony Post** *Bank of America - Analyst*

**Lee Horowitz** *Deutsche Bank - Analyst*

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

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**Dae Lee** *J.P. Morgan - Analyst*

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**Tom Champion** *Piper Sandler - Analyst*

## PRESENTATION

### Operator

Good day, everyone, and welcome to the Expedia Group Q2 2025 financial results teleconference. My name is Alex. I'll be the operator for today's call. (Operator Instructions) For opening remarks, I'll now turn the call over to SVP, Corporate Finance, Dan Semo. Please go ahead.

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### Dan Semo - Expedia Group Inc - SVP, Corporate Finance

Good afternoon, and welcome to Expedia Group's second 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-Q, 10-K, and other filings with the SEC. Except as required by law, we do not undertake any responsibility to update these forward-looking statements.

We are also webcasting an earnings deck while going through prepared remarks. A copy of this deck will be posted to our website 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](http://ir.expediagroup.com).

For today's call, Ariane will begin with a review of our second quarter results and an update on our progress against our strategic priorities. Then Scott will provide additional details on our second quarter financial performance and guidance. After our prepared remarks, we will turn the call over to the operator to begin the Q&A portion of the call. And with that, let me turn the call over to Ariane.

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

Thank you, Dan, and thank you all for joining us today. Our second quarter results exceeded both our top and bottom line expectations. We grew gross bookings by 5%, grew revenue by 6%, and expanded adjusted EBITDA margins by nearly 2 points. We delivered these results in the context of the soft US travel market, reflecting our focused execution and continued progress on our strategic priorities.

The U.S. travel market was muted in the second quarter. Consumers at the higher end of the market remained resilient, with those at the lower end, taking a more cautious approach to discretionary spending. That said, since the beginning of July, we've seen an uptick in overall travel demand, particularly in the U.S. Based on our solid first half performance and these current trends, we're raising our annual guidance, and Scott will cover this in a moment.

In the second quarter, our booked room nights grew 7% overall, and we maintained our leadership in the U.S. with low single digits growth. We grew room nights mid-single digits in EMEA and mid-teens in the rest of the world, including nearly 20% in Asia. B2B and Advertising continued their strong performance.

B2B bookings grew 17%, outpacing the market and delivering our 16th consecutive quarter of double-digit growth. Advertising revenue grew 19%, with a record number of active partners and momentum across both sponsored listings and display ads.

Brand Expedia was once again our largest and fastest-growing consumer brand, with multi-item attach rates at their highest level since the pandemic. Hotels.com bookings declined slightly, but room nights accelerated from the first quarter, helped by our brand relaunch in April.

Vrbo grew room nights roughly in line with the market in the U.S., though bookings declined in a softer environment with lower daily rates, shorter length of stay, and higher cancellations. Our second quarter performance was underpinned by progress on our three strategic priorities, one, deliver more value for travelers; two, invest where we see the greatest opportunity for growth; and three, drive operating efficiencies and expand margins.

AI accelerates all of these priorities, and I'll share how we're leveraging it in each. Let me start with delivering more value to travelers through our supply, loyalty program and products.

On supply, our recent partnership with Southwest Airlines has delivered fantastic results, bringing new customers to both Expedia and to Southwest, and delivering approximately 5% of Southwest's total passenger volume in the second quarter. This contributed to us outpacing total U.S. air ticket sales in the quarter.

In EMEA, we've added Premier Inn, a leading European hotel chain, and combined with adding Ryanair earlier this year, strengthened our value proposition to travelers in Europe. In May, we launched new vacation rental promotions capabilities, and in just a few months, nearly 10% of Vrbo bookings are on our new promotional rates. When we bring on more relevant supply, we drive more value for travelers, and in turn, more growth for our supply partners.

Our loyalty program showed continued momentum even as we calibrate the program. Active loyalty members grew high-single digits with the fastest growth from our Silver members and above.

As a reminder, higher tier members receive better member rates from our supply partners and earn accelerated rewards, which together create another powerful flywheel for retention and repeat.

Turning to our products, we're continually improving the foundations of our user experience, like performance, scalability, and configurability - basics that we know drive conversion and repeat. At the same time, we're using AI everywhere, leveraging our vast first-party data to create better, more personalized experiences.

