

## Booking Holdings Inc

# Travel spend normalization on arrival; Neutral

Reiterate Rating: NEUTRAL | PO: 3,900.00 USD | Price: 3,540.00 USD

## 4Q bookings beat on ADRs and flights, room nights in-line

Gross bookings/revenue at \$31.7bn/\$4.8bn beat Street at \$31.2bn/\$4.7bn aided by 4% ADR growth, 1% FX tailwind and strong flight bookings. EBITDA at \$1.46bn beat Street (at \$1.44bn), but EBITDA margins at 30.6% were slightly lower vs 30.7%. Booked nights at 230mn (up 9% y/y) were slightly below Street at 231mn, though AA nights were strong vs competitors at +19% (ABNB +12% and VRBO likely negative). 1Q faces tough comps, and while 1Q deceleration was likely expected, Booking guided 2024 bookings (8%+ ex-FX) and EPS growth (at least 14%) below Street at 10%/18%, respectively.

## 1Q outlook below Street; we note possible conservatism

Booking guided to 4-6% 1Q room night growth (vs Street at 10%), with bookings up 5-7% (vs low to mid-single-digit for Expedia). We have been cautious on waning ADR benefits in Europe, which seems playing out in 2024. Booking guided to 1Q EBITDA of \$680-\$720mn (below Bloomberg ests. at \$739mn). We note that Booking is historically conservative with 1Q guidance, room nights grew above 6% in January, and Booking is changing CFOs, so we think 1Q upside is possible (though likely below prior Street ests.).

## Lowering growth outlook, but lower shares aid EPS

We lower 2024 bookings by 2%, lower revenues 3% on lower take rates (more air bookings in mix), but raise adj. EPS by 2% for lower share count. For 2025, we lower our bookings and revenue growth estimates. to 8% from 11%/10% prior, and slightly lower EPS to \$202 from \$203. We now estimate 3-year top line growth at 8% and EPS growth at 14%, down from 10% and 16%, respectively.

## Travel spend normalizing after a strong run; Neutral

Our thesis that the travel sector (esp Europe) would see slowing nights and ADR growth seems to be playing out, though Booking stock has performed well driven by share gains and strong capital returns (new dividend announced on call). While Asia exposure will help vs peers in 2024, we expect Europe nights & ADR growth to slow toward US in 2024, with Asia slowing in 2025, which could limit multiple expansion (for OTA peers as well). The silver lining for OTA sector is slowing nights growth may no longer surprise after 1Q outlooks. Given modest changes to 2023 EPS, our PO stays at \$3,900. Neutral given the AH price of \$3,540 (17.5x our revised 2025E EPS). Income rating to 7 (same/higher) from 9 (pays no cash dividend). Continue to favor other Internet sectors (Advertising, Cloud, eCommerce) for either faster growth or potential acceleration.

| Estimates (Dec) (US\$)    | 2022A  | 2023A  | 2024E  | 2025E  | 2026E  |
|---------------------------|--------|--------|--------|--------|--------|
| EPS                       | 99.80  | 152.18 | 174.48 | 201.71 | 226.48 |
| GAAP EPS                  | 76.47  | 117.38 | 165.09 | 192.13 | 217.10 |
| EPS Change (YoY)          | 117.2% | 52.5%  | 14.7%  | 15.6%  | 12.3%  |
| Consensus EPS (Bloomberg) |        |        | 176.27 | 211.84 | 249.32 |
| DPS                       | 0      | 0      | 36.40  | 39.42  | 41.18  |
| Valuation (Dec)           |        |        |        |        |        |
| P/E                       | 35.5x  | 23.3x  | 20.3x  | 17.5x  | 15.6x  |
| GAAP P/E                  | 46.3x  | 30.2x  | 21.4x  | 18.4x  | 16.3x  |
| Dividend Yield            | 0%     | 0%     | 1.0%   | 1.1%   | 1.2%   |
| EV / EBITDA*              | 28.5x  | 21.2x  | 19.3x  | 9.9x   | 10.1x  |
| Free Cash Flow Yield*     | 4.3%   | 4.8%   | 4.8%   | 5.0%   | 5.6%   |

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 8.

