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EXPE.OQ - Q1 2026 Expedia Group Inc Earnings Call

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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Good day, everyone, and welcome to the Expedia Group Q1 2026 financial results teleconference. My name is Jen, and I will be the operator for today's call. (Operator Instructions)

For opening remarks, I will now turn the call over to VP, Investor Relations, Rob Bevegni. Please go ahead.

Rob Bevegni - *Expedia Group Inc - Vice President, Investor Relations*

Good afternoon, and welcome to Expedia Group's first quarter 2026 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 exclude stock-based compensation.

We will also be making forward-looking statements during the call, which are predictions, projections, and other statements about future events. These statements are based on current expectations and assumptions which are subject to risks and uncertainties that are difficult to predict. Actual results could materially differ due to factors discussed during this call and in our most recent Forms 10-Q, 10-K, and other filings with the SEC. Except as required by law, we do not undertake any responsibility to update these forward-looking statements.

This call is being webcast on the Investor Relations section of our website at ir.expediagroup.com. A replay will be archived on our site. A slide deck containing financial highlights has also been posted on our IR website.

For today's call, Ariane will begin with a review of our first-quarter results, then Scott will provide additional details on our first quarter financial performance and guidance. After our prepared remarks, we will turn the call over to our operator to begin the Q&A portion of the call.

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

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

Thanks, Rob, and thank you all for joining us today. I'll begin my remarks with our first-quarter performance, and then I'll talk about AI as we see it as a significant growth opportunity, and I know it's top of mind for many investors.

We had a strong first quarter, underpinned by solid execution as well as progress on our strategic priorities and operational leverage that we've been building over many quarters. Our financial results exceeded both our top- and bottom-line expectations, demonstrating the resilience of our strategy even amid a mixed macroenvironment.

We grew bookings 13%, revenue 15%, and expanded EBITDA margin by nearly 6 points, momentum from late 2025 carried through February, delivering our best first quarter start in three years. In March, we hit a more challenging macroenvironment, with the conflict in the Middle East and travel advisories in Mexico.

When travelers needed us most, we took care of them, working with our partners in region to extend cancellation flexibility and augmenting our service teams. While the Middle East itself represents less than 2% of our total bookings, we saw elevated traveler cancellations across Europe and Asia. Cancellation rates stabilized in early April and booking activity reaccelerated throughout the month.

Total booked room nights in the first quarter were up 6%, including mid-single digits in the US, low single digits in EMEA, and low double digits in the rest of the world. Our domestic US room night growth remained stable, but it was partially offset by travel advisories in Mexico and less promotional activity by select B2B partners. B2B once again delivered healthy performance with bookings up 22%.

We announced an exclusive partnership with Bank of Montreal AIR MILES, and just last week, became the exclusive hotel partner for Uber. Uber will also be in our Expedia app, making travelers' trips more seamless.

Our consumer brands grew bookings by 10%, the fastest pace in 12 quarters. Active loyalty members were up mid-single digits, and we continue to see even faster growth in our higher tiers.

For the first time, vacation rentals on Expedia reached an annualized run rate of $1 billion, demonstrating that our investment in a unified lodging shopping experience is scaling successfully. And we also continue to expand our supplier-funded promotions. 25% more hotels participated in our March sale this year, and more than a third of Vrbo bookings last quarter came from supplier-funded promotions.

Our strong performance was a direct result of the progress we've made on our three strategic priorities: delivering more value to travelers, investing where we see the greatest opportunities for growth, and driving operating efficiencies and margin expansion. On our third priority, in particular, we achieved our highest first-quarter margin in 15 years. We're pleased with our progress and remain committed to additional cost efficiencies and marketing productivity in our consumer business.

Now turning to AI. Simply put, AI reinforces our core advantages and amplifies our execution against our priorities. We're using it to enhance the experience for our partners and the travelers that come to us direct and to acquire new traffic and market more effectively. Let me ground this in some concrete examples, starting with how we're improving traveler experience through our products, supply, and servicing.

First, AI enables better personalization at scale in our products. We're using data from hundreds of millions of travelers interactions from shopping to reviews, servicing and more, to continuously improve our ranking and recommendation models. AI-powered conversational experiences provide even richer data, and coupled with more advanced models, enable us to uncover deeper patterns. In the first quarter, this translated into higher conversion at Vrbo and record attach rates on Expedia.

Our two most widely adopted features are our servicing agent and AI-powered filters, and travelers who use AI filters return more often and convert at higher rates.

