PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Common Stock

Our common stock is quoted on the NASDAQ Global Select Market under the symbol "BKNG."

Holders

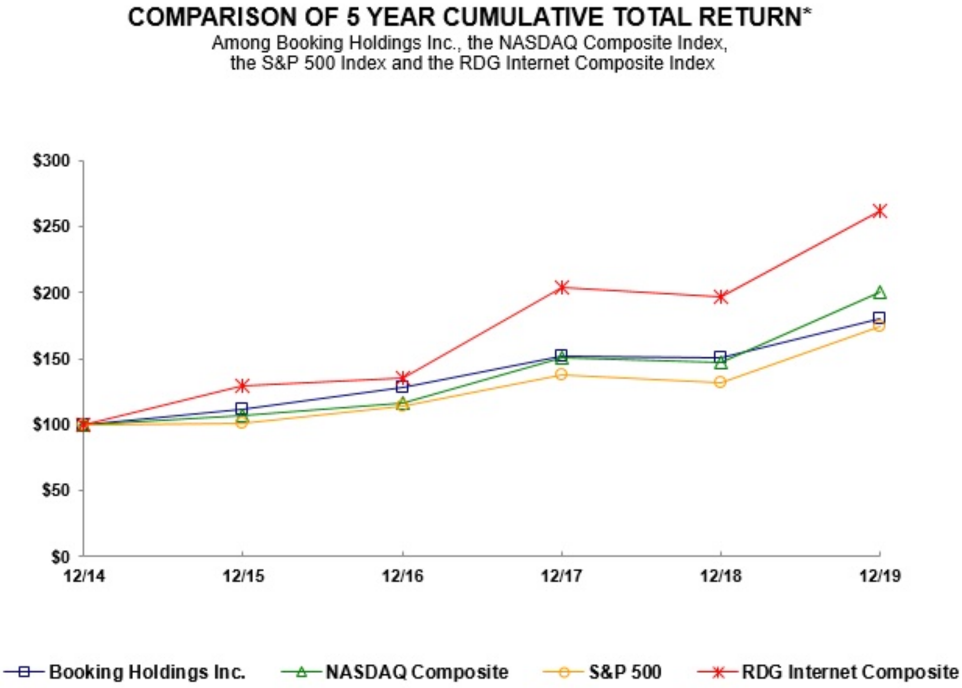
At February 19, 2020, there were approximately 166 stockholders of record of Booking Holdings Inc.'s common stock.

Dividend Policy

We have not declared or paid any cash dividends on our capital stock since our inception and do not expect to pay any cash dividends for the foreseeable future.

Performance Measurement Comparison

The following graph shows the total stockholder return through December 31, 2019 of an investment of $100 in cash on December 31, 2014 for our common stock and an investment of $100 in cash on December 31, 2014 for (i) the NASDAQ Composite Index, (ii) the Standard and Poor's 500 Index and (iii) the Research Data Group ("RDG") Internet Composite Index. The RDG Internet Composite Index is an index of stocks representing the internet industry, including internet software and service companies and e-commerce companies. Historic stock performance is not necessarily indicative of future stock price performance. All values assume reinvestment of the full amount of all dividends and are calculated as of the last day of each month:



*$100 invested on 12/31/14 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

Measurement Point December 31	Booking Holdings Inc.	NASDAQ Composite Index	S&P 500 Index	RDG Internet Composite
2014	100.00	100.00	100.00	100.00
2015	111.82	106.96	101.38	128.89
2016	128.58	116.45	113.51	135.45
2017	152.41	150.96	138.29	203.48
2018	151.06	146.67	132.23	197.34
2019	180.12	200.49	173.86	262.03

Issuer Purchases of Equity Securities

The following table sets forth information relating to repurchases of our equity securities during the three months ended December 31, 2019:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares (or Units) Purchased		Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs	
October 1, 2019 —	229,668	(1)	$ 2,002.76	229,668	$ 12,418,461,506	(1)
October 31, 2019	210	(2)	$ 1,944.25	N/A	N/A	
November 1, 2019 —	230,653	(1)	$ 1,898.41	230,653	$ 11,980,588,388	(1)
November 30, 2019	2,160	(2)	$ 1,897.45	N/A	N/A	
December 1, 2019 —	222,023	(1)	$ 1,972.69	222,023	$ 11,542,606,620	(1)
December 31, 2019	241	(2)	$ 2,022.91	N/A	N/A	
Total	684,955		$ 1,957.53	682,344	$ 11,542,606,620	

(1) Pursuant to a stock repurchase program announced on May 9, 2019, whereby we are authorized to repurchase up to $15.0 billion of our common stock.

(2) Pursuant to a general authorization, not publicly announced, whereby we are authorized to repurchase shares of our common stock to satisfy employee withholding tax obligations related to stock-based compensation. The table above does not include adjustments in the three months ended December 31, 2019 to previously withheld share amounts (reduction of 13 shares) that reflect changes to the estimates of employee tax withholding obligations.

Item 6. Selected Financial Data

SELECTED FINANCIAL DATA

The selected consolidated financial data presented below is derived from the Consolidated Financial Statements and related Notes of the Company, and should be read in connection with those statements, some of which are included herein. Selected financial data reflects results of any acquired business from the date of acquisition, including data related to the Momondo Group from its acquisition date of July 24, 2017, FareHarbor from its acquisition date of April 26, 2018 and HotelsCombined from its acquisition date of November 30, 2018. The information set forth below is not necessarily indicative of future results and should be read in conjunction with Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

	Year Ended December 31,				
	2019 (1)	2018 (1)	2017	2016	2015
	(In millions, except per share amounts)				
Total revenues	$ 15,066	$ 14,527	$ 12,681	$ 10,743	$ 9,224
Cost of revenues	N/A	N/A	242	415	646
Gross profit	N/A	N/A	12,439	10,328	8,578
Total operating expenses (2)	9,721	9,186	7,901	7,422	5,319
Operating income (2)	5,345	5,341	4,538	2,906	3,259
Total other income (expense) (3)	613	(506)	(139)	(193)	(131)
Income tax expense (4)	1,093	837	2,058	578	577
Net income (2) (3) (4)	4,865	3,998	2,341	2,135	2,551
Net income applicable to common stockholders per basic common share (2) (3) (4)	112.93	84.26	47.78	43.14	50.09
Net income applicable to common stockholders per diluted common share (2) (3) (4)	111.82	83.26	46.86	42.65	49.45
Total assets (5)	21,402	22,687	25,451	19,839	17,421
Long-term obligations (5) (6)	11,091	10,347	11,403	8,128	7,186
Total liabilities (5)	15,469	13,902	14,187	9,990	8,626
Total stockholders' equity	5,933	8,785	11,261	9,820	8,795

(1) The financial statements for the years ended December 31, 2019 and 2018 are presented in accordance with the current revenue recognition accounting standard adopted on January 1, 2018. Financial statements for all periods prior to January 1, 2018 are presented under the previous revenue recognition accounting standard. Under the current revenue recognition standard, we no longer present "Cost of revenues" or "Gross profit" in our Consolidated Statements of Operations. Therefore total revenues reported in 2019 and 2018 are comparable to gross profit reported in previous years. See Note 2 to our Consolidated Financial Statements for further information.