Our AI filters help travelers find what they're looking for faster, resulting in higher conversion rates. And our insurance products now personalize coverage, resulting in our highest insurance attach rates ever. In customer service, AI is contributing to record-high Net Promoter Scores while helping us reduce costs.

This leads me to our second priority, investing where we see the greatest opportunities for growth. B2B is growing fast, we're excited about it, and we're investing behind it. We're onboarding new B2B supply and making it easier for partners to identify and surface the right deals for their travelers. We're also expanding our product portfolio.

Last quarter we launched our first partner on our car API, and later this year, we'll roll out additional lines of business. B2B is large outside the U.S., and as we grow, it creates another powerful flywheel for our supply partners as well as benefiting our consumer business. On Advertising, we're making it simple and cost effective for advertisers to reach their goals. Our new ad formats like video, are driving higher engagement and conversion rates.

We're rolling out more automation, and about half of our partners now use our automated campaign optimization tools. We're a high-return channel for our advertisers, and while the space is getting more crowded, by continuing to innovate, both on the ads themselves as well as advertiser tools, we believe there's a lot of growth potential ahead. In our consumer business, we're making progress growing outside the U.S. and capitalizing on new traveler behaviors.

We grew bookings outside the U.S. by high single digits, with Brand Expedia growing 13%. The U.K. and Northern Europe grew particularly well in part fueled by the new supply I mentioned earlier.

We continue to see opportunity to grow as we bring together marketing, product, supply, and servicing in a way that's relevant to travelers in each of our focus markets. We're also capitalizing on new traveler search behaviors, in particular with social, GenAI searches, and agentic AI.

Traffic from GenAI searches is small but growing fast, and it's converting into bookings at higher rates than other traffic. We're working with all the large tech players, Google, OpenAI, Meta, and Microsoft, to name a few, to make sure that our brands appear prominently and their value propositions are clearer. It's a fast-changing space and having the right integrations and partnerships enables us to stay ahead, all the while optimizing our own sites, apps, tech, and marketing for the future.

Moving to the third pillar of our strategy, operating efficiencies and margin expansion. For the past three quarters, we've been flat or leveraged against direct marketing spend in our consumer business. There's still work to do in this area, and we're taking a rigorous approach, refining our measurement and leaning in where we see the greatest returns.

As our product gets better, as we drive more direct and better retention, we will see improved marketing leverage. AI is a key enabler of productivity and effectiveness.

It touches every function across our company, and all our employees have AI goals. Our engineering teams, for example, have broadly adopted AI-powered developer assistance, and we're seeing reduced cycle times, by more than 20% in some teams, and faster feature delivery.

We expect the impact to compound as we integrate AI deeper into our workflows and that this work, alongside our cost discipline, will underpin our continued margin expansion. To conclude, even as the U.S. travel market was tough in the first half of the year, we made tangible progress on our strategic priorities. We have much work and opportunity ahead as we continue to execute on our strategy and deliver value for all of our stakeholders. With that, over to you, Scott.

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

Thank you, Ariane, and good afternoon, everyone. I'm pleased to share our second quarter performance, which beat the high end of our bookings and revenue guidance by a point and our adjusted EBITDA margin expansion guidance by a point.

In summary, for Q2, our booked room nights were up 7%, gross bookings were up 5% and revenue was up 6%. Our B2B and advertising businesses delivered strong double-digit growth, up 17% and 19%, respectively.

On the bottom line, we delivered EBITDA margin expansion of approximately 2 points. Our booked room nights were \$105 million, up 7%. As Ariane mentioned, the growth was primarily driven by B2B with strong international performance. We saw notable strength in Asia, which grew almost 30%, with particular strength in our Rapid API product.

As a reminder, Rapid connects Expedia Group's powerful lodging supply with our travel partners. In B2C, Brand Expedia grew booked room nights 5%, also benefiting from the international growth, partially offset by a softer U.S. consumer spending and travel environment. ADRs of \$209 were essentially flat with prior year.

The U.S. travel market experienced continued pressure on inbound travel with shorter booking windows and higher cancellations. Even with that backdrop, we believe our company grew faster than market in both Air and Hotel lines of business, while vacation rental room nights grew roughly in line with the market.

Gross bookings were \$30.4 billion, up 5%, which includes a 1 point benefit from foreign exchange. Revenue of \$3.8 billion grew 6%, which was 8% on an FX-neutral basis. International revenue growth was up 13%.

