

Valuation & the long-term ambition

TTM earnings/share 9.04. At 190, that is a TTM P/E of 21×, roughly the market multiple. Applying the 15% adjusted-EPS ambition, $9.04 \times 1.15 = 10.40$, which at 190 is an 18.3× forward P/E.

“Long term ambition”

8% gross bookings, 8% revenue, 15% adjusted EPS. Careful: the 15% is a buyback promise, not an operating promise. Watch out — the gap between 8% revenue and 15% EPS is share count, not operations.

WHAT GOES INTO ADJUSTED EPS

Net income + impairments + amortisation of intangibles + “adjustments related to transformation costs” + change in equity securities + currency transaction P&L on EUR debt remeasurement.

? The transformation-cost add-back appears in every quarter, always adding, since Q4'24. At what point is a recurring cost an operating cost?

Revenue mix — share of total

SHARE OF TOTAL	Q2'26	Q1'26	Q4'25	Q3'25	Q2'25	FY'19
Merchant revenue	69.7%	66.8%	66.9%	68.1%	65.5%	25.4%
Agency revenue	25.9%	27.6	28.2	28.5	30%	67.2%
Advertising revenue	4.4	5.5	4.8	3.4	4.4	7.4%

May'26: new BKNG Ads initiative.

3Q guidance

Room nights YoY growth 3–5%; gross bookings, revenue and EBITDA 4–6%. Lower than expected, due to lower flight ticket growth.

The Connected Trip

Connected Trip transactions are those where the traveller books more than one vertical. They are a low double-digit percentage of total transactions, and growing faster than overall transactions.³

CONNECTED TRIP	Q2'26	Q1'26	Q4'25	Q3'25	Q2'25	Q1'25
CT transactions growth	low DD%	high teens%	high 20%	mid 20%	30%	35%
CT transactions / total transactions	low DD%	low DD%	low DD%	low DD%	low DD%	high SD%

Rapidly maturing growth. Stable share — cannot outgrow the general growth rate. Dashed sparklines plot ranges written in words.¹

The verticals

GROWTH YOY	FY'25	Q2'26	Q1'26	Q4'25	Q3'25	Q2'25	Q1'25
Room nights	8%	—	—	—	—	—	—
Rental car days	5.8%	-6.5%	-4.9%	2.1%	9%	7.7%	-4
Airline tickets	36.6%	3.7%	28.5%	32.3%	44.2%	44.8%	—
Merchant gross bookings	24.8%	14.5%	24.3%	26%	25.1%	21%	—
Agency gross bookings	-8.7%	-3.3%	-3.1%	-7.6%	-7.5%	-12.8%	—
Total gross bookings	12.4%	9%	15.2%	14.3%	12.8%	7.2%	—

Airline tickets are growing mainly on price, not volume — and acting from a small base. Q2'26: ADR up 2% YoY.

Rental car is highly elastic. The Q2'26 and Q1'26 declines: partner channel issue? Maybe economic travel substitution due to the Iran War. Or just high rental prices — the 2023/24 growth was attributed to lower rental prices.

The merchant model is the Connected Trip machinery

Merchant trend up on a shift in policy: offering flexible transaction terms — payment forms, currencies, timing. However expenses rise with it (personnel, card and bank fees, chargebacks from fraud), recorded in “personnel” and “sales and other expenses”. In theory this impacts margins, but in '25 the incremental revenues from facilitating payments exceeded the associated incremental variable expenses. Other revenue also rises — payment card rebates, recorded in merchant revenue.

“We continue to expand merchant (...) to a) provide more payment options, b) increase the variety of our accommodations and c) enable our long-term Connected Trip strategy.”

A polite description of merchant for alternative accommodation: to avoid the host taking the guest off platform.

The merchant uptrend should improve cash conversion, as BKNG doesn't have to collect from the hotel. Alternative accommodation favours the merchant model, and flights are structurally merchant. The uptrend is a signal of the success of the Connected Trip strategy.

The wonderful side-effect: deferred merchant revenue

Merchant builds a growing pool of deferred merchant revenue on which BKNG earns interest (STIR). The DMR balance builds in Q1–Q2 as summer loads, and drains in Q3–Q4 as stays occur and partners get paid. The trend is to have a lower effect.