(2) Includes a non-cash charge related to an impairment of OpenTable goodwill of $941 million, which is not tax deductible, for the year ended December 31, 2016. The goodwill impairment charge reduced the 2016 basic and diluted net income per share by $19.01 and $18.79, respectively.

(3) Includes net unrealized gains on marketable equity securities of $745 million for the year ended December 31, 2019 and net unrealized losses on marketable equity securities of $367 million for the year ended December 31, 2018. The unrealized gains (losses) on marketable equity securities, net of tax, increased the 2019 basic and diluted net income per share by $13.52 and $13.39, respectively, and reduced the 2018 basic and diluted net income per share by $6.50 and $6.42, respectively. Pursuant to the adoption of the accounting update on financial instruments in 2018, for periods beginning after December 31, 2017, changes in fair value of marketable equity securities are recognized in net income rather than "Accumulated other comprehensive loss" in the Consolidated Balance Sheets. See Note 2 to our Consolidated Financial Statements for further information.

(4) Includes income tax benefits of $17 million and $46 million for the years ended December 31, 2019 and 2018, respectively, to adjust the 2017 provisional tax expense related to a one-time transitional tax on mandatory deemed repatriation of accumulated unremitted international earnings as a result of the U.S. Tax Cuts and Jobs Act ("Tax Act") enacted in December 2017 (see Note 15 to the Consolidated Financial Statements). The income tax provision for the

year ended December 31, 2017 includes a provisional tax expense of $1.6 billion related to the transition tax mentioned above and a provisional net tax benefit of $217 million related to the remeasurement of the Company's U.S. deferred tax assets and liabilities as a result of the Tax Act, which reduced the 2017 basic and diluted net income per share by $27.47 and $26.94, respectively.

(5) Includes, as applicable, operating lease assets of $620 million, current operating lease liabilities of $161 million and non-current operating lease liabilities of $462 million that are reported in the Consolidated Balance Sheet at December 31, 2019. Operating lease assets and liabilities are recognized in the balance sheet as a result of the adoption of the current lease standard on January 1, 2019. See Notes 2 and 10 to our Consolidated Financial Statements for further information.

(6) Includes convertible debt which is classified as a current liability, when applicable.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our Consolidated Financial Statements, including the notes to those statements, included elsewhere in this Annual Report on Form 10-K, and the Section entitled "Special Note Regarding Forward-Looking Statements" in this Annual Report on Form 10-K. As discussed in more detail in the Section entitled "Special Note Regarding Forward-Looking Statements," this discussion contains forward-looking statements, which involve risks and uncertainties. Our actual results may differ materially from the results discussed in the forward-looking statements. Factors that might cause those differences include those discussed in "Risk Factors" and elsewhere in this Annual Report on Form 10-K.

We evaluate certain operating and financial measures on both an as-reported and constant-currency basis. We calculate constant currency by converting our current-year period financial results for transactions recorded in currencies other than U.S. Dollars using the corresponding prior-year period monthly average exchange rates rather than the current-year period monthly average exchange rates.

Overview

Our mission is to make it easier for everyone to experience the world. We seek to empower people to cut through travel barriers, such as money, time, language and overwhelming options, so they can use our services to easily and confidently get where they want to go, stay where they want to stay, dine where they want to dine, pay how they want to pay and experience what they want to experience. We connect consumers wishing to make travel reservations with providers of travel services around the world through our online platforms. Through one or more of our brands, consumers can: book a broad array of accommodations (including hotels, motels, resorts, homes, apartments, bed and breakfasts, hostels and other properties); make a car rental reservation or arrange for an airport taxi; make a dinner reservation; or book a cruise, flight, vacation package, tour or activity. Consumers can also use our meta-search services to easily compare travel reservation information, such as airline ticket, hotel reservation and rental car reservation information, from hundreds of online travel platforms at once. In addition, we offer various other services to consumers and partners, such as certain travel-related insurance products and restaurant management services to restaurants.

We offer these services through six primary consumer-facing brands: Booking.com, KAYAK, priceline, agoda, Rentalcars.com and OpenTable. While historically our brands operated on a largely independent basis and many of them focused on a particular service (e.g., accommodation reservations) or geography, we are increasing the collaboration, cooperation and interdependency among our brands in our efforts to provide consumers with the best and most comprehensive services. We also seek to maximize the benefits of our scale by sharing resources and technological innovations, co-developing new services and coordinating activities in key markets among our brands. For example, Booking.com, the world’s leading brand for booking online accommodation reservations (based on room nights booked), offers rental car and other ground transportation services, flights, restaurant reservations, tours and activities reservations and other services, many of which are supported by our other brands. Similarly, hotel reservations available through Booking.com are also generally available through agoda and priceline. See Note 2 to the Consolidated Financial Statements - *Segment Reporting* for information on our operating segments.

Our results include FareHarbor and HotelsCombined since they were acquired in April 2018 and November 2018, respectively. We refer to our company and all of our subsidiaries and brands collectively as "Booking Holdings," the "Company," "we," "our" or "us."

Our business is driven primarily by international results, which consist of the results of Booking.com, agoda and Rentalcars.com and the international businesses of KAYAK and OpenTable. This classification is independent of where the consumer resides, where the consumer is physically located while using our services or the location of the travel service provider or restaurant. For example, a reservation made through Booking.com at a hotel in New York by a consumer in the United States is part of our international results. In 2019, our international business (the substantial majority of which is generated by Booking.com) represented approximately 90% of our consolidated revenues. A significant majority of our revenues, including a significant majority of our international revenues, is earned in connection with facilitating accommodation reservations. See Note 18 to the Consolidated Financial Statements for more geographic information.

We derive substantially all of our revenues from enabling consumers to make travel service reservations. We also earn revenues from credit card processing rebates and customer processing fees, advertising services, restaurant reservations and restaurant management services, and various other services, such as travel-related insurance revenues.