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Timestamp: 23 February 2024 06:00AM EST

23 February 2024

### Equity

#### Key Changes

| (US\$)        | Previous | Current  |
|---------------|----------|----------|
| Inv. Opinion  | B-2-9    | B-2-7    |
| 2024E Rev (m) | 23,699.9 | 23,086.7 |
| 2025E Rev (m) | 26,398.5 | 24,974.3 |
| 2026E Rev (m) | 28,772.6 | 26,997.0 |
| 2024E EPS     | 171.17   | 174.48   |
| 2025E EPS     | 202.73   | 201.71   |
| 2026E EPS     | 234.68   | 226.48   |
| 2024E DPS     | 0        | 36.40    |

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### Stock Data

|                                |                             |
|--------------------------------|-----------------------------|
| Price                          | 3,540.00 USD                |
| Price Objective                | 3,900.00 USD                |
| Date Established               | 23-Feb-2024                 |
| Investment Opinion             | B-2-7                       |
| 52-Week Range                  | 2,382.55 USD - 3,918.00 USD |
| Mkt Val (mn) / Shares Out (mn) | 145,140 USD / 41.0          |
| Free Float                     | 99.6%                       |
| Average Daily Value (mn)       | 888.00 USD                  |
| BofA Ticker / Exchange         | BKNG / NAS                  |
| Bloomberg / Reuters            | BKNG US / BKNG.OQ           |
| ROE (2024E)                    | NA                          |
| Net Dbt to Eqty (Dec-2023A)    | NA                          |
| ESGMeter™                      | High                        |

**ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".**

### Glossary

ADR: Average Daily Rate  
AA: Alternative Accommodation  
ests: estimates  
OTA: Online Travel Agency

# iQprofile<sup>SM</sup> Booking Holdings Inc

## iQmethod<sup>SM</sup> – Bus Performance\*

| (US\$ Millions)            | 2022A | 2023A     | 2024E | 2025E  | 2026E  |
|----------------------------|-------|-----------|-------|--------|--------|
| Return on Capital Employed | 24.6% | 36.9%     | 75.3% | 166.7% | 315.8% |
| Return on Equity           | 89.2% | 29,265.8% | NM    | NM     | NM     |
| Operating Margin           | 28.7% | 27.3%     | 31.5% | 31.7%  | 31.8%  |
| Free Cash Flow             | 6,186 | 6,999     | 6,993 | 7,235  | 8,072  |

## iQmethod<sup>SM</sup> – Quality of Earnings\*

| (US\$ Millions)          | 2022A | 2023A | 2024E | 2025E | 2026E |
|--------------------------|-------|-------|-------|-------|-------|
| Cash Realization Ratio   | 1.6x  | 1.3x  | 1.3x  | 1.2x  | 1.3x  |
| Asset Replacement Ratio  | 0.8x  | 0.7x  | 0.7x  | 0.7x  | 0.7x  |
| Tax Rate                 | 22.0% | 21.7% | 19.5% | 19.5% | 20.0% |
| Net Debt-to-Equity Ratio | 29.3% | NM    | NM    | NM    | NM    |
| Interest Cover           | 12.5x | 6.5x  | 7.8x  | 8.2x  | 8.7x  |

## Income Statement Data (Dec)

| (US\$ Millions)              | 2022A         | 2023A        | 2024E        | 2025E        | 2026E        |
|------------------------------|---------------|--------------|--------------|--------------|--------------|
| Sales                        | 17,090        | 21,365       | 23,087       | 24,974       | 26,997       |
| % Change                     | 56.0%         | 25.0%        | 8.1%         | 8.2%         | 8.1%         |
| Gross Profit                 | NA            | NA           | NA           | NA           | NA           |
| % Change                     | NA            | NA           | NA           | NA           | NA           |
| EBITDA                       | 5,307         | 7,114        | 7,829        | 15,203       | 14,985       |
| % Change                     | 82.9%         | 34.0%        | 10.0%        | 94.2%        | -1.4%        |
| Net Interest & Other Income  | (980)         | (354)        | (415)        | (525)        | (550)        |
| <b>Net Income (Adjusted)</b> | <b>3,998</b>  | <b>5,561</b> | <b>5,838</b> | <b>6,240</b> | <b>6,712</b> |
| <b>% Change</b>              | <b>111.3%</b> | <b>39.1%</b> | <b>5.0%</b>  | <b>6.9%</b>  | <b>7.6%</b>  |

## Free Cash Flow Data (Dec)

| (US\$ Millions)                        | 2022A         | 2023A        | 2024E        | 2025E        | 2026E        |
|--|---------------|--------------|--------------|--------------|--------------|
| Net Income from Cont Operations (GAAP) | 3,058         | 4,289        | 5,524        | 5,943        | 6,434        |
| Depreciation & Amortization            | 451           | 504          | 552          | 573          | 608          |
| Change in Working Capital              | 2,490         | 1,412        | 1,078        | 890          | 1,284        |
| Deferred Taxation Charge               | (257)         | (478)        | (470)        | (570)        | (670)        |
| Other Adjustments, Net                 | 812           | 1,617        | 705          | 826          | 865          |
| Capital Expenditure                    | (368)         | (345)        | (396)        | (428)        | (448)        |
| <b>Free Cash Flow</b>                  | <b>6,186</b>  | <b>6,999</b> | <b>6,993</b> | <b>7,235</b> | <b>8,072</b> |
| <b>% Change</b>                        | <b>145.9%</b> | <b>13.1%</b> | <b>-0.1%</b> | <b>3.5%</b>  | <b>11.6%</b> |
| Share / Issue Repurchase               | 0             | 134          | 105          | 105          | 105          |
| Cost of Dividends Paid                 | 0             | 0            | (1,200)      | (1,200)      | (1,200)      |
| Change in Debt                         | (1,880)       | 1,393        | 0            | 0            | 0            |