We outperformed our bookings and revenue guidance due to the strength outside the U.S., in particular, in B2B. Our international bookings growth also benefited from foreign exchange, while Brand Expedia also saw strength led by growth in Air, advertising, and attach. Lodging bookings and lodging revenue both grew 6%.

Turning to page 10 and our segment's performance, starting with B2C. B2C gross bookings of \$21.6 billion increased 1% year over year.

We delivered high single-digit growth outside the U.S. partially offset by softness in the U.S. market. B2C revenue of \$2.5 billion grew 2%, driven by an increase in hotel demand, particularly from Brand Expedia, reflecting growth in advertising and additional stays from past period bookings.

B2C EBITDA margins were 29.4%, up nearly 3 points from last year. driven by volume growth, most notably in our higher-margin products like advertising and through disciplined cost management, more specifically in our direct sales and marketing.

Moving to B2B. We are excited about the momentum in the business and continued growth prospects as we unlock even more of our supply and launch new APIs for our partners. This business builds upon the same supply and technology for our B2C business allowing us to expand our reach and power more global travel.

B2B gross bookings were \$8.8 billion, up 17%. Our B2B segment continues to benefit from increased volume due to solid execution and a higher mix of business outside of the US. B2B revenue grew 15%, driven by strong growth in Asia and Europe, as well as a shift in the timing from Easter.

B2B EBITDA margins were 27.3%, up more than 2 points year over year, driven by volume leveraging on the cost of sales and overhead. We delivered second quarter adjusted EBITDA of \$908 million, a margin of 24%.

The 2 points of adjusted margin -- EBITDA margin expansion was driven by revenue growth in both segments particularly driven by our advertising business and about 0.25 point of benefit from foreign exchange.

Adjusted EBITDA -- adjusted EPS of \$4.24 grew 21% versus prior year. driven by higher revenues and leverage of cost along with the share repurchase activity.

Moving to page 13. Cost of revenue of \$373 million was 9.8% of revenue, representing a 0.25 point improvement from the prior year, which reflected ongoing efficiencies, particularly in customer service. Direct sales and marketing expenses were \$1.9 billion, up 7% and essentially flat as a percentage of gross bookings.

We did see leverage in our B2C business, which was offset by B2B, as a reminder, commissions paid to our partners are included in the direct sales and marketing expenses for B2B. Overhead expenses were \$637 million or, 16.8% of revenue, a nearly 0.25-point improvement. Keep in mind, the actions we took to reduce our cost structure did not fully impact Q2 and are expected to reduce -- and are expected to further benefit our expense base in the second half of the year.

The strength in our balance sheet continued with \$9.2 billion in total liquidity at quarter end. This includes \$6.7 billion of unrestricted cash and short-term investments and \$2.5 billion from our undrawn revolving credit facility.

Our leverage ratio of 2 times is in line with our target, and we remain committed to maintaining debt levels consistent with our investment-grade rating. Free cash flow on a trailing 12-month basis was \$2 billion, and reflects the strength of our asset-light operating model and disciplined execution of our strategic priorities.

At quarter end, we had \$2.3 billion remaining in our share repurchase program, after utilizing \$627 million in the quarter to repurchase 3.8 million shares of our common stock. This brings our total shares repurchased in the last three years to 42 million and reduces our share count by 21%.

Turning to the outlook for the third quarter. We expect gross bookings growth of 5% to 7% and revenue growth of 4% to 6%. This includes an estimated 1 point benefit from foreign exchange to bookings and revenue growth at current exchange rates.

Adjusted EBITDA margin is expected to expand by 50 to 100 basis points with no material impact from currency at current exchange rates. For the full year, we expect gross bookings and revenue growth of 3% to 5%, which represents a 1 point increase versus our previous guidance.

For bookings, this includes roughly 0.5 point of benefit from foreign exchange and for revenue, it includes approximately a 1 point headwind at current rates. For the year, we expect adjusted EBITDA margin expansion of a full point. This is at the high end of our previous guidance of 75 to 100 basis points. provided in May. We are off to a good start in the first half of the year with adjusted EBITDA margin up over 1.5 points. In the second half, we will benefit from the cost actions we announced with our first quarter results.