Trends

The recent coronavirus outbreak has had a significant and negative impact on our business during the first quarter of 2020, in particular in China and certain other Asian markets, though concerns about the coronavirus are also negatively impacting travel demand (and therefore our business) generally. In the more affected markets like China, we have seen a significant increase in cancellations and reduction in new bookings, and ADRs have also been negatively affected. The ultimate impact of the outbreak on our business is impossible to predict with certainty, and therefore the full extent to which the coronavirus will impact our business and results of operations is unknown. However, decreased travel demand resulting from the outbreak has had a negative impact, and is likely to have a negative and material impact, on our business, growth and results of operations. For more information, see Part I, Item 1A, Risk Factors - "*Declines or disruptions in the travel industry could adversely affect our business and financial performance.*"

Over the last several years, we have experienced significant growth in our accommodation reservation services. We believe this growth is the result of, among other things, the broader shift of travel purchases from offline to online, the widespread adoption of mobile devices and the growth of travel overall. We also believe this growth is the result of the continued innovation and execution by our teams around the world to increase the number and the variety of accommodations we offer consumers, increase and improve content, build distribution and improve the consumer experience on our online platforms, as well as consistently and effectively marketing our brands through performance and brand marketing efforts. These year-over-year growth rates have generally decelerated. Given the size of our accommodation reservation business and the general slowing growth rate of the online travel market discussed below, we expect that our year-over-year growth rates will generally continue to decelerate, though the rate of deceleration may fluctuate and there may be periods of acceleration from time to time.

We are a global business, and online travel growth rates vary across the world depending on numerous factors, including local and regional economic conditions, individual disposable income, access to the internet and adoption of e-commerce. Online travel growth rates have generally slowed in markets such as North America and Europe where online activity is high and consumers have been engaging in e-commerce transactions for many years, while online travel growth rates remain relatively high in markets such as Asia-Pacific where incomes are rising more quickly and the increased availability and use of mobile devices has accelerated the growth of internet usage and travel e-commerce transactions. Over the long-term, we expect online travel growth rates to slow as markets continue to mature. However, we believe that the opportunity to continue to grow our business exists for the markets in which we operate, including in both mature and fast-growing markets. Further, we believe that this opportunity for growth exists because we feel we provide significant value to travel service providers, regardless of size or geography, due to our global reach and online marketing expertise. For example, we believe that accommodation providers of all sizes, from large hotel chains to small, independent hotels and alternative accommodations such as homes and apartments, benefit from using our services, which enable them to reach a broader audience of potential customers.

Our growth has primarily been generated by the worldwide accommodation reservation business of Booking.com, which is our most significant brand, and has been due, in part, to the availability of a large number of properties through Booking.com. Booking.com included approximately 2,580,000 properties on its website at December 31, 2019, consisting of approximately 460,000 hotels, motels and resorts and approximately 2,120,000 homes, apartments and other unique places to stay, compared to approximately 2,180,000 properties (including approximately 436,000 hotels, motels and resorts and approximately 1,744,000 homes, apartments, and other unique places to stay) at December 31, 2018. Booking.com categorizes properties listed on its website as either (a) hotels, motels and resorts, which groups together more traditional accommodation types (including hostels and inns), or (b) homes, apartments and other unique places to stay, also referred to as alternative accommodations, which encompasses all other types of accommodations, including bed and breakfasts, villas, apart-hotels and beyond.

We intend to continue to improve the accommodation choices available for reservation on our platforms, however the growth rate of our accommodations may vary in part as a result of removing accommodations from our platforms from time to time. Many of the newer accommodations we add to our travel reservation services, especially in highly-penetrated markets, may have fewer rooms or higher credit risk and may appeal to a smaller subset of consumers (e.g., hostels and bed and breakfasts). Because alternative accommodations are often either a single unit or a small collection of independent units, these properties generally represent more limited booking opportunities than hotels, motels and resorts, which generally have more units to rent per property. Further, alternative accommodations in general may be subject to increased seasonality due to local tourism seasons or other factors or may not be available at peak times due to use by the property owners. We may also experience lower profit margins with respect to these properties due to certain additional costs, such as increased customer service costs, related to offering these accommodations on our platforms. As our alternative accommodation business has grown, these different characteristics have negatively impacted our profit margins and we expect this trend to continue.

Further, to the extent these properties represent an increasing percentage of the properties added to our platforms, we expect that our room nights growth rate and property growth rate will continue to diverge over time (since each such property has fewer booking opportunities). As a result of the foregoing, as the percentage of alternative accommodation properties increases, the number of reservations per property will likely continue to decrease. We believe that continuing to expand the number and variety of accommodations available through our services, in particular Booking.com, will help us to continue to grow our accommodation reservation business.

We are constantly innovating to grow our business by, among other things, providing a best-in-class user experience with intuitive, easy-to-use online platforms (i.e., websites and mobile apps) to ensure that we are meeting the needs of online consumers while aiming to exceed their expectations. As part of these ongoing efforts, we have a long-term strategy to build a more integrated offering of multiple elements of travel, which we refer to as the "Connected Trip." Although we expect our efforts to build the Connected Trip may increase revenue growth over time, we may see a negative impact on our operating margins in the near term as we incur the expenses associated with these investments. Further, to the extent our non-accommodation services grow faster than our accommodation services, whether as part of the Connected Trip or otherwise, our operating margins may be negatively affected if we experience an increasing mix of revenues from lower-margin services.

As part of our strategy to provide more payment options to consumers and travel service providers, increase the number and variety of accommodations available on Booking.com and enable the growth of our in-destination activities businesses, Booking.com is increasingly processing transactions on a merchant basis, where it facilitates payments from travelers for the services provided. This allows Booking.com to process transactions for travel service providers and to increase its ability to offer secure and flexible transaction terms to consumers, such as the form and timing of payment. We believe that adding these types of service offerings will benefit consumers and travel service providers, as well as our gross bookings, room night and earnings growth rates. However, this results in additional expenses for personnel, payment processing, customer chargebacks (including those related to fraud) and other expenses related to these transactions, which are recorded in "Personnel" and "Sales and other expenses" in our Consolidated Statements of Operations, as well as associated incremental revenues in the form of credit card rebates, for example, which are recorded in "Merchant revenues." As this business continues to grow, we expect these expenses to continue to increase, which would negatively impact our operating margins despite increases in associated incremental revenues. Components of revenues and expenses related to our merchant business may be recognized in different periods. These timing factors could impact our operating margins as well as the relationship between our gross bookings and revenues in a particular period, especially as our merchant business increases as a percentage of our overall business.