## Balance Sheet Data (Dec)

| (US\$ Millions)                       | 2022A         | 2023A          | 2024E          | 2025E          | 2026E           |
|---------------------------------------|---------------|----------------|----------------|----------------|-----------------|
| Cash & Equivalents                    | 12,221        | 12,107         | 8,087          | 5,634          | 6,593           |
| Trade Receivables                     | 2,229         | 3,253          | 3,452          | 3,737          | 3,525           |
| Other Current Assets                  | 1,348         | 1,674          | 1,602          | 1,704          | 1,844           |
| Property, Plant & Equipment           | 669           | 784            | 847            | 914            | 988             |
| Other Non-Current Assets              | 8,894         | 6,524          | 6,875          | 6,875          | 6,875           |
| <b>Total Assets</b>                   | <b>25,361</b> | <b>24,342</b>  | <b>20,862</b>  | <b>18,865</b>  | <b>19,824</b>   |
| Short-Term Debt                       | 500           | 1,961          | 1,961          | 1,961          | 1,961           |
| Other Current Liabilities             | 7,974         | 11,369         | 12,646         | 13,822         | 14,893          |
| Long-Term Debt                        | 12,537        | 12,822         | 11,811         | 11,811         | 11,811          |
| Other Non-Current Liabilities         | 1,568         | 934            | 1,251          | 1,251          | 1,251           |
| <b>Total Liabilities</b>              | <b>22,579</b> | <b>27,086</b>  | <b>27,669</b>  | <b>28,845</b>  | <b>29,916</b>   |
| <b>Total Equity</b>                   | <b>2,782</b>  | <b>(2,744)</b> | <b>(6,807)</b> | <b>(9,979)</b> | <b>(10,092)</b> |
| <b>Total Equity &amp; Liabilities</b> | <b>25,361</b> | <b>24,342</b>  | <b>20,862</b>  | <b>18,865</b>  | <b>19,824</b>   |

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 8.

## Company Sector

Internet/e-Commerce

## Company Description

Booking Holdings (formerly Priceline) is an online travel business offering price disclosed and opaque airline tickets, hotel rooms, rental cars, vacation packages and cruises. The company generates the majority of gross profit from its International brands. Booking Holdings operates Priceline.com, Booking.com, Kayak.com, Agoda.com, Rentalcars.com and OpenTable.com.

## Investment Rationale

Booking is a leader in the European travel mkt and has an opportunity to leverage its Booking.com platform and customer base to gain share in North America, Asia and LatAm. The company is also pursuing a large opportunity in alternative accommodations. However, we think travel spend will slow in 2024, driving deceleration in growth and limiting stock multiple expansion.

## Stock Data

Average Daily Volume 250,848

## Quarterly Earnings Estimates

|    | 2023   | 2024   |
|----|--------|--------|
| Q1 | 11.58A | 13.00E |
| Q2 | 37.66A | 41.87E |
| Q3 | 72.25A | 82.86E |
| Q4 | 32.04A | 38.13E |

## 4Q Positives and Negatives

### Positives:

- **Bookings beat Street with growing percent of direct bookings:** Bookings at \$31.7bn were roughly \$500mn above Street. Versus peers: 4Q bookings grew 16%, above Airbnb at 15% and Expedia at 6%. In 2023 over 49% of room nights were booked through Booking's apps which was 5pts higher y/y.
- **EPS beat with lower ad spend aided by direct traffic.** 4Q EPS at \$32.00 beat Street at \$28.40 due to lower-than-expected ad spend (high quality bookings). The % of direct traffic to Booking's B2C business increased to 62% in 2023, reducing dependency on Google.
- **Better marketing and merchandising ROI:** Marketing and merchandising combined as a percentage of gross bookings in 4Q was about 15bps lower y/y, due to higher direct traffic mix and better performance marketing ROIs.
- **Alternative Accommodation room nights share growth:** For AA, Booking reported nights booked growth of 19% in 4Q, and 24% for all of 2023, which compares to Airbnb at 12% in 4Q and 14% in 2023, and our estimates for Expedia at down double digits.
- **Strong capital returns and now a dividend:** Booking repurchased \$10bn of shares (9% of 2022YE share count), with \$2.4bn in share repurchase in 4Q. Booking has another \$14bn remaining in repurchase authorization. Booking also announced a quarterly dividend of \$8.75/share, which will allow dividend focused funds to buy the stock.