DEFERRED MERCHANT REVENUE EFFECT	FY'25	FY'24	FY'23	FY'22
\$ millions	796	1,361	2,742	3,718

DAYS OF MERCHANT GBV	FY'25	FY'24	FY'23	Q2'26	Q1'26
Deferred merchant bookings / merchant GB divided by 365, or by 90 for quarters	14.8	14.1	14.5	17.8	13.7

Genius — the hosts fund the loyalty programme

GENIUS MIX, TTM / TOTAL ROOM NIGHTS	Q2'26	Q1'26	Q4'25	Q3'25	Q2'25	Q1'25	
Level 2 and 3 share	↑50%'s	↑50's	↑50's	mid 50's	mid 50's	mid 50's	

Level 2 and 3 mix of TTM total room nights: higher 50%'s in Q2'26, from mid 50%'s in Q2'25 — and more than 30% of active customers. Also an AI threat defence, plus app special offers.

The Genius programme is brilliant: BKNG has the hosts funding BKNG's loyalty programme.

ROOM	15% GENIUS DISCOUNT	WHO FUNDS IT
\$100	\$85	BKNG funds 15% of the programme
15 · 85	12.75 · 72.25	Hosts fund 85% of the programme

“Genius cannot be 100%, must be a balance for the partner to get value; it must be incremental — to fill that empty room that with Genius is filled, that goes directly to the bottom line.” — CEO

How management talks about it

“Forever there were many ways to discover / explore travel (including social media now and AI)” ... “then can they go directly to the supplier etc (hotel)??” ... “if only was so simple... is a little harder than that.” — CEO

That is the Connected Trip attack move.

“Never was a shortage of ways to do a booking, it is a question of trust.” “60% comes to us directly in the B2C.”² — CEO

→ better service.

“Travelling is like domino: one thing fails, everything falls apart.” — CEO

Used to justify that an LLM planning and shopping is not viable without someone behind it.

Past history of the consumer — that data can be used in the Connected Trip to personalise the experience.

REVENUE MODEL

Revenue model & take rates

\$ MILLIONS	FY'25	FY'24	Q2'26	Q1'26	Q4'25	Q3'25	Q2'25	Q1'25	
Merchant gross bookings	130,025 [†]	104,182	36,996	38,736	30,813	35,737	32,305	31,170	
Merchant revenue	17,755 [†]	14,142	5,127	3,698	4,249	6,131	4,457	2,918	
Agency gross bookings	56,082	61,378	13,961	15,012	12,218	13,932	14,432	15,500	
Agency revenue	7,968	8,524	1,903	1,528	1,791	2,569	2,044	1,564	
Merchant take rate	13.66%	13.57%	13.85%	9.55%	13.79%	17.2%	13.8%	9.36%	
Agency take rate	14.21%	13.88%	13.63%	10.2%	14.7%	18.4%	14.2%	10.1%	

? Why is the take rate lower in merchant? Innovator's dilemma prescription. It is not a margin loss, it is a change in mix. Maybe merchant includes all the low take-rate non-accommodation business (flights) — that drags the average margin down. And merchandising is netted against merchant only.

[†] Corrected in v2, 21 Oct 2026: merchant gross bookings FY'25 130,025 (v1: 130,015) and merchant revenue FY'25 17,755 (v1: 17,715).

Variable contribution

ADDED 21 OCT 2026

Gross bookings

Genius discounts are mainly here.

An eventual price war, here (lower ADR) — if funded by BKNG, then in a lower take rate.

$$\text{Variable contribution, TTM} = \text{take rate} - \text{marketing / GB} - \text{sales and other / GB}$$

$\downarrow$ payment revenues $\downarrow$ toll $\downarrow$ payment processing cost