In addition, we expect to deliver additional EBITDA margin expansion from our B2C marketing leverage. We are focused on optimizing our current spend across the enterprise, while continuing to invest in our growth drivers.

Regarding capital allocation for the balance of 2025, we expect to continue repurchasing shares, roughly in line with levels over the last couple of years. Finally, our '25 guidance implies a moderation in Q4 growth as compared to Q3, which is driven by two factors. First, we're lapping last year's significant strength, where bookings and revenue growth were up 13% and 10%, respectively.

Secondly, the continuing uncertainty around the U.S. consumer and travel into the U.S. I'm encouraged by the momentum we're seeing across our strategic priorities, and I want to echo Ariane's enthusiasm around the progress we've made year to date, especially during a challenging U.S. consumer spending environment.

Now let me open the call for questions.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions)

Eric Sheridan, Goldman Sachs.

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**Eric Sheridan** - *Goldman Sachs Group Inc - Analyst*

Thanks for all the detail in the prepared remarks. I think holding in on some of the bigger themes in what you said, would you guys think broadly and where this company is going over the next couple of years, how do you think about aligning some of your key strategic priorities and growth investments against traffic dynamics, conversion, and thinking about scaling various forms of inventory and go-to-market strategy over the medium to long term.

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

So first, I would start by saying that we're happy with the portfolio mix we have between our consumer brands, our B2B brands. And we think that while, of course, our consumer business is quite I would say, concentrated in the US. If you look at the company as a whole, we're quite diversified when you look at the B2B business.

As you say, we'll see how AI evolves. But again, I think we're well-positioned in our consumer business to integrate AI into our products, into our apps. As traffic shifts, as consumer behavior shifts, we are working with all of the different partners who have, for example, AI traffic, whether it's open AI, Microsoft, and the like. And so I think we're well positioned to make sure we're capturing that traffic.

Of course, with our work on supply, with our work on our product, with our work in our loyalty program, our goal would be to have as much direct traffic as possible into our brands. But again, we're working with all of these partners to get traffic from outside as well.

And then B2B is a highly diversified business, not only geographically, but also in terms of the type of partners we work with. We know that it's a big travel industry. Some people buy traffic -- sorry, by travel through their corporate programs, some from offline retails, some from their loyalty programs, and we're really there to power it all.

So if I just step back and think about our three big strategic priorities, which are deliver more value for travelers and partners through our product, supply and loyalty program, invest where we see growth which is in B2B and advertising. And then in consumer, there's a big opportunity still internationally and with these new traffic trends and then expand margins. I think we feel good about where we are.

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

I'd add to that a couple of things. First off, maybe to double click on the direct traffic point that Ariane brought up. We continue to see strength in the traffic we get from direct and we are very closely working with AI providers as well as monitoring our own traffic and conversion to make sure that we are seeing the uplift we think we should and holding our strength in direct, which we feel good about. The second is for app traffic. Our app traffic continues to grow and conversion continues to get better. So as we think about the mix of where our traffic is coming from, we feel very strongly about those two.

The other traffic channels, broadly speaking, we're seeing more strength in social, which we feel good about and continue to invest behind. And as we make trade-offs between the other channels to balance our returns and our growth. That's where I think you'll see particularly out of BNB some productivity going forward.

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**Operator**

Anthony Post, Bank of America.

**Anthony Post** - Bank of America - Analyst

I think I'll ask again about Hotels.com. You've mentioned some improvement. Maybe give us some things that are working there and how your outlook is for that brand for the next 12 months? And then, Scott, maybe you could talk about how you thought about Q4 comps in your full year guidance.

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

Yeah, I'll take the Hotels.com question. And I'd start by saying, look, I talked about it a year ago, Hotels.com was our most disruptive of all of our brands from the platform migrations and the change in the loyalty program and the fact that we've pulled back on international for a period of time while we were going through big re-platforming. And as I said, I feel good about where we are right now. I'll start with the brand relaunch in April.

We're seeing brand awareness and direct traffic move in the right direction from that. And so that gives us a lot of confidence. Next, in the product, we introduced new capabilities like price alerts and insights that really reinforce the value proposition of this brand as a hotel specialist. So there are things that are specific to Hotels.com, and it also benefits from some of our underlying platform improvements, for example, like our checkout path.