We compete globally with both online and traditional providers of travel and restaurant reservation and related services. The markets for the services we offer are intensely competitive, constantly evolving and subject to rapid change, and current and new competitors can launch new services at relatively low cost. Some of our current and potential competitors, such as Google, Apple, Alibaba, Tencent, Amazon and Facebook, have significantly more customers or users, consumer data and financial and other resources than we do, and they may be able to leverage other aspects of their businesses (e.g., search or mobile device businesses) to enable them to compete more effectively with us. For example, Google has entered various aspects of the online travel market and has grown rapidly in this area, including by offering a flight meta-search product (Google Flights), a hotel meta-search product (Google Hotel Ads), a vacation rental meta-search product, its "Book on Google" reservation functionality and integrating its hotel and restaurant meta-search products into its Google Maps app, as well as Google Travel, a planning tool which aggregates its flight, hotel and packages products in one website. Our markets are also subject to rapidly changing conditions, including technological developments, consumer behavior changes, regulatory changes and travel service provider consolidation. We expect these trends to continue. For example, we have experienced a significant shift of both direct and indirect business to mobile platforms and our advertising partners are also seeing a rapid shift of traffic to mobile platforms. Advertising and distribution opportunities may be more limited on mobile devices given their smaller screen sizes. In addition, the revenue earned on a mobile transaction may be less than a typical desktop transaction due to different consumer purchasing patterns. For example, accommodation reservations made on a mobile device typically are for shorter lengths of stay, have lower accommodation average daily rates ("ADRs") and are not made as far in advance. For more detail regarding the competitive trends and risks we face, see Part I, Item 1, Business - "Competition," Part I, Item 1A, Risk Factors - "*Intense competition could reduce our market share and harm our financial performance.*" and "*Consumer adoption and use of mobile devices creates challenges and may enable device companies such as Google and Apple to compete directly with us.*" and "*We may not be able to keep up with rapid technological or other market changes.*"

Although we believe that providing an extensive collection of properties, excellent customer service and an intuitive, easy-to-use consumer experience are important factors influencing a consumer's decision to make a reservation, for many consumers, particularly in certain markets, the price of the travel service is the primary factor determining whether a consumer will book a reservation. As a result, it is increasingly important to offer travel services, such as accommodation reservations, at competitive prices, whether through discounts, coupons, closed-user group rates or loyalty programs, or otherwise. These initiatives have resulted and in the future may result in lower ADRs and lower revenue as a percentage of gross bookings. Discounting and couponing coupled with a high degree of consumer shopping behavior is particularly common in Asian markets. In some cases, our competitors are willing to make little or no profit on a transaction, or offer travel services at a loss, in order to gain market share.

We have observed a trend of declining constant-currency accommodation ADRs, which we expect to continue, though the rate of decline may fluctuate and there may be periods of stable or increasing ADRs. We believe the trend of declining ADRs is partially driven by the negative impact of the changing geographical mix of our business (e.g., lower ADR regions like Asia-Pacific are generally growing faster than higher ADR regions like Western Europe) as well as pricing pressures within local markets from time to time resulting from competitive conditions, weakening economic conditions or changes in travel patterns. These declining ADR trends have resulted in and may continue to result in our gross bookings growing at a lower rate of growth than our accommodation room nights.

We have established widely used and recognized e-commerce brands through marketing and promotional campaigns. Historically our performance marketing expenses have increased significantly, however, more recently, we have experienced more moderate growth rates, a trend we expect to continue. Our performance marketing expense is primarily related to the use of online search engines (primarily Google), meta-search and travel research services and affiliate marketing to generate traffic to our websites. More recently, growth of some of these channels has slowed. Performance marketing expenses were $4.4 billion, $4.4 billion and $4.2 billion for the years ended December 31, 2019, 2018 and 2017, respectively. We also invested $548 million, $509 million and $435 million in brand marketing for the years ended December 31, 2019, 2018 and 2017, respectively, primarily related to costs associated with producing and airing television advertising, online video advertising (for example, on YouTube and Facebook), online display advertising and other brand marketing. We intend to continue a strategy of promoting brand awareness through both online and offline marketing efforts, including by expanding brand campaigns into additional markets, which we expect will increase our brand marketing expenses over time. We have observed increased brand marketing by other OTCs, meta-search services and travel service providers, which may make our brand marketing efforts more expensive and less effective.

Performance marketing efficiency, expressed as performance marketing expense as a percentage of total revenues, is impacted by a number of factors that are subject to variability and that are, in some cases, outside of our control, including ADRs, costs per click, cancellation rates, foreign currency exchange rates, our ability to convert paid traffic to booking customers and the extent to which consumers come directly to our platforms for bookings. For example, competition for desired rankings in search results and/or a decline in ad clicks by consumers could increase our costs per click and reduce our performance marketing efficiency. Changes by Google or any of our other search or meta-search partners in how it presents travel search results, including, if applicable, by placing its own offerings at or near the top of search results, or the manner in which it conducts the auction for placement among search results may be competitively disadvantageous to us and may impact our ability to efficiently generate traffic to our websites.

We have observed a long-term trend of decreasing performance marketing returns on investment ("ROIs"). More recently, we have observed periods of stable or increasing ROIs, however, it is uncertain whether this trend will continue or if ROIs will return to the prior trend of declining over time. We may from time to time, as we did beginning in the third quarter of 2017 through the fourth quarter of 2018, pursue a strategy of improving our performance marketing ROIs, which could negatively impact growth and positively impact performance marketing efficiency and profitability. When evaluating our performance marketing spend, we consider several factors for each channel, such as the customer experience on the advertising platform, the incrementality of the traffic we receive and the anticipated repeat rate from a particular platform, as well as other factors. The amount of business we obtain through each performance marketing channel is impacted by numerous factors, including bidding decisions by us and our competitors (including decisions to optimize performance marketing ROIs) and the marketing efforts and success of those channels to attract consumers and generate demand. See Part I, Item 1A, Risk Factors - "*We rely on performance and brand marketing channels to generate a significant amount of traffic to our platforms and grow our business.*" and "*Our business could be negatively affected by changes in online search and meta-search algorithms and dynamics or traffic-generating arrangements.*"

In recent years, we experienced significant increases in our cancellation rates, which negatively affected our marketing efficiency and results of operations. Beginning in the third quarter of 2018, our cancellation rates have generally decreased, which has benefited our marketing efficiency and results of operations. We believe that many factors influence cancellation rates, and it is uncertain whether future cancellation rates will continue to decrease, stabilize or return to their prior trend of generally increasing over time.

Perceived or actual adverse economic conditions, including slow, slowing or negative economic growth, high or rising unemployment rates, inflation and weakening currencies, and concerns over government responses such as higher taxes or tariffs and reduced government spending, could impair consumer spending and adversely affect travel demand. Further, political uncertainty, conditions or events, such as the United Kingdom's decision to leave the European Union ("Brexit"), including uncertainty in the implementation of Brexit and other political concerns can also negatively affect consumer spending and adversely affect travel demand. At times, we have experienced volatility in transaction growth rates, increased cancellation rates and weaker trends in ADRs across many regions of the world, particularly in those countries that appear to be most affected by economic and political uncertainties, which we believe are due at least in part to these macro-economic conditions and concerns. For more detail, see Part I, Item 1A, Risk Factors - "*Declines or disruptions in the travel industry could adversely affect our business and financial performance."*

These and other macro-economic uncertainties, such as geopolitical tensions and differing central bank monetary policies, have led to significant volatility in the exchange rates between the U.S. Dollar and the Euro, the British Pound Sterling and other currencies. Significant fluctuations in foreign currency exchange rates, stock markets and oil prices can also impact consumer travel behavior.