TTM · \$ MILLIONS	Q2'26	Q1'26	Q4'25	Q3'25	Q2'25	Q1'25	Q4'24	Q3'24	Q2'24	
Gross bookings (GB)	197,417	193,196	186,107	180,240	174,019	168,714	165,580	160,108	156,474	
Revenue merchant + agency	26,996	26,467	25,723	24,883	23,908	22,997	22,666	22,003	21,358	
Take rate revenue / GB	13.67%	13.70%	13.82%	13.81%	13.74%	13.63%	13.69%	13.74%	13.65%	
Marketing	8,709	8,477	8,186	7,834	7,645	7,445	7,278	7,133	7,004	
Toll rate marketing / GB	4.41%	4.39%	4.40%	4.35%	4.39%	4.41%	4.40%	4.46%	4.48%	
Sales and other	3,598	3,555	3,453	3,373	3,223	3,144	3,120	3,020	2,955	
Sales rate sales and other / GB	1.82%	1.84%	1.86%	1.87%	1.85%	1.86%	1.88%	1.89%	1.89%	
Variable contribution, TTM	7.44%	7.47%	7.56%	7.59%	7.50%	7.36%	7.41%	7.39%	7.28%	
Change, bp	-3 ^a	-9 ^b	-3 ^c	+9	+14	-5	+2	+11	—	

a -3 bp, Q2'26. Real drop (cancellations affected Q2 revenues).

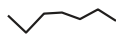
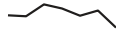
b -9 bp, Q1'26. Timing: in Q1 bookings go up while revenue is not yet recognized, so the drop is mechanical.

c -3 bp, Q4'25. Marketing investments.

YOY	Q2'26	Q1'26	Q4'25	Q3'25	Q2'25	Q1'25	Q4'24	Q3'24	Q2'24	
Take rate	13.80%	9.72%	14.04%	17.52%	13.91%	9.60%	13.99%	17.78%	13.49%	
Toll rate	4.65%	3.85%	4.48%	4.71%	4.58%	3.81%	4.25%	4.95%	4.68%	
Sales rate	1.85%	1.50%	1.93%	2.06%	1.92%	1.50%	2.02%	2.01%	1.98%	
Variable contribution	7.30%	4.37%	7.63%	10.75%	7.41%	4.29%	7.72%	10.82%	6.83%	
Change YoY, bp	-11	+8	-9	-7	+58					

→ Lead indicator for test 1: the YoY change, -11 bp in Q2'26. The TTM moves later: Q3 carries the highest variable contribution, so Q3'26 replacing Q3'25 can lift the TTM even if Q3 itself weakens.

Revenue growth

GROWTH YOY	FY'25	Q2'26	Q1'26	Q4'25	Q3'25	Q2'25	Q1'25	
Merchant revenue	25.5%	15%	26.7	27.4	23.3	29.3	22.2	
Agency revenue	-6.52%	-6.9%	-2.3	-3.9	-6.7	-4.7	-11.3	
Total revenue ex advertising	13.5%	8.1%	16.6%	16.2%	12.6%	16.3%	8%	
Advertising revenue	+11.3%	8.4%	9.3	14	14.5	10.4	6.1	
Total revenue	+13.4%	8.1%	16.2	16	12.7	16	7.9	

Advertising revenue is the most at risk from AI agents navigating, not searching.

Gross bookings are much more affected by lower flight ticket growth than revenue or EBITDA — that confirms the low take-rate of flights.

The four ways a traveller reaches BKNG

- 01 Direct** — mid 60%s. Zero marginal acquisition cost. Higher if B2B is removed from the denominator; it cannot be direct[†] ever, as those customers belong to the partner. Probably growing fast.
- 02 SEO** — organic, unpaid search. BKNG's previous moat; extraordinary at this. They captured a large share of travel queries for free, for two decades. Current state: “decline in traffic”, “SEO channel a small component of our overall room nights”. Forecast: “decline in short to medium term, which may lead to increase spend in paid marketing channels”.
- 03 Paid channels** — buys the click: Google's ad auction, affiliate programmes, referrals, social media, brand marketing, search engine keyword purchase. Booked as “marketing expenses”.
- 04 B2B** — estimates of 196 million rooms TTM (Expedia discloses it at ~170m), 15% of total. Watch if BKNG starts to disclose it; for Expedia it is growing at 23% revenue against 8% for its consumer business. This segment is demand acquired without touching Google.

CFO: two-thirds of traffic comes directly to BKNG, and they pay for one-third.² Facilitating payments on low-70% of transactions.