And finally, as we've been leaning back into international markets with the Hotels.com loyalty program at 10 for 1, we're seeing some really nice results. And Hotels.com is actually a brand that's quite exposed to international markets. So I'd just say, look, it's been a road to get here and we have a full road map of -- for the second half, and we feel good about the progress that we've made.

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

Yeah, specific to your second question, as I said in my prepared remarks, there's a fair amount of market uncertainty, combined with tougher lapping. We're up 6 to 7 points in Q3 to Q4 of last year, and that dynamic is going to make, we think the comps a little tougher in Q4. But effectively, we're not updating Q4. So when you guys do the force out for Q4, it's going to show roughly flat for GMV and revenue. And I think we feel strongly that we'll be on the upside of the higher end of that range. and we'll get to Q4 when we get to it.

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**Operator**

Lee Horowitz, Deutsche Bank.

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**Lee Horowitz** - Deutsche Bank - Analyst

I think you talked to marketing leverage in your B2C business in the second half of the year. I guess what has evolved in your business over the last year or so to sort of reach that elusive goal. It's been something you can talk about for a while. Just curious what you're seeing to have confidence in that outlook and how you think about that perhaps going forward into '26.

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

So I'll start, and then Scott, if you'd like to add. First of all, marketing leverage comes from, obviously, the product itself getting better. So are we able to as we bring traffic in, one, is it coming more direct? Two, when we bring it in, is the paid traffic - are we getting it at an efficient level?

And then are we converting that traffic that comes in into bookings and then people repeating and coming back direct. All of the work that we are doing around traveler value, when I talk about the work in the product, the work in the supply and the loyalty program is with the goal of



getting more repeat, more direct, and more loyalty, which automatically will improve our marketing leverage. In addition, I've talked about the work we're doing in sharpening the value proposition for each of the brands.

Because the sharper it is, the more people understand that Expedia is a one-stop shop where they can come in and drink great package deals and bundle and save, the more effective our marketing will be. And then, of course, it's just the simple work in marketing of making sure that we have the right integrations with the right partners that we've got the right measurement, and I feel great about the progress that our team is making around that.

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**Operator**

Naved Khan, B. Riley Securities.

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

Maybe just a question on the promotional environment given the sort of sluggish US. Are you kind of leaning more on promotions to drive bookings and conversions versus prior periods? Just any thoughts on that? And how does that affect maybe less marketing, maybe more promotions. That's one.

And the second question I have is just on the all-in pricing that you're doing now across the platform. What kind of impact are you seeing from that on conversion rates?

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

Okay. On the promotions, I'd sort of split the answer in two. The first part is supplier-driven promotions. And in the second quarter, we saw more of our bookings come on promotional rates that were provided by supply partners.

And I think that's both a reflection of supply partners participating more in the promotions and the US consumer being more price sensitive. And look, we partner with our supply partners to help them get more reach.

So that's what we're seeing on promotions. And then regarding our own promotional activity, whether it's around packaging and the like. We look at it in a very, I would say, methodical way, both marketing, loyalty, and promotions and pricing together. And wherever we see the best return, we'll sort of optimize around that. So that's the answer on the promotions question.

In terms of all-in pricing, any time you change the UX of an e-commerce app or site, there's obviously some adjustments. But there was not any more impact than what we had expected. And we think it's a good thing for the traveler.

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

And then I also called out that I think we talked about this before, but just for clarity, the loyalty and pricing goes into contract that doesn't show up in marketing. Just so we're clear on that.

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**Operator**

Jed Kelly, Oppenheimer.

**Jed Kelly** - *Oppenheimer & Co Inc - Analyst*

Great. Just in AI and how it benefits B2B and how you're using your agent. Is that something you can use with your agent to generate new business by potentially letting them use AI agents to get more inventory? And then just on Vrbo, I see that bookings were down year over year. You called out lower ADRs. Can you just talk about the mix shift? And are you still seeing the mix shift to the higher value homes?

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

Yeah. Okay. Let me start with Vrbo and then I'll get to B2B and agent. Look, what I would say on Vrbo is we are still filling some of the foundational gaps that we had, in particular, around supply that during the period that we were going through those big migrations, we haven't been able to get to. An important part of those gaps in supply came from promotions like I described, we actually just unlocked the last-minute deals, which we didn't have before.