As noted earlier, our international business represents a substantial majority of our financial results. Therefore, because we report our results in U.S. Dollars, we face exposure to movements in foreign currency exchange rates as the financial results and the financial condition of our international businesses are translated from local currency (principally Euros and British Pounds Sterling) into U.S. Dollars. As a result, both the absolute amounts of and percentage changes in our foreign-currency-denominated net assets, gross bookings, revenues, operating expenses and net income as expressed in U.S. Dollars are affected by foreign currency exchange rate changes. Our foreign-currency-denominated gross bookings, revenues, operating expenses and net income as expressed in U.S. Dollars are lower for the year ended December 31, 2019 than they would have been had foreign currency exchange rates remained where they were for the year ended December 31, 2018. For example, total revenues from our international operations grew 4.1% for the year ended December 31, 2019 as compared to the year ended December 31, 2018, but, without the impact of changes in foreign currency exchange rates, grew year-over-year on a constant-currency basis by approximately 8%. Since our expenses are generally denominated in foreign currencies on a basis similar to our revenues, our operating margins have not been significantly impacted by currency fluctuations. Historically, the aggregate principal value of our Euro-denominated long-term debt, and accrued interest thereon, provided a hedge against the impact of foreign currency exchange rate fluctuations on the net assets of one of our Euro functional currency subsidiaries. Beginning in the second quarter of 2019, we have only designated certain portions of the aggregate principal value of our Euro-denominated debt as a hedge, and as a result we have recognized foreign currency transaction gains or losses. The foreign currency transaction gains or losses on the Euro-denominated debt that is not designated as a hedging instrument for accounting purposes are recognized in "Foreign currency transactions and other" in the Consolidated Statement of Operations (see Note 12 to our Consolidated Financial Statements). For more information, see Part I, Item 1A, Risk Factors - "*We are exposed to fluctuations in foreign currency exchange rates."*

We generally enter into derivative instruments to minimize the impact of short-term foreign currency exchange rate fluctuations on the translation of our consolidated operating results into U.S. Dollars. However, such derivative instruments are short-term in nature and not designed to hedge against currency fluctuations that could impact growth rates for our gross bookings or revenues (see Note 6 to our Consolidated Financial Statements for additional information on our derivative contracts).

Many taxing authorities are increasingly focused on ways to increase tax revenues and have targeted large multinational technology companies in these efforts. As a result, many countries have implemented or are considering adoption of a digital services tax that imposes a tax on revenue earned from digital advertisements and the use of online platforms, even when there is no physical presence in the jurisdiction. Currently rates for this tax range from 2% to 7.5% of revenue deemed generated in the jurisdiction. The digital services taxes currently in effect have negatively impacted our results of operations and if many other countries pass similar legislation, the collective impact of all of these measures could have a materially adverse impact on our results of operations and cash flows. For more information, see Note 16 to our Consolidated Financial Statements and Part I, Item 1A, Risk Factors - "*We may have exposure to additional tax liabilities.*"

Many national governments have conducted or are conducting investigations into competitive practices within the online travel industry, and we may be involved or affected by such investigations and their results. Some countries have adopted or proposed legislation that could also affect business practices within the online travel industry. For example, France, Italy, Belgium and Austria have passed legislation prohibiting parity contract clauses in their entirety. Also, a number of governments are investigating or conducting information-gathering exercises with respect to compliance by OTCs with consumer protection laws, including practices related to the display of search results and search ranking algorithms, claims regarding discounts, disclosure of charges and availability, and similar messaging. For more information on these investigations and their potential effects on our business, see Note 16 to our Consolidated Financial Statements and Part I, Item 1A, Risk Factors - "*Our business is subject to various competition, anti-trust, consumer protection and online commerce laws,* *rules and regulations around the world, and as the size of our business grows, scrutiny of our business by legislators and regulators in these areas may intensify.*" In addition to the price parity and consumer protection investigations, from time to time national competition authorities, other governmental agencies, trade associations and private parties take legal actions, including commencing legal proceedings, that may affect our operations. In general, increased regulatory focus on online businesses, including online travel businesses like ours, could result in increased compliance costs or otherwise adversely affect our business.

Seasonality

The majority of our gross bookings are generated in the first half of the year, as consumers plan and reserve their spring and summer vacations in Europe and North America. However, we generally recognize revenue from these bookings when the travel begins (at "check-in"), which can be in a quarter other than when the associated reservations are booked. In contrast, we expense the substantial majority of our marketing activities as the expense is incurred, which, in the case of performance marketing in particular, is typically in the quarter in which associated reservations are booked. As a result of this potential timing difference between when we record marketing expense and when we recognize associated revenue, we experience our highest levels of profitability in the third quarter of the year, which is when we experience the highest levels of accommodation check-ins for the year for our European and North American businesses. The first quarter of the year is typically our lowest level of profitability and may experience additional volatility in earnings growth rates due to these seasonal timing factors. For our Asia-Pacific business, we experience the highest level of accommodation check-ins in the fourth quarter. As the relative growth rates for our businesses fluctuate, the quarterly distribution of our operating results may vary.

For several years, we experienced an expansion of the booking window (the average time between the making of a travel reservation and the travel), which impacts the relationship between our gross bookings (recognized at the time of booking) and our revenues (recognized at the time of check-in). However, we saw a contraction of the booking window throughout 2018 and 2019. Future changes in the length of the booking window will affect the degree to which our gross bookings and revenues occur in the same period and, as a result, whether our gross bookings growth rates and revenue growth rates converge or diverge.

In addition, the date on which certain holidays fall can have an impact on our quarterly results. For example, in 2019, Easter fell on April 21 and Easter-related travel began in the second quarter, when the associated revenue was recognized. By comparison, in 2018, Easter was on April 1 and a meaningful amount of Easter-related travel began in the week leading up to the holiday with the associated revenue being recognized in the first quarter of 2018. As a result of the shift in Easter timing relative to 2018, our first quarter 2019 year-over-year growth rates in revenue, operating income and operating margins were negatively impacted and our second quarter 2019 year-over-year growth rates were positively impacted. The timing of other holidays such as Ramadan can also impact our quarterly year-over-year growth rates.