### Negatives

- **1Q and 2024 outlook below Street:** Mgmt. guided to 1Q24 room nights growth of 4-6% y/y, which includes expected deceleration in Feb/March vs January. (Mgmt. indicated that the Middle East conflict will negatively impact nights growth by 1% in 1Q. ) This outlook is below Street ests. at 10% y/y for 1Q. Similarly, Mgmt. guided to 1Q bookings growth of 5-7%, supported by slightly higher ADRs and faster growth in flights (vs Street estimate of 10% y/y). We note that Booking is historically conservative with 1Q guidance, room nights grew above 6% in January, the percent of future 2024 travel already booked has had strong y/y growth, and Booking is changing CFOs, so we think upside is possible (though likely below prior Street).
- **Full year outlook below Street:** Booking guided to bookings growth above 7% and EPS growth at above 14% (which includes a 1% impact from Middle East conflict and 1% FX impact), which was below prior Street at roughly 10% and 18% respectively. We think Street may have to slightly lower top-line growth expectations for Booking, though will likely still anticipate mid-teens EPS growth. We are now at 8% revenue and 15% EPS growth in our model.
- **Higher fixed cost growth:** mgmt. highlighted that fixed expenses are expected to grow low to mid-teens in 2024, though growth will slow in 2025. Bookings' 2024 outlook for EBITDA margin outlook of expansion by less than 100bps y/y was below Street at around 130bps.



## 4Q'23 Actual vs Estimates

Gross bookings of \$31.7bn beat Street at \$31.2bn, and revenue of \$4.8bn was also above Street at \$4.7bn. EBITDA at \$1.46bn beat Street (at \$1.44bn), but EBITDA margins at 30.6% were slightly lower vs Street at 30.7%. EPS at \$32.00 beat our \$28.70 estimate due to higher revenues and lower ad spend. Booked nights at 230mn were below Street at 231mn, and grew 9% y/y, and bookings were aided by ADR strength and strong air bookings.

### Exhibit 1: Booking A vs E

4Q bookings/revenue/EPS(non-GAAP) beat our est.

In millions, except per share data

|                                      | 4Q23           |                |             |
|--------------------------------------|----------------|----------------|-------------|
|                                      | Act            | Est.           | Diff        |
| Merchant revenues                    | 2469.0         | 2408.7         | 60.3        |
| Y/Y Growth                           | 38.7%          | 35.3%          | 3.4%        |
| Agency revenues                      | 2,068.0        | 2,055.8        | 12.2        |
| Y/Y Growth                           | 0.9%           | 0.3%           | 0.6%        |
| Other revenues                       | 247.0          | 242.0          | 5.0         |
| Y/Y Growth                           | 12.3%          | 10.0%          | 2.3%        |
| <b>Total revenues</b>                | <b>4,784.0</b> | <b>4,706.5</b> | <b>77.5</b> |
| Y/Y Growth                           | 18.2%          | 16.2%          | 1.9%        |
| Total operating expenses             | 4175.0         | 3401.9         | 773.1       |
| As a % of Gross Profit               | 87.3%          | 72.3%          | 15.0%       |
| Operating income (loss)              | 609.00         | 1304.6         | (695.6)     |
| Operating Margin %                   | 12.7%          | 27.7%          | -15.0%      |
| Operating Margin % Excl. Options     | 16.1%          | 30.4%          | -14.3%      |
| EBITDA                               | 1,464.0        | 1,434.6        | 29.4        |
| Y/Y Growth                           | 18%            | 16%            | 2%          |
| Total other income                   | (198.0)        | (54.0)         | (144.0)     |
| Net income (loss) before Taxes       | 411.0          | 1,250.6        | (839.6)     |
| Income Tax Expense                   | 189.0          | 243.9          | (54.9)      |
| Tax Rate                             | 20%            | 20%            | 0%          |
| Preferred stock dividend             | 0.0            | 0.0            | 0.0         |
| GAAP Net Income (loss)               | 222.0          | 1006.7         | (784.7)     |
| Proforma Net Income                  | 1,129          | 1,048          | 80          |
| Proforma Diluted EPS (PCLN reported) | \$32.04        | \$29.70        | \$2.34      |
| Diluted Shares Outstanding           | 35             | 35             | (0)         |
| Metrics                              | Act            | Est.           | Diff        |
| Merchant Bookings                    | \$18,400       | \$17,454       | \$946       |
| Y/Y Growth                           | 38.7%          | 31.6%          | 7.1%        |
| Agency Bookings                      | \$13,300       | \$13,891       | -\$591      |
| Y/Y Growth                           | -5.2%          | -1.0%          | -4.2%       |
| Total Bookings                       | \$31,700       | \$31,345       | \$355       |
| Year/Year Growth                     | 16.1%          | 14.8%          | 1.3%        |
| Merchant Rev./Bookings               | 13.4%          | 13.8%          | -0.4%       |
| Agency Rev./Bookings                 | 15.5%          | 14.8%          | 0.7%        |
| Airline Tickets                      | 9,419          | 9,367          | 52          |
| Year/Year Growth                     | 45.8%          | 45.0%          | 0.8%        |
| Hotel Room-Nights                    | 230,024        | 231,710        | (1,685)     |
| Year/Year Growth                     | 9.2%           | 10.0%          | -0.8%       |
| Rental Car Days                      | 15,538         | 16,422         | (884)       |
| Year/Year Growth                     | 10.7%          | 17.0%          | -6.3%       |