DIRECT & APP	Q2'26	Q1'26	Q4'25	Q3'25	Q2'25	Q1'25	
B2C direct mix / B2C	mid 60's%	mid 60's	mid 60's	—	—	—	-----
Room nights booked directly on mobile app TTM share	↑50s%	↑50s%	mid 50s	mid 50s	mid 50s	mid 50s	-----

B2C direct mix has been the same since Q2'24, when it was low 60's. Mix of direct bookings: mid 60%s, stable YoY as a share.

The mobile app share is a defence against the AI agentic threat. Different consumer pattern: shorter length, lower accommodation ADR. To keep the share stable while growing, the absolute number of direct bookings is growing also at the same rate.

B2B — the anonymous supply API

The B2B segment is volume being sold with BKNG as an anonymous supply API. Similar to the AI bear case — and BKNG is already being paid for that kind of service. The unit starts formally in Jan'27.

? The doubt is how much. What is the B2B take rate?

[†] Corrected in v2, 21 Oct 2026: “direct” (v1: “dilated”).

BKNG is consolidating the Booking.com, Agoda and Priceline teams into a single B2B, eliminating duplicators and internal competition for the same customer. B2B partners named unofficially: Citi Travel, Apple, MSFT, American Airlines, Southwest, Lufthansa, AF/KLM, Emirates. B2B is a “great future” in the CEO's remark.

Expedia's B2B margin is 240 bps above its consumer take rate of roughly 10–13%, and also growing double digit. If BKNG's is built on Agoda's B2B technology as it seems, Agoda is a net-rate merchant — buys inventory at net rate and sells to the partner at a marked-up rate — so similar economics to Expedia. Against that, our CFO's comment: “B2C unit economics are much higher.” With Agoda, Priceline and Booking together, partners may lose negotiating leverage once the three brands stop bidding against each other, which lifts the B2B take rate.

B2B sits outside the Google auction, at higher margin and high growth — but with no direct traffic, an invisible layer to the end customer.

“Not so much about proprietary data, but live, accurate, right-away data — what the partner wants. More about the relationship with the partner to boost sales. The secret sauce is the relationship.” —

CEO, periphrasis

Alternative accommodation

The attack on the ABNB pie.

ALTERNATIVE ACCOMMODATION (AA)	Q2'26	Q1'26	Q4'25	Q3'25	Q2'25	Q1'25	
Room nights booked — AA mix	37%	38%	36%	36%	37%	37%	
AA listings growth YoY	8%	9%	8%	10%	8%	9%	
Global room nights growth	5.2%	6%	9.2%	8%	7.7%	7.4%	
AA room nights growth	4%	5.5%	9%	10%	10%	12%	
Global average daily rates (ADR) YoY	2%	1%	1%	1%	-1%	1%	

An accelerating trend broken by the Iran War. ADR: Europe push up, Asia push down.

Why is AA growing below global room nights?

The numerator is Booking.com; the denominator is Booking.com + Agoda + Priceline. So no AA weakness is required for the growth to be less in AA. The Q2 explanation is faster growth in Agoda and Priceline — the US was the fastest region in Q1 and Q2.

AA listings growth is greater than AA room nights growth — demand is not catching up.

Q2'26 AA room nights up 4% YoY, affected by middle-east events and US low penetration; lower than the overall 5.2%.

Geography and supply

Alternative accommodation is very strong in Europe, less in Asia (the cultural focus is on hotels), and the US is relatively smallest — an opportunity to grow there. More supply: 8% listing growth YoY, an indicator of future growth.

Regional room nights are based on the region of the traveller: “increased demand in Europe” means Europeans booking anywhere in the world.

The moat

8.6 million listings require aggregation, maintenance and regulation compliance to be a merchant of record — much more complex than loading a database. Strong value proposition on the supply side (discoverability, reliability etc), and also on the traveller side: that 90% of small properties.

The 36% AA share of BKNG room nights is greater than three-quarters of total ABNB room nights.

Still now 90% is coming from alternative accommodation, independent hotels and small chains — still very fragmented, only 10% from big chains. That matters for the loyalty programme.