Second, AI is a great tool to strengthen our supply advantage given the massive scale we operate at. We work with nearly 3.7 million properties, of which 800,000 are exclusive to us. AI enables us to onboard partners faster. And last quarter, we grew lodging property count by 10% with our fastest growth outside the US. It also allows us to improve our supply quality, enriching our proprietary content, which ultimately underpins travelers trust in our brands.

And just as importantly, as AI deepens our understanding of travelers, we're bringing even greater value to our partners through more powerful insights, advertising, and promotional tools.

Third, AI improves our post-booking experience. We handle more than 250 million service interactions a year, with over half results through self-service. More than 30% of those are powered by AI, and that number keeps increasing. And when human support is required, AI shortens wait and handling time and enables faster resolution. We're automating conversation summaries in over 30 languages, enabling seamless handoffs with context across our global workforce and reducing new agent onboarding time by about 60%.

As flights were canceled across the Middle East, AI helped us handle surge in volumes at speed, allowing our human agents to focus on more complex and time-sensitive issues. This hybrid servicing platform combines intelligent automation, strong partnerships, and human support to deepen travelers trust so they know we always have their back.

AI also strengthens our ability to acquire traffic and market more effectively. While roughly two-thirds of our bookings come through direct channels, AI platforms are an opportunity to grow through indirect channels. We moved early here, leveraging our technical strengths built up over many years. Answer engine optimization is now our fastest-growing channel. And in February, we went live with ChatGPT ads.

Traffic and bookings from AI-driven channels remains small, but we're encouraged by the mix of new users, conversion, and average purchase spend. This is a long-term opportunity to reach a large, engaged audience while diversifying our marketing investments.

More broadly, AI is improving our creative and supercharging our testing abilities. Overall, AI-enabled tools are driving hundreds of millions of dollars in realized marketing value through greater productivity and workflow automation. Stepping back, I want to be clear that as we're moving to take advantage of opportunities, we're also working deliberately to ensure our strategy is resilient no matter how traveler behaviors evolve. We know that trust, scale, supply quality, and deep relationships will remain essential, and that's where we excel.

In closing, we had a strong start to the year, delivering better-than-expected results against the mixed macro backdrop. Our team's solid execution drove double-digit bookings and revenue growth and meaningful margin expansion. As we look ahead, we'll continue advancing our strategic priorities, thoughtfully deploying AI and driving value for all our stakeholders.

Before turning it over to Scott, I want to take a moment to thank him for the significant contributions he's made during an important period for the company. Our strong financial foundation reflects the great work he and the team have done over the last 1.5 years. And looking ahead, I'm pleased to welcome Derek Andersen as our next CFO.

With that, I'll turn it over to Scott to walk you through the financials.

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

Thank you, Ariane. It's been a privilege to work with this team over the last 1.5 years, and I'm proud of the progress we've made to strengthen the business and drive improved financial performance. I am confident the company is well positioned to build on this foundation, continue to drive growth, further enhance operating efficiency, and expand margins under Ariane's leadership. With that, let's turn to the quarter.

I'm pleased to share that our first quarter 2026 results exceeded the high end of our guidance range. Gross bookings were 35.5 billion, up 13%, driven by 6% room night growth and 4% ADR growth on an FX-neutral basis. Revenue increased 15% to $3.4 billion with foreign exchange contributing approximately 3 points to bookings and nearly 5 points to revenue, roughly 1 point higher than we had anticipated.

Moving to our segment performance. Consumer gross bookings of 24.8 billion grew 10%, driven by sustained momentum in the US and continued momentum in Vrbo. Revenue of $2.1 billion grew 8%. Bookings growth outpaced revenue in the quarter, primarily reflecting a higher mix of air. Consumer EBITDA margins were approximately 20%, up 9 points from last year, driven by marketing leverage and cost control.

B2B gross bookings grew 22% to $10.7 billion, led by an acceleration in North America and double-digit growth across all core regions. Rapid API was again the largest contributor to growth, and B2B continued to benefit from elevated marketing activities from some of our largest partners, albeit at a more moderate level sequentially.

B2B revenue grew 25% to $1.2 billion, and EBITDA margins were 22.7%, approximately flat year over year. As we have stated previously, we will continue to prioritize B2B investments to support future growth, which will weigh on near-term margins.

Before moving further, let me provide some context on how demand progressed throughout the period. We entered the quarter with solid momentum, with booking windows and lengths of stay modestly higher year over year. However, the macroenvironment became more volatile as we entered March, resulting in higher cancellations and more moderate booking trends late in the quarter.