Source: BofA Global Research estimates, company report

BofA GLOBAL RESEARCH

## Estimate changes

We lower 2024 bookings by 2%, lower revenues 3% on lower take rates (more air bookings in mix), but raise EPS (Non-GAAP) by 2% for lower share count. For 2025, we lower our bookings and revenue growth estimates to 8% from 11%/10% prior, and slightly lower EPS to \$202 from \$203. We now estimate 3-year top line growth at 8% and EPS growth at 14%, down from 10% and 16%, respectively.

### Exhibit 2: Estimate changes summary table

For 2024, we are lowering bookings and revenues, and raising EPS on lower share count.

In millions, except per share data

|   | 1Q24E          |                |               | 2024E           |                 |                | 2025E           |                 |                  |
|---|----------------|----------------|---------------|-----------------|-----------------|----------------|-----------------|-----------------|------------------|
|   | New            | Old            | Change        | New             | Old             | Change         | New             | Old             | Change           |
| Total Bookings                              | \$42,238       | \$44,002       | (\$1,764)     | \$162,125       | \$165,751       | (\$3,626)      | \$175,844       | \$182,416       | (\$6,571)        |
| Year/Year Growth                            | 7.1%           | 11.6%          | -4.5%         | 7.6%            | 10.3%           | -2.7%          | 8.5%            | 10.1%           | -1.6%            |
| Merchant revenues                           | 2229.0         | 2218.3         | 10.8          | 12820.2         | 12648.4         | 171.8          | 14676.8         | 14643.4         | 33.5             |
| Y/Y Growth                                  | 27%            | 27%            | 1%            | 17%             | 16%             | 1%             | 14%             | 16%             | -1%              |
| Agency revenues                             | 1,769.1        | 1,849.8        | (80.6)        | 9,142.2         | 9,937.7         | (795.4)        | 9,060.8         | 10,530.0        | (1,469.2)        |
| Y/Y Growth                                  | -1%            | 4%             | -5%           | -3%             | 6%              | -9%            | -1%             | 6%              | -7%              |
| Other revenues                              | 268.4          | 263.5          | 4.9           | 1,124.2         | 1,113.8         | 10.4           | 1,236.6         | 1,225.2         | 11.5             |
| Y/Y Growth                                  | 10%            | 8%             | 2%            | 11%             | 10%             | 0%             | 10%             | 10%             | 0%               |
| <b>Total revenues</b>                       | <b>\$4,267</b> | <b>\$4,332</b> | <b>(\$65)</b> | <b>\$23,087</b> | <b>\$23,700</b> | <b>(\$613)</b> | <b>\$24,974</b> | <b>\$26,398</b> | <b>(\$1,424)</b> |
| Y/Y Growth                                  | 13%            | 15%            | -2%           | 8%              | 11%             | -3%            | 8%              | 11%             | -3%              |
| <b>Operating expenses:</b>                  |                |                |               |                 |                 |                |                 |                 |                  |
| Advertising                                 | 1,621          | 1,646          | (25)          | 6,959           | 7,384           | (426)          | 7,366           | 8,052           | (685)            |
| As a % of Gross Profit                      | 38%            | 38%            | 0%            | 30%             | 31%             | -1%            | 29%             | 31%             | -1%              |
| Sales and marketing                         | 653            | 643            | 10            | 3,045           | 2,885           | 160            | 3,411           | 3,353           | 58               |
| As a % of Gross Profit                      | 15%            | 15%            | 0%            | 13%             | 12%             | 1%             | 14%             | 13%             | 1.0%             |
| Personnel                                   | 674            | 693            | (19)          | 2,733           | 2,831           | (98)           | 2,963           | 3,168           | (204)            |
| As a % of Gross Profit                      | 16%            | 16%            | 0%            | 12%             | 12%             | 0%             | 12%             | 12%             | -0.1%            |
| General and administrative                  | 290            | 312            | (22)          | 1,184           | 1,322           | (138)          | 1,277           | 1,452           | (175)            |
| As a % of Gross Profit                      | 7%             | 7%             | 0%            | 5%              | 6%              | 0%             | 5%              | 6%              | -0.39%           |
| Information technology                      | 190            | 191            | (1)           | 787             | 792             | (5)            | 872             | 898             | (26)             |
| Depreciation and amortization               | 136            | 132            | 4             | 552             | 539             | 13             | 573             | 574             | (1)              |