Demand, regions and resilience

“General travel” is one of the most resilient categories in consumer discretionary. When there is a geopolitical disaster, the initial reaction is cancel and wait; after the shock, demand comes back. March–May travellers were careful, but from June demand picked up in a strong way.

The indirect impact runs through jet fuel prices and airline ticket prices, and that is more of a change in behaviour: far less long-distance travel, more domestic travel — more so in the UE and Asia.

Q2 change: the US is the strongest travel market, when a couple of years ago it was the weakest among the largest. CFO in Q2: “focus on US growth”.

Travel is still 70% online, 30% offline.

AI & competition

BKNG's AI experiments run from booking upwards; Expedia's run from planning downward. BKNG is starting from where they have a conversion baseline.

THE TRAVEL FUNNEL

Inspiration → Planning → Shopping / comparison → Booking → In-trip → Post-trip

↑ BKNG MARKET

Inspiration and planning feed into comparison, shopping etc. Top-of-funnel is inference-expensive and hard to monetise — long conversations with people who may never book. Bottom-of-funnel AI attaches every dollar of inference cost to a transaction that is clearly converting.

Expedia is retreating from end-to-end

Expedia (Romie) is end-to-end — inspiration → booking → support — which creates a huge liability surface if it is wrong. They are abandoning this for specialised multi-agents, each calling a deterministic API rather than generating facts from an LLM. It sits on the front-funnel. Expedia abandoning end-to-end attacks the bear thesis of AI taking all the funnel.

Lola and the West Coast venture are managed as greenfield investments outside BKNG — the innovator's dilemma framework, and the Priceline 2005 strategy with Booking.com as a startup.

What is actually arriving

CFO: LLM traffic coming to us is very small, under 1% of traffic, paid and unpaid. People do research outside, as always.

Five AI customer-facing tools, two of them startups. Two start at the planning phase — in the fall? — which is top-of-funnel down, like Penny. One is Booking.com bottom-up, as the website is so optimised they don't want to mess up customer conversion.

BKNG's target with AI: make travel planning frictionless — you give a set of complex requirements, it offers solutions based on your desires and previous history. Currently Penny does something like that, on a very small sample.

The CEO's ambition for AI

Predict problems before they happen (flight delay etc) and automatically fix them or propose alternatives, even before the customer notices. For example: you bought a museum and a boat trip through Booking.com; AI can see two days ahead what the weather would be and make changes — the museum on the rainy day, the boat on the sunny day. Suggestions based on your booking history — going to lakes, to see castles etc. That data is the moat.

“Trying to use AI to predict problems before happening.” “Worry about the token cost.” – CEO

“There is not such thing as a moat.” “There is not such thing to be protected against innovation.” “Every day we got to fight it.” – CEO

Instant Checkout

Instant Checkout (ChatGPT) launched Sep'25 and closed Feb'26; it failed. People research in the assistant and book where they trust. ChatGPT then launched CPC — a mirror of Google's relevance-weighted auction. ChatGPT tried being Expedia, ended Google.

Unit economics, opex & seasonality

EBITDA margin (including SBC) is 1.7× peers like Expedia and ABNB — more than 70% higher than the largest peers. A balance between growth, investment and margins.

MARGIN	Q2'26	Q1'26	Q4'25	Q3'25	Q2'25	Q1'25
Operating income margin	34%	23%	32%	38.7	33.1	22.3

The seasonality claim: up to Q3, seasonality up.

Seasonality

Revenue is recognised at check-in, and accommodations in Europe and North America peak in Q3 summer and are lower in Q1. There is different timing when they record marketing expenses and the associated revenues, so Q3 profitability is up and Q1 profitability down.

In addition, the length of the booking window — from booking to travel beginning. Gross bookings are recognised when the booking is done; revenue is recognised at check-in. The 2025 booking window was lower than 2024.