In our consumer business, we faced headwinds from travel advisories in Mexico, while in B2B, the conflict in the Middle East meaningfully impacted outbound travel from multiple regions, driving elevated cancellations in Europe and Asia. Excluding these impacts, both bookings and room night growth would have been approximately 2 points higher for the quarter.

During the quarter, we saw air capacity tighten and prices increase, with some shifts across corridors, while US domestic travel remained healthy. We also saw continued strength at the higher end of the market alongside resilience from more price-sensitive travelers.

Moving to our cost structure. Cost of revenue was $373 million, up 5%, while leveraging approximately 1 point as a percentage of revenue driven by continued efficiencies in payments and customer service.

Total direct sales and marketing expenses were $1.9 billion, up 6%. We saw significant leverage in our consumer business with direct sales and marketing down 7%, leveraging approximately 75 basis points as a percentage of consumer gross bookings. This was partially offset by growth in B2B sales and marketing expense, which reflects partner commissions and is recognized at the time of stay.

Overhead expenses were $627 million, up 4% from last year, while leveraging approximately 2 points on revenue. As a reminder, last year, we implemented a series of cost reductions which had a meaningful impact on the margin in the back half of the year, and those actions continue to favorably impact the first quarter.

Turning to profitability. We delivered first quarter adjusted EBITDA of $542 million with a margin of 15.8%, our highest Q1 in 15 years with nearly 6 points of adjusted EBITDA margin expansion. Approximately 1 point of the expansion was driven by favorable foreign exchange with the balance reflecting stronger-than-expected marketing leverage, revenue flow-through, and cost efficiencies. Adjusted EPS of $1.96 grew approximately 4 times, reflecting robust earnings growth and the accretive impact of our share repurchase activity.

Moving to our cash position. We ended the quarter with $5.8 billion of unrestricted cash and short-term investments and we remain committed to maintaining debt levels consistent with our investment-grade rating. During the quarter, we retired $1.75 billion of short-term debt, including our convertible and senior notes. We secured a $2.5 billion revolving credit facility. And subsequent to quarter end, we issued $1 billion of long-term debt, further strengthening our liquidity profile and overall financial flexibility.

On a trailing 12-month basis, free cash flow was $4.1 billion, reflecting the strength of our operating model and continued disciplined execution. In the first quarter, we utilized $700 million to repurchase 3.3 million shares of our common stock at an average price of $212 per share. Since 2022, we have repurchased nearly 49 million shares, reducing our share count by 24% net of dilution.

We remain committed to returning capital to shareholders. And today, we announced that our Board approved a new $5 billion share repurchase authorization. For '26 we intend to continue opportunistic share repurchases at a pace similar to recent years.

Turning to our outlook. For the second quarter, we expect gross bookings growth of 7% to 9% and revenue growth of 9% to 11%. At current exchange rates, this assumes foreign exchange tailwinds of approximately 0.5 point of bookings and 4 points to revenue. For EBITDA, we expect second quarter EBITDA margins to be up 50 to 100 basis points.

Consistent with prior commentary, margin expansion this year will continue to be supported by cost discipline and a more efficient marketing base, with the pace of expansion moderating as we lap lower marketing spend and larger cost actions taken last year. We will also benefit in Q2 from cost actions taken in Q1.

For Q2 and the full year, we acknowledge there could be potential upside. But given the volatility we have seen recently and the ongoing geopolitical and macroeconomic uncertainty, we believe it is prudent to maintain our current full-year outlook and provide an update when we report Q2 earnings. As a result, we reiterate our expectations for gross bookings growth of 6% to 8% and revenue growth of 6% to 9%, including approximately 1 and 2 points of foreign exchange tailwind, respectively.

On EBITDA margins, we continue to expect full-year expansion of 100 to 125 basis points. Given our first-quarter performance and Q2 outlook, we would expect to come in at the high end of that range, and we'll provide an update on our Q2 earnings call.

In closing, we delivered a strong first quarter despite a challenging macroenvironment. B2B bookings grew more than 20%, our Consumer business achieved its highest bookings growth post-COVID, and we expanded margins by 6 points. These results reflect continued progress in operating discipline and execution, positioning us well to drive durable, profitable growth and sustain shareholder value.

With that, we will now open the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Brian Nowak, Morgan Stanley.

Brian Nowak - *Morgan Stanley - Analyst*

I have two. The first one, I appreciate all the color on the macro trends throughout the quarter. Can you talk just a little bit about what you've seen in April and sort of the start in May from a macro perspective and what you've embedded in the guide on room nights? That's number one.