The impact of seasonality can be exaggerated in the short term by the gross bookings growth rate of the business. For example, in periods where our gross bookings growth rate substantially decelerates, our operating margins typically benefit from relatively less variable marketing expense. In addition, revenue growth is typically less impacted by decelerating gross bookings growth in the near term due to the benefit of revenue related to reservations booked in previous quarters, but any such deceleration would negatively impact revenue growth in subsequent periods. Conversely, in periods where our gross bookings growth rate accelerates, our operating margins are typically negatively impacted by relatively more variable marketing expense. In addition, revenue growth is typically less impacted by accelerating gross bookings growth in the near term, but any such acceleration would positively impact revenue growth in subsequent periods as a portion of the revenue recognized from such gross bookings will occur in future quarters.

Other Factors

We believe that our future success depends in large part on our ability to continue to profitably grow our brands worldwide, and, over time, to offer other travel and travel-related services. Factors beyond our control, such as oil prices, stock market volatility, terrorist attacks, unusual or extreme weather or natural disasters such as earthquakes, hurricanes, tsunamis, floods, fires, droughts and volcanic eruptions, travel-related health concerns including pandemics and epidemics such as coronaviruses, Ebola and Zika, political instability, changes in economic conditions, wars and regional hostilities, imposition of taxes, tariffs or surcharges by regulatory authorities, changes in trade policies or trade disputes, changes in immigration policies or travel-related accidents or increased focus on the environmental impact of travel, can disrupt travel, limit the ability or willingness of travelers to visit certain locations or otherwise result in declines in travel demand. These kinds of events have negatively affected our business and results of operations in the past and may do so again in the future. Because these events or concerns, and the full impact of their effects, are largely unpredictable, they can dramatically and suddenly affect travel behavior by consumers, and therefore demand for our services and our relationships with travel service providers and other partners, any of which can adversely affect our business and results of operations. See Part I, Item 1A, Risk Factors - "*Declines or disruptions in the travel industry could adversely affect our business and financial performance."*

We intend to continue to invest in marketing and promotion, technology and personnel within parameters consistent with attempts to improve long-term operating results, even if those expenditures create pressure on operating margins. We have experienced pressure on operating margins as we invest in initiatives to drive future growth. We also intend to broaden the scope of our business, and to that end, we explore strategic alternatives from time to time in the form of, among other things, acquisitions. As the overall size of our business has grown, the competitive pressure to innovate will encompass a wider range of services and technologies, including services and technologies that may be outside of our historical core business, and our ability to keep pace may slow. Potential competitors, such as emerging start-ups, may be able to innovate and focus on developing a particularly new product or service faster than we can or may foresee consumer need for new services or technologies before us. Some of our larger competitors or potential competitors have more resources or more established or diversified relationships with consumers than we do, and they could use these advantages in ways that could affect our competitive position, including by making acquisitions, entering or investing in travel reservation businesses, investing in research and development, and competing aggressively for highly-skilled employees. For example, because consumers often utilize other online services more frequently than online travel services, a competitor or potential competitor that has established other, more frequent online interactions with consumers may be able to more easily or cost-effectively acquire customers for its online travel services than we can. Our goal is to grow revenue and achieve healthy operating margins in an effort to maintain profitability. The uncertain and highly competitive environment in which we operate makes the prediction of future results of operations difficult, and accordingly, we may not be able to sustain revenue growth and profitability.

Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon our Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). Our significant accounting policies and estimates are more fully described in Note 2 to our Consolidated Financial Statements. Certain of our accounting estimates are particularly important to our financial position and results of operations and require us to make difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Our management uses its judgment to determine the appropriate assumptions to be used in the determination of certain estimates. We evaluate our estimates on an ongoing basis. Estimates are based on, among other things, historical experience, terms of existing contracts, our observance of trends in the travel industry and on various other assumptions that we believe to be reasonable under the circumstances. Our actual results may differ from these estimates under different assumptions or conditions. Our critical accounting policies that involve significant estimates and judgments of management include the following:

- *Valuation of Goodwill and Other Long-Lived Assets*. The application of the acquisition accounting for business combinations requires the use of significant estimates and assumptions to determine the fair value of the assets acquired and liabilities assumed. Our estimates of the fair value are based upon assumptions that we believe are reasonable. When we deem appropriate, we utilize assistance from a third-party valuation firm. The consideration transferred is allocated to the assets acquired and liabilities assumed based on their respective fair values at the acquisition date. The excess of the consideration transferred over the net of the amounts allocated to the identifiable assets acquired and liabilities assumed is recognized as goodwill. Goodwill is assigned to reporting units that are expected to benefit from the synergies of the business combination as of the acquisition date.

  We review goodwill for impairment annually and whenever events or changes in circumstances indicate the carrying amount of goodwill may not be recoverable. A substantial portion of our intangible assets and goodwill relates to the acquisitions of OpenTable and KAYAK. At September 30, 2019, we performed our annual goodwill impairment testing and concluded that there was no impairment of goodwill and that the fair values of our reporting units substantially exceeded their respective carrying values at September 30, 2019. Since the annual impairment test, there have been no events or changes in circumstances to indicate a potential impairment to our goodwill.

  We review long-lived assets whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The assessment of possible impairment is based upon our ability to recover the carrying value of the assets from the estimated undiscounted future net cash flows, before interest and taxes, of the related asset group. We did not identify any impairment indicators for our long-lived assets at December 31, 2019.

- *Income Taxes.* We determine our tax expense based on our income and statutory tax rates applicable in the various jurisdictions in which we operate. Due to the complex nature of tax legislation and frequent changes with such associated legislation, significant judgment is required in computing our tax expense and determining our tax positions. In December 2017, the U.S. government enacted the U.S. Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act made significant changes to U.S. federal tax law, including a reduction in the U.S. federal statutory tax rate from 35% to 21%, effective January 1, 2018. The Tax Act imposed a one-time deemed repatriation tax on accumulated unremitted international earnings, to be paid over eight years.

  The Tax Act also introduced in 2018 a tax on 50% of global intangible low-taxed income ("GILTI"), which is income determined to be in excess of a specified routine rate of return, and a base erosion and anti-abuse tax ("BEAT") aimed at preventing the erosion of the U.S. tax base. We have adopted an accounting policy to treat taxes on GILTI as period costs.

  In December 2017, Staff Accounting Bulletin No. 118 ("SAB 118") was issued by the Securities and Exchange Commission to address the application of U.S. GAAP in situations when the registrant does not have all the necessary information available, prepared or analyzed (including computations) in reasonable detail to complete its accounting for the change in tax law. In accordance with SAB 118, to the extent a registrant can reasonably estimate the effects of the Tax Act, a provisional tax amount can be recorded, but must have been finalized prior to December 22, 2018. In 2018, we completed our accounting for the income tax effects of the Tax Act based on technical guidance issued by U.S. federal and state tax authorities available at that time, which resulted in an income tax benefit of $48 million. In 2019, as a result of additional technical guidance issued by U.S. federal and state tax authorities, we recorded an additional income tax benefit of $17 million to adjust our income tax expense relating to the U.S federal one-time deemed repatriation liability, as well as U.S state income taxes associated with the mandatory deemed repatriation.