| Stock based compensation                    | 130            | 130            | 0             | 550             | 550             | 0              | 604             | 604             | 0                |
| <b>Total operating expenses</b>             | <b>3,694</b>   | <b>3,747</b>   | <b>(52)</b>   | <b>15,810</b>   | <b>16,303</b>   | <b>(494)</b>   | <b>17,066</b>   | <b>18,099</b>   | <b>(1,033)</b>   |
| As a % of Revenue                           | 86.6%          | 86.5%          | 0.1%          | 68.5%           | 68.8%           | -0.3%          | 68.3%           | 68.6%           | -0.2%            |
| <b>Operating income (loss)</b>              | <b>572</b>     | <b>585</b>     | <b>(13)</b>   | <b>7,277</b>    | <b>7,396</b>    | <b>(120)</b>   | <b>7,908</b>    | <b>8,299</b>    | <b>(391)</b>     |
| Operating Margin %                          | 13.4%          | 13.5%          | -0.1%         | 31.5%           | 31.2%           | 0.3%           | 31.7%           | 31.4%           | 0.2%             |
| Interest income, net                        | (220.0)        | (250.0)        | 30.0          | (930.0)         | (1000.0)        | 70.0           | (965.0)         | (1002.0)        | 37.0             |
| <b>EBITDA</b>                               | <b>\$708</b>   | <b>\$717</b>   | <b>(\$9)</b>  | <b>\$7,829</b>  | <b>\$7,935</b>  | <b>(\$107)</b> | <b>\$8,481</b>  | <b>\$8,873</b>  | <b>(\$392)</b>   |
| Y/Y Growth                                  | 21%            | 22%            | -1%           | 10%             | 12%             | -2%            | 8%              | 12%             | -3%              |
| GAAP Net Income (loss)                      | 372.2          | 358.2          | 14.0          | 5523.7          | 5503.3          | 20.5           | 5943.5          | 6147.8          | (204.3)          |
| Proforma Net Income                         | \$449          | \$435          | \$14          | \$5,838         | \$5,817         | \$20           | \$6,240         | \$6,444         | (\$204)          |
| <b>Proforma Diluted EPS (BKNG reported)</b> | <b>\$13.00</b> | <b>\$12.52</b> | <b>\$0.48</b> | <b>\$174.48</b> | <b>\$171.17</b> | <b>\$3.31</b>  | <b>\$201.71</b> | <b>\$202.73</b> | <b>(\$1.02)</b>  |
| Y/Y Growth                                  | 12%            | 8%             | 4%            | 15%             | 14%             | 0%             | 16%             | 18%             | -3%              |
| Diluted Shares Outstanding                  | 34.6           | 34.8           | (0.2)         | 33.5            | 34.0            | (0.5)          | 30.9            | 31.8            | (0.9)            |
| Merchant Bookings                           | \$23,713       | \$24,112       | (\$399)       | \$95,527        | \$93,080        | \$2,447        | \$109,731       | \$106,111       | \$3,619          |
| Y/Y Growth                                  | 19%            | 21%            | -2%           | 17%             | 15%             | 2%             | 15%             | 14%             | 1%               |
| Agency Bookings                             | \$18,525       | \$19,890       | (\$1,365)     | \$66,598        | \$72,671        | (\$6,073)      | \$66,114        | \$76,304        | (\$10,190)       |
| Y/Y Growth                                  | -5%            | 2%             | -7%           | -3%             | 5%              | -8%            | -1%             | 5%              | -6%              |
| Merchant Rev./Bookings                      | 9.4%           | 9.2%           | 0.2%          | 13.4%           | 13.6%           | -0.2%          | 13.4%           | 13.8%           | -0.4%            |
| Agency Rev./Bookings                        | 9.6%           | 9.3%           | 0.3%          | 13.7%           | 13.7%           | 0.1%           | 13.7%           | 13.8%           | -0.1%            |
| Airline Tickets                             | 10,395         | 10,073         | 322           | 45,026          | 43,736          | 1,289          | 53,220          | 51,172          | 2,049            |
| Year/Year Growth                            | 29%            | 25%            | 4%            | 27%             | 24%             | 3%             | 18%             | 17%             | 1%               |
| Hotel Room-Nights (mn)                      | 290            | 304            | (14)          | 1,126           | 1,157           | (31)           | 1,215           | 1,273           | (58)             |
| Year/Year Growth                            | 6.0%           | 11.0%          | -5.0%         | 7.4%            | 10.3%           | -2.8%          | 7.9%            | 10.0%           | -2.1%            |
| Rental Car Days                             | 21,214         | 21,965         | (751)         | 84,002          | 86,206          | (2,204)        | 94,082          | 96,551          | (2,469)          |
| Year/Year Growth                            | 13.0%          | 17.0%          | -4.0%         | 13.9%           | 15.5%           | -1.6%          | 12.0%           | 12.0%           | 0.0%             |
| EBITDA Margin                               | 16.6%          | 16.6%          | 5bps          | 33.9%           | 33.5%           | 43bps          | 34.0%           | 33.6%           | 35bps            |