Then the second one, kind of highlight a little more on the US, specifically throughout the first quarter. It looks like you may have grown slower than a couple of your peers in the US. Has there anything changed from a competitive perspective? And how do you think about sort of investing to drive faster growth in the US throughout '26?

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

Yeah, absolutely. Maybe a couple of things. I'll start and then hand it over to Ariane. We started with a strong January and February posting a strong healthy room night growth and bookings growth across both our consumer and B2B businesses in line with the prior quarter.

In March, we experienced a slowdown with the rising cancellations in select corridors. First, with the announcement of travel advisories in Mexico; and second, with the conflict in the Middle East. The region's most impacted, as I indicated in my prepared remarks, APAC and EMEA outbound, which particularly impacted our B2B business.

Domestic travel, largely in our consumer business, remained resilient during this time in our core regions. And additionally, I'd add, we saw some resilience for more price-sensitive travelers as well as continued strength at the higher end of the market. And while we saw a spike in March, cancellations have normalized in April and bookings have improved in the month of April.

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

And on the US, I would say if you just look at the US on domestic bookings, the US domestic bookings actually accelerated and grew in the mid-teens. US domestic nights were stable, and we grew faster than the market overall. Those numbers would have been stronger absent the pressure that we had on outbound demand, in particular, outbound to Mexico when they were the travel advisors to Mexico.

We were particularly good about the performance of Vrbo and how Vrbo was able to grow in the quarter. At the same time, the B2B growth decelerated, and that was, as Scott said, due to moderation in promotional activity from some of the largest partners that we have following what they've done in the fourth quarter, which was more elevated promotional intensity.

So overall, in the US, I would say the consumer sentiment -- consumer has been remarkably resilient. Certainly, it's our backyard. It's where we're investing, and we feel good about where we are.

We certainly look at room nights, we look at bookings from sort of low star all the way up to high star. And just like in all of our marketing, we're disciplined. We look at where we can have the best returns, and we make a balanced decision.

Operator

Eric Sheridan, Goldman Sachs.

Eric Sheridan - *Goldman Sachs Group Inc - Analyst*

And Scott, first, thanks for everything and wishing you the best going forward. Maybe building on Brian's question and just coming out from a different angle, how do you think about the health of your consumer-facing brands as we get deeper into 2026? And talk to us a little bit about the amount of spend needed in support of brand and direct traffic initiatives rather than maybe performance marketing initiatives when you think about the mix of your marketing dollars in support of growth. Thanks so much.

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

Sure, Eric. I'll start on that one. First, I feel really good about where the brands are right now, in particular relative to where they were two years ago. When I stepped into this role, I sort of said we're going to go back to the basics on our brands. We're going to make sure that they have clear value propositions, position them well.

We're then going to pull that through into our marketing, into our product into our supply, and we're going to be very disciplined to make sure that we're getting the returns that we want, where we're spending our money. Brand Expedia is in a great spot. It's growing well. It's very clearly the one-stop shop. It had a strong quarter with air ticket growth.

I talked about what we're doing in vacation rentals and how that unified lodging path is doing well. That wasn't here a year ago. We're at record levels of attach and insurance. So I feel good about where Brand Expedia is.

Vrbo similarly, it had a great quarter we're positioning it as the trusted pure-play vacation rental brand. We filled some gaps that we had a couple of years ago. Last year, we started to have the promotions, which is now a third of the bookings. We've extended VrboCare. We've really done a lot of things to position that brand well as the trusted VR brand.

And then on Hotels.com, we relaunched the brand last year. We have strong brand metrics from that, and we're still working on adjusting the loyalty program on Hotels.com, but again, we're pleased where we are.

With all of that, making sure we have the right positioning, the right product, the right supply, then it's a question of what is the marketing mix. We certainly have a mix of brand spend and then performance spend.

On brand spend on Expedia, we just last week did a partnership with a big creator, big YouTuber Speed, which is really all about getting after the Gen Z audience. Similarly, in the other brands, we have plenty of upper funnel spend. And a lot of the efficiencies that we're seeing is coming out of performance and better understanding the incrementality of the returns in performance.

Certainly, on brand, we're getting benefits and leverage from using AI and creative and the like. But I would say we're keeping that balance. And the better we are at understanding returns on performance spend, the more we also are balancing between upper and lower funnel.

Operator

Justin Post, Bank of America.

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

I'll dive into marketing. You're seeing continued really strong leverage there, better than estimates. How are you thinking about the efficient frontier? And could you be driving room nights faster if you wanted?