  We do not intend to indefinitely reinvest our international earnings that were subject to U.S. taxation pursuant to the mandatory deemed repatriation or subject to U.S. taxation as GILTI.

  We regularly review our deferred tax assets for recoverability considering historical profitability, projected future taxable income, the expected timing of the reversals of temporary differences and tax planning strategies and record valuation allowances as required.

  We are subject to ongoing tax examinations and assessments in various jurisdictions. To date, we have been audited in several taxing jurisdictions with no significant impact on our results of operations. Although we believe that our tax filing positions comply with applicable laws, the final determination of tax audits or tax disputes may be different from what is reflected in our historical income tax provisions and accruals. Accordingly, we may incur additional tax expense based upon our assessment of the more-likely-than-not outcomes or we may adjust previously recorded tax expense to reflect examination results. See Note 16 to our Consolidated Financial Statements for further information.

Recent Accounting Pronouncements - See Note 2 to our Consolidated Financial Statements for details, which is incorporated into this Item 7 by reference thereto.

Results of Operations

Year Ended December 31, 2019 compared to Year Ended December 31, 2018

We evaluate certain operating and financial measures on both an as-reported and constant-currency basis. We calculate constant currency by converting our current-year period financial results for transactions recorded in currencies other than U.S. Dollars using the corresponding prior-year period monthly average exchange rates rather than the current-year period monthly average exchange rates.

Operating and Statistical Metrics

Our financial results are driven by certain operating metrics that encompass the booking and other business activity generated by our travel and travel-related services. Specifically, reservations of accommodation room nights, rental car days and airline tickets capture the volume of units booked through our OTC brands by our travel reservation services customers. Gross bookings is an operating and statistical metric that captures the total dollar value, generally inclusive of taxes and fees, of all travel services booked through our OTC brands by our customers, net of cancellations, and is widely used in the travel business. Our non-OTC brands (KAYAK and OpenTable) have different business metrics from those of our OTC brands and therefore search queries through KAYAK and restaurant reservations through OpenTable do not contribute to our gross bookings.

Accommodation room nights, rental car days and airline tickets reserved through our services for the years ended December 31, 2019 and 2018 were as follows:

	Year Ended December 31, (in millions)		
	2019	**2018**	**Increase**
Room nights	845	760	11.2%
Rental car days	77	73	4.6%
Airline tickets	7	7	3.7%

Accommodation room night reservations increased by 11.2% for the year ended December 31, 2019, compared to the year ended December 31, 2018, primarily due to our investments in marketing channels, providing a continuously improving consumer experience and improving the accommodation choices we offer consumers, as well as the overall growth in the travel industry and the ongoing shift from offline to online for travel bookings. The increase for the year ended December 31, 2019, compared to the year ended December 31, 2018 was also positively impacted by a decrease in cancellation rates.

Rental car day reservations increased by 4.6% for the year ended December 31, 2019, compared to the year ended December 31, 2018, due primarily to an increase in rental car day reservations at Rentalcars.com as a result of the integration with Booking.com.

Airline ticket reservations increased by 3.7% for the year ended December 31, 2019, compared to the year ended December 31, 2018, due to the growth of priceline's vacation packages product.

Gross bookings resulting from reservations of accommodation room nights, rental car days and airline tickets made through our agency and merchant models for the years ended December 31, 2019 and 2018 were as follows (numbers may not total due to rounding):

	Year Ended December 31, (in millions)		
	2019	**2018**	**Increase (decrease)**
Agency	$ 70,651	$ 73,919	(4.4)%
Merchant	25,791	18,812	37.1 %
Total	$ 96,443	$ 92,731	4.0 %

Gross bookings increased by 4.0% for the year ended December 31, 2019, compared to the year ended December 31, 2018 (growth on a constant-currency basis was approximately 8%), almost entirely due to growth of 11.2% in accommodation room night reservations, partially offset by the negative impact of foreign currency exchange rate fluctuations and a 2% decrease in accommodation ADRs on a constant-currency basis for the year ended December 31, 2019, compared to the year ended December 31, 2018. We believe that unit growth rates and growth in total gross bookings on a constant-currency basis, which excludes the impact of foreign currency exchange rate fluctuations, are important measures to understand the fundamental performance of the business.

Agency gross bookings are derived from travel-related transactions where we do not facilitate payments from travelers for the travel services provided. Agency gross bookings decreased by 4.4% for the year ended December 31, 2019, compared to the year ended December 31, 2018, almost entirely due to a decrease in gross bookings from agency accommodation room night reservations at Booking.com, primarily resulting from the growth of its merchant accommodation reservation services, as well as the aforementioned negative impact of foreign currency exchange rate fluctuations.

Merchant gross bookings are derived from services where we facilitate payments from travelers for the travel services provided. Merchant gross bookings increased by 37.1% for the year ended December 31, 2019, compared to the year ended December 31, 2018, almost entirely due to growth in gross bookings from our merchant accommodation reservation services at Booking.com and agoda, partially offset by the aforementioned negative impact of foreign currency exchange rate fluctuations. Booking.com has been expanding its merchant accommodation reservation services to, among other reasons, provide more payment options to consumers and travel service providers, increase the number and variety of accommodations available on Booking.com and enable the growth of its in-destination activities businesses.

Revenues

Online travel reservation services

Substantially all of our revenues are generated by providing online travel reservation services, which facilitate online travel purchases between travel service providers and travelers.

Revenues from online travel reservation services are classified into two categories:

- *Agency.* Agency revenues are derived from travel-related transactions where we do not facilitate payments from travelers for the services provided. Agency revenues consist almost entirely of travel reservation commissions. Substantially all of our agency revenue is from Booking.com agency accommodation reservations.

- *Merchant.* Merchant revenues are derived from travel-related transactions where we facilitate payments from travelers for the services provided, generally at the time of booking. Merchant revenues include (1) travel reservation commissions and transaction net revenues (i.e., the amount charged to travelers less the amount owed to travel service providers) in connection with our merchant reservation services; (2) credit card processing rebates and customer processing fees; and (3) ancillary fees, including travel-related insurance revenues and certain global distribution system ("GDS") reservation booking fees. Substantially all merchant revenues are derived from transactions where travelers book accommodation reservations or rental car reservations.