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH





## Price objective basis & risk

### Booking Holdings Inc (BKNG)

Our price objective is \$3,900, based on 19x our 2025E EPS + Cash, which compares to Booking's 10-year historical range of 10-24x. We think a forward P/E multiple premium to OTA peers is appropriate given higher quality of earnings, market share growth and strong FCF generation.

Risks to estimates and PO are: 1) a global economic downturn or Global conflicts that reduce travel activity, 2) competition for traffic from Google lowering growth or margins, 3) hotels favoring their own distribution channels, 4) FX volatility, and 5) increased competition from Airbnb, Expedia, and Trip.com. The stock has been subject to heavy volatility in the past based on travel disruptions and this volatility could increase given global conflicts.

## Analyst Certification

I, Justin Post, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

### US - Internet Coverage Cluster

| Investment rating | Company                           | BofA Ticker | Bloomberg symbol | Analyst            |
|-------------------|-----------------------------------|-------------|------------------|--------------------|
| <b>BUY</b>        |                                   |             |                  |                    |
|                   | Alphabet                          | GOOGL       | GOOGL US         | Justin Post        |
|                   | Alphabet                          | GOOG        | GOOG US          | Justin Post        |
|                   | Amazon.com                        | AMZN        | AMZN US          | Justin Post        |
|                   | AppLovin                          | APP         | APP US           | Omar Dessouky, CFA |
|                   | DoorDash                          | DASH        | DASH US          | Michael McGovern   |
|                   | DoubleVerify Holdings, Inc.       | DV          | DV US            | Omar Dessouky, CFA |
|                   | Electronic Arts                   | EA          | EA US            | Omar Dessouky, CFA |
|                   | Integral Ad Science Holding Corp. | IAS         | IAS US           | Omar Dessouky, CFA |
|                   | LegalZoom                         | LZ          | LZ US            | Michael McGovern   |
|                   | Match Group                       | MTCH        | MTCH US          | Curtis Nagle, CFA  |
|                   | Meta Platforms Inc                | META        | META US          | Justin Post        |
|                   | Pinterest                         | PINS        | PINS US          | Justin Post        |
|                   | RH                                | RH          | RH US            | Curtis Nagle, CFA  |
|                   | Roblox Corp. Class A              | RBLX        | RBLX US          | Omar Dessouky, CFA |
|                   | Squarespace, Inc.                 | SQSP        | SQSP US          | Michael McGovern   |
|                   | Uber                              | UBER        | UBER US          | Justin Post        |
|                   | Udemy Inc                         | UDMY        | UDMY US          | Curtis Nagle, CFA  |
|                   | Vivid Seats                       | SEAT        | SEAT US          | Curtis Nagle, CFA  |
|                   | Wayfair                           | W           | W US             | Curtis Nagle, CFA  |
|                   | Wix.com                           | WIX         | WIX US           | Michael McGovern   |
| <b>NEUTRAL</b>    |                                   |             |                  |                    |
|                   | ACV Auctions                      | ACVA        | ACVA US          | Curtis Nagle, CFA  |
|                   | Airbnb                            | ABNB        | ABNB US          | Justin Post        |
|                   | Beyond Inc                        | BYON        | BYON US          | Curtis Nagle, CFA  |
|                   | Booking Holdings Inc              | BKNG        | BKNG US          | Justin Post        |
|                   | Bumble                            | BMBL        | BMBL US          | Curtis Nagle, CFA  |
|                   | Digital Turbine, Inc              | APPS        | APPS US          | Omar Dessouky, CFA |
|                   | Duolingo                          | DUOL        | DUOL US          | Curtis Nagle, CFA  |
|                   | eBay                              | EBAY        | EBAY US          | Justin Post        |
|                   | Etsy, Inc.                        | ETSY        | ETSY US          | Curtis Nagle, CFA  |
|                   | Expedia                           | EXPE        | EXPE US          | Justin Post        |
|                   | Instacart                         | CART        | CART US          | Justin Post        |
|                   | Magnite, Inc.                     | MGNI        | MGNI US          | Omar Dessouky, CFA |
|                   | Snap                              | SNAP        | SNAP US          | Justin Post        |
|                   | Take-Two Interactive              | TTWO        | TTWO US          | Omar Dessouky, CFA |
|                   | Zillow                            | ZG          | ZG US            | Curtis Nagle, CFA  |