And then second, you're going to lap that step function improvement in the third quarter. Do you think you could still drive marketing improvements as you think about the back half? Thank you.

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

Yeah, a couple of things. Let me start with, first off, the marketing leverage piece. I think kind of following on from what Ariane just said, much like in Q3 and Q4 of '25, we continue to demonstrate strong marketing discipline and improved efficiency and returns across and between channels. And we've spent a fair amount of time reallocating between channels and countries and getting sharper.

Our capabilities and improved targeting and measurement capabilities allow us to more dynamically reallocate spend across channels and markets, reducing investments in lower-performing areas while concentrating spend where returns were the strongest.

AI has helped us do this. It's helped us do more tests, deliver more gains across both paid and unpaid channels. And as you call out, as we look to the second half of the year, we expect marketing efficiency to moderate as we lap the elevated levels of leverage that we got the back half of '25. I indicated that on the last call as well.

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

Yeah. The way I would think about it is there's some of the work that we've done that is going to be durable. So the work that we've done to better understand returns, to understand incrementality, to move money from one place to another, that is durable.

Raising the bar on the levels of returns we're expecting and taking out unprofitable spend, there were lower profitable spend that, as Scott said, is something we will lap over. As we go forward, what I'm looking to the team for is to make each dollar of marketing count by improving our product experience, by improving how each marketing dollar then lands into the product converts. And that's where we're going to see benefits down line that what we're driving towards.

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

Yeah. I would -- let me double-click on one of the questions that was embedded in there. Just growth on the table, we actually don't believe we left meaningful growth on the table, which is remarkable given our consumer brands are growing GBV at 10% and the margin expansion we delivered reflects the work we've done to improve those efficiencies across the business from marketing to cost of sales to overhead, and we tend to be very disciplined in how we allocate those funds.

When you look at the top line, as I said, our consumer business growth grew about 10% this quarter, the strongest growth in nearly eight years, while we've cut marketing spend in the consumer business of 7%. And even then, as we look at that, we haven't really cut -- I don't think we've left much growth on the table at all.

And just shout out to the team. They did a great job to better understand the returns, reallocate the spend, and optimize the channel mix. So while we could have spent more, but the incremental return didn't warrant it.

Operator

Jed Kelly, Oppenheimer.

Jed Kelly - *Oppenheimer & Co Inc - Analyst*

Great. Just circling back on the partnership with Uber. Can you sort of dive into sort of how sort of some of the economics potentially work? Like should we expect more of these larger partnerships with larger companies that could drive higher volume to your B2B segment? Can you just dive into that? Thanks.

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

Yeah. Thanks for the question, Jed. Look, we are excited to be the exclusive hotel partner for Uber, and it's a testament to the strength of our B2B business, the strength of the technology, the team, the supply. I'll just remind everyone our B2B business has been growing fantastically for many quarters in a row, and we have a lot of big-name partners that we power. So we're thrilled to have Uber. There are lots of -- it's not our first big partner that we power.

The way we think about this deal is, look, our supply partners or hotels, they're going to benefit from it because they will get incremental demand, all with the one pipe that they have or the one connection to us. It's a net positive deal for us. It's a deal that's first launching in the US and then it's going to expand further.

And in fact, Uber is strong in some of the -- some regions where our brands aren't as strong, so that's going to give us access to that demand. And like with anything in our B2B business, I'm always pushing the team on acquiring new partners or partnering with new companies. I mentioned Bank of Montreal, AIR MILES, we have Uber.

It's really about how do we continue to build up our partner network which then creates a virtuous cycle because it's great for our supply partners. They get incremental demand. It's great for the B2B partners. And it also creates the flywheel, helps all of our content get even better.

Jed Kelly - *Oppenheimer & Co Inc - Analyst*

Great. And just as a follow-up, just on the cost for the back half. Is there anything we should be thinking about AI investments around higher token costs, token usage? Anything around there that could inflate the cost? Thanks.

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

So we'll get to next -- the second half in the next earnings call, but a couple of thoughts ahead of that. Definitely, we're seeing the use of AI and the associated costs, broadly speaking, increasing. The team has done an excellent job managing their overall cost to include a number of reductions that we've made across multiple teams over the course of the last year. And that's left us room in our cost structure to be able to absorb that and deliver the margin expansion that we've talked about. That will moderate next as we cross into the second half of next year of this year.

I expect token costs to go up we're going to be adding back skills that we need to optimize our AI plans. And I think that will put some upward pressure on costs. But I think the teams have done a good job continuing to take costs out. So it's kind of a mix of productivity to pay for additional investments in AI.