And as we look to get more trip types to be able to serve more than the once-a-year large vacation, we need to unlock the supply and product to do that.

So last minute was a big part of that for weekend trips, six months ago, I talked about the multiunit vacation inventory in urban. So we are on the path to be able to cater to more trip types, whether it's, as I said, short booking window, longer booking windows, whole homes or apartments.

I'd also just call out on Vrbo. Last quarter, we launched categorical recommendations on the app home screen, which helps people more easily find their match. So there are some good things happening there in Vrbo.

In terms of your B2B agent question, I would say it's early days between us and supply partners in figuring out how will agents help, whether it's onboarding inventory, whether it's helping with customer support issues, but the travel industry, despite all of the technology we have in it, there are still for servicing needs for the supply partners and a distributor like us, they have to do a lot of back and forth with the customer. So I think it's exciting to see what Agentic will allow in that area.

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**Operator**

Conor Cunningham, Melius Research.

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**Conor Cunningham** - *Melius Research LLC - Equity Analyst*

You had a pretty big acceleration in the point of sale outside the US. And I'm just trying to understand the opportunity set there, maybe a little bit longer term. I realize that you're going to start investing a lot more internationally.

But historically, I think the split has been like 55-45, and I realize the business has changed a lot, but is that a potential goal that we could get back to at some point? And then if I could just ask another one within that. Is the booking curve now starting to elongate a little bit, with all like the uncertainty kind of passing out in the market in general?

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

Yeah, I'd say that the booking windows particularly for Q2 starting to shorten. And then we've seen kind of pivot a little bit as we've seen re-bookings happen from the cancellations that happened in Q2 as we entered Q3, but we're not going to get into Q3 to in too much detail here today, but that's the dynamic I'd call out there. I don't know if you had anything to add on that.

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

And then on the international question or the growth outside of the US. I'm going to answer it with regard to the consumer business because the B2B business is already majority outside of the US. Compared to the past, we're taking a very focused approach.

So each brand has a set of focused markets where they are working to make sure that they have great brand awareness, product, marketing, supply, servicing, and the like. And rather than looking at, okay, what is you -- how do we spread ourselves then? We're really looking in a focused way. And I do believe we can drive outsized growth in those focused markets.

For example, in Japan and Brazil, we were growing over 20%. In Northern Europe, we're growing in strong double digits. So it's really a focused approach, understanding what the travelers in those countries are looking for and then executing against it.

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**Operator**

Kevin Kopelman, TD Securities.

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**Kevin Kopelman** - *TD Securities - Analyst*

Could you touch on the key growth drivers in B2B and the latest trends you're seeing there? And also if you could help us just strip out the FX impact from Q1 to Q2? And then secondly, on B2B, could you touch on the rev share rate and trends there and what we should expect going forward?

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

Yeah. On FX for Q2, let me just go back to our original guide was 2 to 4 on GBV. We reported 5 and FX neutral was 4. That was roughly about a point quarter to quarter. So a point or two quarter to quarter, but that's kind of the ranges that we're talking about.

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

And then I'll say the drivers of growth. Scott talked about the fact that in Asia, we're growing 30%. And this is a business, one, as I said, that's geographically diverse, but in particular, it's quite exposed to Asia which is a fast-growing market. Two, from a segment perspective, powers off-line retailers, corporate travel, and the like. And we believe that in most of our partners, we're actually winning share with them.

So their businesses are growing. And then as we create more value for them, we're able to capture more of their travel spend. And as we look forward on rev share rate, and certainly, to the extent that there are more entrants in the space, that can put some pressure on revenue rate.

But this is why we're constantly looking to iterate our products to bring more value and more stickiness to our partners. I talked about the work we were doing in merchandising to make it easier for our partners to understand when there are good deals and good rates. And we're constantly working with them to optimize the tech integrations that we have with them, so that all of the conversations are not just about what's the revenue share.

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**Operator**

Doug Anmuth, J.P. Morgan.

**Dae Lee** - J.P. Morgan - Analyst

This is Dae on for Doug. Thanks for taking the questions. I have two. First one, on Brand Expedia, could you just unpack that a little bit more and talk about how that's performing within the broader B2C segment? And it's growing faster than the overall like is it for us to think that Expedia is taking share from other players in the space?