## US - Internet Coverage Cluster

| Investment rating   | Company               | BofA Ticker | Bloomberg symbol | Analyst            |
|---------------------|-----------------------|-------------|------------------|--------------------|
|                     | Zillow                | Z           | Z US             | Curtis Nagle, CFA  |
| <b>UNDERPERFORM</b> | Chewy Inc             | CHWY        | CHWY US          | Curtis Nagle, CFA  |
|                     | Opendoor Technologies | OPEN        | OPEN US          | Curtis Nagle, CFA  |
|                     | Peloton               | PTON        | PTON US          | Curtis Nagle, CFA  |
|                     | Playtika              | PLTK        | PLTK US          | Omar Dessouky, CFA |
|                     | Redfin Corp           | RDFN        | RDFN US          | Curtis Nagle, CFA  |
|                     | Shutterstock          | SSTK        | SSTK US          | Curtis Nagle, CFA  |
| <b>RSTR</b>         | Lyft, Inc.            | LYFT        | LYFT US          | Michael McGovern   |

**iQmethod<sup>SM</sup> Measures Definitions****Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

**Quality of Earnings**

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

**Valuation Toolkit**

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

**Numerator**

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

**Numerator**

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash &amp; Equivalents

EBIT

**Numerator**

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

**Denominator**

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization

Shareholders' Equity

Sales

N/A

N/A

**Denominator**

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

**Denominator**

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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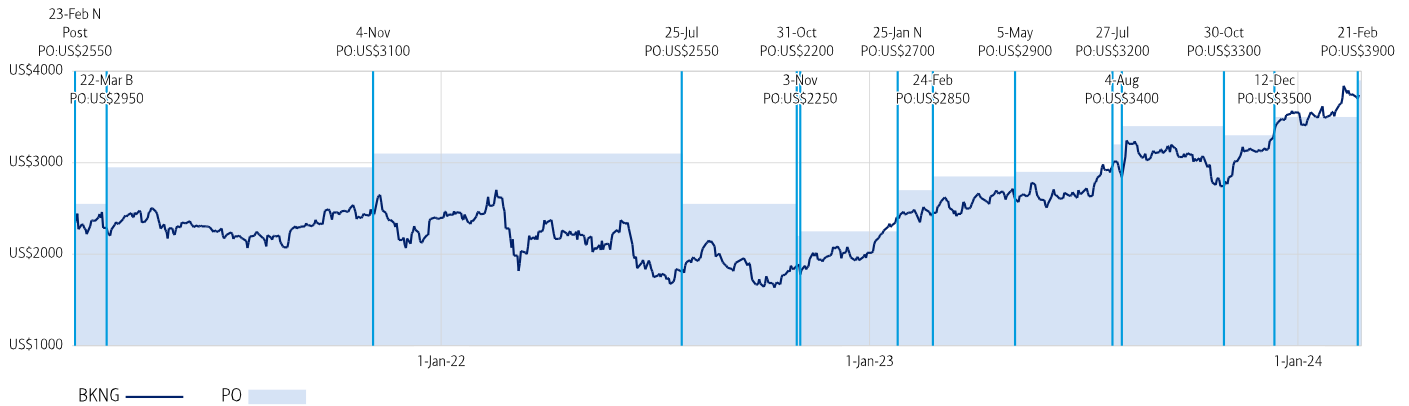
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## Important Disclosures

### Booking Holdings (BKNG) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

### Equity Investment Rating Distribution: Technology Group (as of 31 Dec 2023)

| Coverage Universe | Count | Percent | Inv. Banking Relationships <sup>R1</sup> | Count | Percent |
|-------------------|-------|---------|--|-------|---------|
| Buy               | 215   | 53.09%  | Buy                                      | 111   | 51.63%  |
| Hold              | 97    | 23.95%  | Hold                                     | 45    | 46.39%  |
| Sell              | 93    | 22.96%  | Sell                                     | 24    | 25.81%  |

### Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

| Coverage Universe | Count | Percent | Inv. Banking Relationships <sup>R1</sup> | Count | Percent |
|-------------------|-------|---------|--|-------|---------|
| Buy               | 1895  | 53.62%  | Buy                                      | 1083  | 57.15%  |
| Hold              | 832   | 23.54%  | Hold                                     | 454   | 54.57%  |
| Sell              | 807   | 22.84%  | Sell                                     | 383   | 47.46%  |

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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| Investment rating | Total return expectation (within 12-month period of date of initial rating) | Ratings dispersion guidelines for coverage cluster <sup>R2</sup> |
|-------------------|---|--|
| Buy               | ≥ 10%   | ≤ 70%  |
| Neutral           | ≥ 0%  | ≤ 30%  |
| Underperform      | N/A   | ≥ 20%  |

<sup>R2</sup> Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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