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

And I would just add because I'm spending a lot of time with the team on AI adoption internally, is we are not constraining ourselves. That being said, we're certainly pressurizing our usage. So like with everything we're doing, we're being disciplined. And I think you've all seen that since I became CEO a couple of years ago, it has been a top priority to run the company efficiently. So it is invest in the areas we see growth and drive efficiency, which is why we can do both at the same time.

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

And also keep in mind that we're working not just on engineering costs. We're working on every cost bucket in the company, in particular, overheads and cost of sales. And we've done really nice work over the course of the last year-ish, and that dynamic will continue.

Operator

Ken Gawrelski, Wells Fargo.

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

Could we dig a little bit into the B2B segment? You talked about some of the dynamics in the quarter that seem more kind of macro related. But could you also talked about some of your partners pulling back on their promotional activity? Could you just elaborate a little bit more?

And within that, were there any meaningful changes in customers or partners either in 1Q or as you look into the second quarter? And then maybe just expand on that as you saw the business recover in April on the core bookings side, are you seeing similar on the B2B side and any differences you might be seeing from the B2C versus the B2B side in April and anticipated in 2Q? Thank you.

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

Well, happy to start. B2B had another solid quarter, obviously, grew 22%. And just as a reminder, about two-thirds of the bookings in B2B are outside of the US. So it was more impacted than our consumer business with the conflict in the Middle East. Saw more cancellations, especially in Europe and Asia in March. And then it's recovered since in the same way that Scott talked about cancellations that is dissipating in the month of April.

The performance in the first quarter was like all of the quarters we've had recently. It's winning wallet share. It's better using the supply. I talked about the fact that we added 10% more properties, and B2B consumes that, and then the marketing campaigns with some partners. So they're still investing in marketing campaigns. It's just that there was a more elevated level of investments in the fourth quarter.

And look, this is an industry that's always been competitive. I mentioned a couple of partners that we've added. I always tell the team, they're going to be deals we'll lose. There are deals we're going to win, but you want to be on the net positive side of that.

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

Yeah. I mean, just a couple of things from a line of business standpoint. API was again the largest contributor to growth, and B2B continued to benefit from the elevated promotional activity, as Ariane highlighted, from some of our largest partners, but it's at a decelerating rate of growth. And so the contribution to growth for B2B from that is less this quarter, and we expect it to be a bit less next quarter.

I think the other dynamic is Template and TAAP, also delivered healthy growth each in at least kind of the mid-teens growth levels. So we feel good about the breadth of kind of the lines of business within B2B that continue to perform, and we're clear eyed about what we can expect as we go forward.

Just to pick up a couple of your point on the quarter or the kind of April to kind of throw March and April into the bucket of between the two highly volatile and highly dynamic. And that kind of informed how we thought about the rest of the quarter. What you see is a lot of different metrics moving very differently, suddenly some of it you can kind of see coming given the dynamics with Mexico or the Middle East, but some just consumer behavior changes. And so that informed our guide as we think about Q2 and why we didn't necessarily want to get into a full-year guide at this point.

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

And maybe just adding one last thing about B2B, which is a more macro point, which is we've talked in previous quarters about our ambition in building out more lines of business in B2B to become a one-stop shop. And we continue to work on that to make progress. And we're doing that in the context at the company level of expanding our margins. So we're finding opportunities to find cost savings in some places and then reinvesting it in B2B and in a few other areas as well.

Operator

Kevin Kopelman, TD Cowen.

Kevin Kopelman - *Cowen and Company LLC - Analyst*

Great. I wanted to follow up on the Uber deal, which seems like it could be pretty meaningful for B2B. Could you talk about how you think about incrementality? How you got comfortable especially in the US with the incrementality of that deal? And how you balance the focus on B2B growth versus enabling a potential competitor? Thanks.

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

Sure. I always think that each of our brands, and I'm going to put B2B as a brand. Our three big consumer brands and B2B have to stand on their own with really strong value propositions. Expedia needs to stand on its own as a one-stop shop where you can bundle and say, you package things together, you've got a great loyalty program.

Vrbo needs to stand on its own. I'm not going to go through each of them, but they each need to stand on their own.

B2B as a value proposition, which is we're going to power all of these other companies. And again, my view is that, that creates a beautiful flywheel that helps all of the assets across the company that powers all of our brands. So when we looked at the deal, we said, look, it makes economic sense for B2B and for the P&L, and it expands the size of our marketplace.