And then secondly, on the guide, I think in your full year guide, when you exclude the impact of FX, you have a bigger rate for the revenue than for bookings. I just wanted to understand some of the drivers behind that.

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

Sure. Let me start with Brand Expedia. So yes, we believe Brand Expedia is taking share in a number of markets that it's in. It's got a great value proposition. As I said earlier, is a one-stop shop bundle and save to be able to do packages where you have your selection of flights with hotels and to do it dynamically is very powerful, and we believe we have the leading solution there.

As a result, we have record attach rates and great growth in packages. We're bringing on new supply. I talked about Southwest and Ryanair, but there are a lot of airlines that, as we work for better connectivity with NDC with them, we're able to unlock additional rates that travelers want.

So we're excited about it. It's taking share. And at the same time, there are underpenetrated opportunities with this brand. We aren't as big in vacation rentals as we would like to be. We're not as big in activities. These are areas that, despite the fact that we're growing well, we see as our future growth drivers in addition to international.

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

Yeah. Specific for total year foreign exchange, there's not a material difference between the delta on our ranges for foreign exchange and revenue versus GBV. But we can tie that out offline if you like.

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**Operator**

Deepak Mathivanan, Cantor Fitzgerald.

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**Deepak Mathivanan** - Cantor Fitzgerald LP - Research Analyst

Ariane, on the AI assistant, you noted that the traffic is converting at a higher rate. Can you expand on what the drivers of higher conversion is -- is it because the traffic is having a higher intent than other channels? Or is it because they are going further deeper into the booking path? Any kind of hypothesis you have there would be great. And then one for Scott. Scott, you -- sorry, go ahead.

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

Go ahead, sorry.

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**Deepak Mathivanan** - Cantor Fitzgerald LP - Research Analyst

No, I was just going to ask a quick one for Scott. Scott, can you talk about the B2B business in Asia, specifically in the context of Rapid API product. How should we think about the opportunity to grow this further maybe in the next few years in the world? What specifically is the value prop that consumers are finding with this product and where the penetration is in terms of that? Any color would be great.

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

So let me start with AI. As I said, the traffic that we're getting from these GenAI search engines is small, but it's converting well. And it's exactly -- my hypothesis is exactly what you're saying, which is -- it's traffic that is sort of further down the discovery funnel. And so when it comes to our brands, it's more qualified. Now we're doing a lot of work with these AI companies, whether it's Open AI, Google, or the like.

One, to make sure that when travelers are in their worlds that our brands are showing up well. There's tech work, there's marketing work, there's integration work that needs to happen to make that happen. Also to make sure that then when a traveler comes to us, we're able to have the context that, that traveler has so that we can give them more personalized experience when they come to us.

But I would just say it is early days, whether it's the Agentic search -- sorry, whether it's the AI search, whether it's the agents themselves coming and taking actions on our sites and our apps, we are working closely with all these partners. We're experimenting. We're testing, and it's an exciting area.

I believe in all of it, what remains important is that our brands have strong supply, a great loyalty program that we have a great simple user experience with really good servicing so that whether travelers start with us or start in these AI experiences and then come to us. that they are loyal with our brands.

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

Great. I think that's a great summary. And I think with regard to B2B, I think the way we think about it is with a significant amount of their GBV in revenue coming from international, Asia included, obviously. We feel very good about the mix of those markets and the growth dynamics that come with them.

As it relates to API, it's just a way for us to bring our total supply in our technology to those customers in those regions. And so we feel very strongly. We've had a great history of continuing strong double-digit growth and I think as we look forward, we expect to continue that.

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**Operator**

Mark Mahaney, Evercore ISI.

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**Mark Mahaney** - *Evercore ISI - Analyst*

Okay. Actually, I'd just like to ask two really high-level questions, and I'm sorry, I missed some of the details from earlier in the call. So Ariane, I would ask the question to you this way. You've been CEO now for a little -- I know you've been with the company for a long time, but you've been CEO for a little over 12, 14, 15 months, something like that. When you think about the sort of the areas that needed fixing, what I really want to ask you is, which areas do you think that you've been able to -- have been most improved over the last year?

And where do you feel like the real laggards still are that there's real places to lean into that could use the most improvement.