RATIOS	FY'25	FY'24	Q2'26	Q1'26	Q4'25	Q3'25	Q2'25	Q1'25	
Marketing efficiency marketing expense / GB	4.4%	4.4%	4.65%	3.84%	4.49%	4.71%	4.58%	3.81%	
Competitor / merchandising pressure revenue / GB	14.5%	14.3%	14.4%	10.3%	14.8%	18.1%	14.6%	10.2%	

Operating expenses

OPEX GROWTH YOY	FY'25	FY'24	Q2'26	Q1'26	Q4'25	Q3'25	Q2'25	Q1'25	
Marketing	12.5%	7.5	10.8	16.4	22.3	8.8	10.3	10.4	
Sales & other	10.7	13.7	4.8	14.5	10.7	17.2	9.6	3.5	
Personnel (incl. SBC)	1.5	1.8	0.4	28.9	1.9	8.9	11	-16.1	

The remaining lines — G&A, IT, D&A, impairment, transformation costs — are the tail. Opex is dominated by three categories: marketing 45% of total opex, sales 19%, personnel 19%. Those three are 83% of opex.

Transformation programme: additional savings raised from \$550m to \$650m, with the main savings in procurement.

Cash flow

\$ MILLIONS	Q2'26	Q1'26	Q4'25	Q3'25	Q2'25	Q1'25	
CFO ex SBC, ex deferred merchant revenue	1,199	4,247	7,996	3,701	1,154	1,237	
Adjusted CFO / revenue	16.3%	22.5%	126%	41.1%	17%	26%	

Marketing is expensed at booking while revenue is recognised at check-in, so H1 is cash-consumptive and H2 cash-generative. A slight decline YoY on the cash-consumptive quarters.

Cash, capital allocation & the buyback

Huge cash position: 58% of total assets. Cash minus long-term debt is roughly zero — technically a non-levered company. Not so much, though: a lot of that cash is due to deferred merchant bookings. More accurate: 18.2b of long-term debt against 29.7 of total assets = 61%.

Total equity is negative and increasingly negative: FY'22 +2,782 → Q2'26 -10,783.

SHARES OUTSTANDING	Q2'26	'25	'24	'23	'22	
Number of shares	770	816	852	913	1,001M	
Change	-5.6%	-4.2%	-6.7%	-8.8%	—	

An aggressive buyback initiative. Fantastic. A company with more than 60% market share, with antitrust concerns on every move they make, returns cash flow to shareholders — a cash cow. H1 2026: \$7.4b of buyback at \$173/share.

Impairments

FY'20: OpenTable and Kayak goodwill impairment of \$1.0b. Those were 2014 and 2013 purchases, total \$4.4b — the impairment is roughly 23% of value, seven years after. Q3'25: additional impairment of Kayak, \$457m. Total impairment is roughly 33% of value.

Management

INSIDER HOLDINGS	FROM	TO	BY SHARES	BY USD
CFO Steenbergen '24 → Sep'26	83,425	59,794	-28%	-18%
CEO Fogel Sep 2022 → 2026	1,184,105	643,674	≈ -45%	\$88.8M → \$109.4M, up +23%

The CEO is not talking about improving margins going forward, but about pursuing opportunities.

Data sources to audit

The CFO mentioned “general travel” as one of the most resilient categories in consumer discretionary. To audit it:

REGION	SOURCE	WHAT IT GIVES
US	CoStar STR, weekly	RevPAR, ADR, occupancy
US	BEA, monthly	PCE services detail → accommodation & transportation services
Europe	Eurostat, monthly	—

Notes on this transcription

- 1 Dashed sparklines plot ranges written in words, not measured figures. The scale used throughout: high SD% = 8 · low DD% = 11 · high teens = 18 · low 20s = 22 · mid 20s = 25 · high 20s = 28 · mid 50s = 55 · high 50s / ↑50s = 58 · low 60s = 62 · mid 60s = 65. The words, not these numbers, are the record.
- 2 The direct mix appears three ways in the notes and each is kept where it was written: the mid-60%’s series, the CFO’s “two-thirds of traffic comes directly”, and the CEO’s “60% comes to us directly in the B2C”.
- 3 Two readings of the Connected Trip share sit side by side in the notes: “growth greater than overall transaction growth”, written beside the definition; and “stable share, cannot outgrow the general growth rate”, written beside the CT / total transactions row. Both are reproduced.
- 4 The verticals growth block carries five quarterly columns against six headings; Q1’25 is blank in the notes, as is the quarterly room nights row.
- 5 Material crossed out in the notebook has been dropped, as intended.