At the same time, of course, we've got leaders of each of the three big consumer brands, and they're working through how do they make sure that of the two-thirds of bookings that come directly to them, they're continuing to make those customers more loyal. Obviously, I talked about we've got the silver members and above that are growing quickly. How do we keep on adding value in our consumer business to our loyal members so they come back, we retain them more, they retain more, and that's the work of the consumer brands.

Operator

Deepak Mathivanan, Cantor Fitzgerald.

Deepak Mathivanan - *Cantor Fitzgerald LP - Research Analyst*

Ariane one for you, and then Scott, one for you. Ariane, I realize that the traffic from AI channels is still very small. I think you noted new users and conversion are all very good. But can you expand on the efforts to capture this traffic and potentially make them into repeat customers? I know it's early days, but curious on how you are approaching from a product strategy here.

And then, Scott, can you expand on the drivers of B2C bookings growth? Perhaps share additional color on the trends by brand that's enabling a pretty strong growth in 1Q? And how should we think about kind of the sustainability of this in the second half? Thanks so much.

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

Yes. So with each of these AI channels, whether it's Gemini, whether it's ChatGPT, Claude, it's about making sure that our brands show up well there and then making sure that where we can, we then get traffic we can land into our own brands. Now some of that is answer engine optimization, and I talked about the work we're doing there. It's the fastest-growing channel for us. Still very small, but it's the fastest-growing channel.

And then there are integrations that we can do. We did an early integration with ChatGPT. We're now integrated and live with Claude. And again, these are still early days, but what we're learning from them is what is the user behavior, how do we most seamlessly land them into our apps which, by the way, it's similar to what we've always had in performance channels where it's not only about getting the eyeballs on your ads or on to your brand, but also perfecting how you land them into your product, so that it's a seamless experience. So that you can get them to convert and then come back direct.

So again, it's early days. The teams are experimenting a lot. I expect we're going to continue to experiment over the quarters to come. It's a fast evolving space. But it's one that we think is a great opportunity for us to bring new travelers into our brands and then make them direct returning customers.

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

Yes. A few thoughts on B2C. Our consumer business delivered strong growth this quarter with all of the brands contributing actually. As I called out earlier, excluding the COVID period, the last time our consumer business grew bookings 10% was Q2 of 2018. And again, it was across all the major brands.

Brand Expedia continued to deliver steady performance and was the primary contributor of the Q1 growth. We feel really good about positioning that business is in.

Vrbo continued to show strong momentum with improvements in traffic, quality and conversion, as well as the overall shopping experience. And of note, our recent capabilities that we launched around supplier funded promotions, as I think Ariane called out in her prepared remarks represent over a third of bookings at this point for the quarter.

Stepping into margins. Consumer margin expansion reflects the marketing leverage and the disciplined cost management of all the line items, but in particular, marketing, driven by the benefits that we saw from targeting that I mentioned earlier, measurement and channel optimization. And as we think about going forward, we're on a nice arc of growth from a year ago that wasn't great to where we are today. We feel wonderful about and we see that continuing.

Think the dynamic that we're going to adapt to manage is the margin dynamics as we start to lap second half in particular due to the cuts in marketing that we made last year that will start lapping.

That's probably the biggest change and what things will look like next -- in the second half.

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

And the main thing we need to do is to continue to find more ways to deliver value to travelers. If we create great product experiences. If we become truly personalized travel agents for people, they will come back to us. We will repeat more and the consumer brands will grow. Each of the three brands is in a different spot, but I can tell you that everyone in this organization from a product to tech to marketing to supply, servicing, we are all focused on creating great traveler experiences so that people come back to us in the long term.

Operator

Alex Brignall, Rothschild & Co Redburn.

Alex Brignall - *Rothschild & Co Redburn - Analyst*

You talked a lot about AI in your opening remarks. And the direction of travel in the last weeks and months seems to be away from commerce and AI and towards and even away from some sort of (inaudible) to sort of CPC being predominantly certainly where open AI is headed.

Could you talk a little bit about that? We've heard the big hotels try to talk up their own native apps. But it feels like we're going towards a very similar plays. I think Hilton alluded to this, a similar case to where Google has landed after a long-time experimentation. So could you talk about how you feel about that as the direction and how that would affect your business? Thank you.

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

Well, I would say I'm not totally surprised on OpenAI's decision to scale back but we always experiment, we're going to continue experimenting because things are moving so fast. What we know and what other hotel chains and other OTAs know is travel is complex, from bookings to payments to servicing. It takes expertise built up over time.