Then Scott, I know you've been there for six months, a little over that, I think. And you come into this cost structure and you think about the learnings that you've had so far, where are you in terms of thinking through strategizing for real cost opportunities to take these margins may be materially higher to where or somewhat higher to where the other players are in the space? Sorry for the high-level questions, but I think they're kind of important.

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

Thank you, Mark. So I would say it was important to maintain and, in fact, accelerate the momentum where we were doing well in B2B and in advertising and also in Brand Expedia. A year ago, when I took this role, I was really clear that we've done a bunch of platform work, but it wasn't necessarily translating into growth in our consumer business and into great traveler experiences the way we wanted it. So we're on the journey, we're on the path, especially with Vrbo and Hotels.com of being really clear on what are the value propositions, how are they positioned in market?

How are we filling any key gaps that they have and then executing against those? And some of it is taking the platform capabilities we built and finishing some of them off. And I talked to the team a lot about being brilliant at the basics. I say, look, our business is about how are we getting traffic in, converting it, getting it to repeat, how are we driving retention? It's not always the sexy stuff, but making sure that our sites are fast, that we have great configurable technology.

So I would say we've made a lot of progress on that. It's not yet showing as much as I would like it to in the numbers in consumer, but sort of where we'd like on the journey. In terms of sort of I think you said where the areas would lean into, again, I'm waiting to see the results come through in the consumer business. And then there's something about in our culture being fast, moving faster.

And again, when you go through big migrations and platform migrations, I think sometimes that can slow us down. And probably the most exciting thing to me right now is how we're using AI internally in order to get more effective and to move faster. So that's sort of probably the area I would say, lean into and opportunity.

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

Yeah, Mark, I would -- specific to the question on cost and implicitly then margins. When we look at the margins, and I start with and maybe you missed it earlier, but the dynamics around the first half, I think, are indicative as we talk about first half, second half. The team took, I think, quick action in early Q2. around restructuring some of our cost base.

And I think between that and we look -- and some of the work that we're doing on marketing without really having a full, half year, or even quarter of cost restructuring benefit and without making that many changes to marketing, which we're planning, our margin rate is up 150 basis points over the course of Q2 and for the first half.

So as we look at the first half, good strength with opportunities to continue to take cost out and rebalance our cost portfolio while thinking about how we invest for growth longer term. So as we look at the second half, and I kind of talked a little bit about this earlier, but how do we think about balancing the marketing investments, redeploying between channels, between brands and different spend types to maximize growth as well as take costs out of the business responsibly while investing back into the business and delivering good solid margin expansion for this company. That's how I kind of put it in context as we look forward.

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**Operator**

Tom Champion, Piper Sandler.

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**Tom Champion** - *Piper Sandler - Analyst*

Ariane, it sounded like your comments around the loyalty program were positive and maybe there was an inflection there. Just curious if you could elaborate on that and discuss what underpins that. And then Scott for you, just as you think about sales and marketing discipline, in the second half, what does that entail? I'm just curious if you can elaborate on that and what do you do more of and what less of.

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

Sure. So on One Key, as I said in my prepared remarks, we grew our members high single digits. The silver members and above are growing faster than base and non-members. And importantly, we haven't seen any negative impact as we pulled back the Vrbo earn for Blue members. So look, it's working. We're growing nicely. We have more growth in the top members. That being said, about a year ago, we stopped the rollout of One Key beyond the US and the UK because it has had such an impact on Hotels.com.

And while it was driving some cross-sell across the brands, One of the things I did when I came in is I wanted to make sure that it was also a program that was working for each of the brands individually. So how do we take the tech platform and the common currency that worked across the board, but then tailor them to each of the brands? And I think that's what you will see us do in the quarters to come.

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

Specific to marketing costs, Tom, I would call out first of -- in the end, it's going to be how do we get productivity out of the sales -- the direct sales and marketing line in B2C. As we look at country deployment of cost, brand deployment of cost, channel deployment of cost, I think you can expect to see some changes to each of those and redeployments to drive -- to balance growth and drive productivity.

**Operator**

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

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

Thank you all for joining the call today, and thank you for your questions. We delivered solid results ahead of our guidance. Despite softer travel demand in the US, the recent trends we're seeing reinforce our fundamental conviction that people want to travel and we'll continue to prioritize it. I want to thank our team for their work on behalf of our travelers and our partners. Thank you.

**Operator**

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

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