And I think the decision and what we're seeing on the pullback in checkout reinforces our view that AI can be a powerful discovery layer but the actual booking and servicing is best handled by really a trusted scaled provider. And to the extent that the market evolves in that way, and it becomes more of a paid advertising, that's a space we know well. We're an expert in that over the year for many years. And I think that that's a net positive for us.

Again, no matter how it evolves, we're going to make sure we're there and we're playing, but I'm not totally surprised by the way it is evolving.

Alex Brignall - *Rothschild & Co Redburn - Analyst*

And just as a follow-up in a slightly different, Scott. I think in your remarks, you said that your growth continued in line with Q4 in the early sort of January and February and then lots of decelerated materially because of both Mexico in the market has picked up in the Middle East. And then reaccelerated in April? Or was that just a referral to cancellations? Anything you can give on this February, March, April.

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

Both bookings expanded in April as did and cancellations reduced, but I'd call out that there's like a number of things that are complicating that in terms of the volatility around other metrics. So we feel good about April. We're off to a good start for the quarter. But our outlook expects that we will take some -- that there'll be further volatility as we go through the rest of the quarter.

Alex Brignall - *Rothschild & Co Redburn - Analyst*

Okay. And sorry, just to be clear, my statement about January and February looking like Q4, is that what you were suggesting? Thank you.

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

That's correct. That's correct. So we called out both Mexico -- both Mexico and EMEA cost us about 2 points for the total quarter. So just I'm sure math, we're somewhere around 5% of an impact in March.

Operator

Naved Khan, B. Riley Securities.

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

Two questions for me. Maybe just coming back to the Uber partnership, Ariane. So the use case of Uber is usually -- people are doing a travel or at the time of travel, right? So how should I think about them -- or Uber being used to book a hotel when hotel bookings typically are booked sometimes months in advance. Just give us your thoughts on that.

And then I think you also called out a $1 billion run rate for vacation in Expedia. Is that the revenue or booking just wanted to clarify that I think should be revenue? Correct me if I am wrong.

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

Yes. The second one is bookings, and it's the VR just on Expedia. Obviously, it excludes Vrbo. On the Uber partnership, I think you probably want to ask Dara and his team thinking about booking a hotel on Uber.

But what I would just say is, look, there are a lot of use cases for obviously people using the Uber app and whether it's last-minute bookings or something else, it's probably more of a question for them. When you look at the B2B partners that we power, we power the hotel programs for a lot of airlines. And in fact, what we find is that people are using their airline loyalty points in order to book a hotel.

We power hotel for corporate travel companies, and sometimes that's at the time the flight, sometimes it's standalone. So what's, I think, incredible about the B2B partner network is we've got this diversity of partners and each of them is figuring out how does hotel or lodging fit into their use case. And if there was one thing I'm confident in is that partners typically are very motivated to grow and so they figure out where is the right place in the customer journey to surface hotels or lodging.

Operator

Conor Cunningham, Melius Research.

Conor Cunningham - *Melius Research LLC - Equity Analyst*

Maybe a clarification first. I'm sorry to get back to the March and April trends that you're talking about. But is it fair to assume that second quarter does have some sort of lingering impact on the bookings figure as a result of the tensions that are in the Middle East? So just, I understand the March dynamic, but April seems like it would be impacted as well. So I just wanted to make sure that I understand that correctly.

And maybe just skipping over to -- like airfares have obviously been on the rise pretty rapidly as a result of like covering fuel and whatnot. Can you just talk about any impact that you've seen on bundling at all? Maybe any comments around demand elasticity just for travel overall, I think that would be helpful. Thank you.

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

Sure. So April rebounded a bit from March. January, February strong for the EBITDA. 2 points of impact for the quarter in March was about 5 points for the month. April rebounded, not fully but pretty good, and we expect in our guide that to have some additional dynamics from EMEA and uncertainty in gas prices and things like that in our numbers.

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

And in terms of the impact on bundling, right, so far, we haven't seen any dramatic shift in customer behavior. But you're exactly right that in a moment in which airfares are going up, the ability to be able to bundle to get deals on hotels, whether you bundle at the time that you buy the flight or later is something that we do think is very attractive for travelers, and it's one of the value propositions of Brand Expedia.

Operator

This concludes the Q&A session. I will now turn the call back to CEO, Ariane Gorin, for closing remarks.

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

Just want to thank you all for joining the call and for your questions. We delivered a strong first quarter ahead of our expectations, and I'm looking forward to updating you all next quarter on our full-year guide with Derek. I want to, as always, thank our teams for their hard work and our partners and travelers for their continued trust in us. Thanks.

Operator

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