Advertising and other revenues

Advertising and other revenues are derived primarily from (1) revenues earned by KAYAK for (a) sending referrals to OTCs and travel service providers and (b) advertising placements on its platforms; and (2) revenues earned by OpenTable for (a) restaurant reservation services (fees paid by restaurants for diners seated through OpenTable's online reservation service) and (b) subscription fees for restaurant management services.

	Year Ended December 31, (in millions)		
	2019	2018	Increase (decrease)
Agency revenues	$ 10,117	$ 10,480	(3.5)%
Merchant revenues	3,830	2,987	28.2 %
Advertising and other revenues	1,119	1,060	5.6 %
Total revenues	$ 15,066	$ 14,527	3.7 %

Total revenues for the year ended December 31, 2019, as compared to the year ended December 31, 2018, respectively, increased by 3.7% (growth on a constant-currency basis was approximately 7%). Substantially all of the year-over-year increase was related to revenues from our accommodation reservation services.

Agency revenues decreased by 3.5% for the year ended December 31, 2019, compared to the year ended December 31, 2018, almost entirely due to decreased gross bookings from agency accommodation room night reservations at Booking.com, primarily resulting from the growth of its merchant accommodation reservation services.

Merchant revenues increased by 28.2% for the year ended December 31, 2019, compared to the year ended December 31, 2018, primarily due to the increases in merchant accommodation reservation services.

Advertising and other revenues increased by 5.6% for the year ended December 31, 2019, compared to the year ended December 31, 2018, primarily due to the inclusion of $67 million in revenue related to HotelsCombined for the year ended December 31, 2019, compared to $4 million in revenue related to HotelsCombined since its acquisition in November 2018 for the year ended December 31, 2018.

Total revenues as a percentage of gross bookings was 15.6% for the year ended December 31, 2019 as compared to 15.7% for the year ended December 31, 2018.

Our international businesses accounted for approximately $13.5 billion of our total revenues for the year ended December 31, 2019, compared to $13.0 billion for the year ended December 31, 2018. Total revenues attributable to our international businesses for the year ended December 31, 2019 increased by 4.1%, compared to the year ended December 31, 2018 (growth on a constant-currency basis was approximately 8%). Total revenues attributable to our U.S. businesses were relatively flat for the year ended December 31, 2019 compared to the year ended December 31, 2018.

Operating Expenses

Marketing

	Year Ended December 31, (in millions)		
	2019	**2018**	**Increase (decrease)**
Performance marketing	$ 4,419	$ 4,447	(0.6)%
% of Total revenues	29.3%	30.6%	
Brand marketing	$ 548	$ 509	7.5 %
% of Total revenues	3.6%	3.5%	

We rely on performance marketing channels to generate a significant amount of traffic to our websites. Performance marketing expenses consist primarily of the costs of: (1) search engine keyword purchases; (2) referrals from meta-search and travel research websites; (3) affiliate programs; and (4) other performance-based marketing and incentives. For the year ended December 31, 2019, our performance marketing expense growth rate was reduced by foreign currency exchange rate fluctuations and slowing growth in performance marketing channels. We adjust our performance marketing spend based on our growth and profitability objectives and the expected ROIs in our performance marketing channels. Performance marketing expense as a percentage of total revenues decreased for the year ended December 31, 2019, compared to the year ended December 31, 2018, due to changes in the share of traffic by channel, primarily related to an increase in the share of direct traffic, and increased performance marketing ROIs.

Brand marketing expenses consist primarily of television advertising and online video and display advertising (including the airing of our television advertising online), as well as other marketing spend such as public relations and sponsorships. For the year ended December 31, 2019, brand marketing expenses increased by 7.5% compared to the year ended December 31, 2018, primarily due to increased brand marketing expenses at Booking.com in the first half of 2019 in order to increase brand awareness and grow the number of customers that come directly to the Booking.com platforms.

Sales and Other Expenses

	Year Ended December 31, (in millions)		
	2019	2018	Increase
Sales and other expenses	$ 955	$ 830	15.1%
% of Total revenues	6.3%	5.7%	

Sales and other expenses consist primarily of: (1) credit card and other payment processing fees associated with merchant transactions; (2) fees paid to third parties that provide call center, website content translations and other services; (3) customer chargeback provisions and fraud prevention expenses associated with merchant transactions; (4) customer relations costs; and (5) provisions for bad debt, primarily related to agency accommodation commission receivables. For the year ended December 31, 2019, sales and other expenses, which are substantially variable in nature, increased compared to the year ended December 31, 2018 due primarily to increases in our merchant transaction volumes, partially offset by lower chargeback expense and lower bad debt provisions.

Personnel

	Year Ended December 31, (in millions)		
	2019	2018	Increase
Personnel	$ 2,248	$ 2,042	10.0%
% of Total revenues	14.9%	14.1%	

Personnel expenses consist of compensation to our personnel, including salaries, stock-based compensation, bonuses, payroll taxes, and employee health and other benefits. Personnel expenses increased during the year ended December 31, 2019, compared to the year ended December 31, 2018, primarily due to an increase in aggregate salaries of $132 million related to headcount growth to support our businesses, partially offset by lower bonus expenses. The increase in personnel expenses was also due to an accrual of $61 million recorded in 2019 to correct an immaterial error related to the nonpayment in prior periods of a wage-related tax under Netherlands' law on compensation paid to certain highly-compensated former employees in the year of their separation from employment with Booking.com. Stock-based compensation expense was $308 million for the year ended December 31, 2019, compared to $317 million for the year ended December 31, 2018. Headcount increased, primarily at agoda and Booking.com, in the areas of customer service and information technology to support transaction growth and various business initiatives, such as alternative accommodations, marketing, payments and in-destination experiences.

General and Administrative

	Year Ended December 31, (in millions)		
	2019	2018	Increase
General and administrative	$ 797	$ 699	14.2%
% of Total revenues	5.3%	4.8%	

General and administrative expenses consist primarily of: (1) occupancy and office expenses; (2) personnel-related expenses such as travel, relocation, recruiting and training expenses; (3) fees for outside professionals, including litigation expenses; and (4) indirect taxes such as travel transaction taxes and digital services taxes. General and administrative expenses increased during the year ended December 31, 2019, compared to the year ended December 31, 2018, due to increased professional fees, increased indirect taxes including $36 million related to French digital service taxes, higher occupancy and office expenses and personnel-related expenses associated with increased headcount and outside consultants to support the expansion of our international businesses.

Information Technology

	Year Ended December 31, (in millions)		
	2019	2018	Increase
Information technology	$ 285	$ 233	22.3%
% of Total revenues	1.9%	1.6%	

Information technology expenses consist primarily of: (1) software license and system maintenance fees; (2) outsourced data center and cloud computing costs; (3) payments to contractors; and (4) data communications and other expenses associated with operating our services. Information technology expenses increased during the year ended December 31, 2019, compared to the year ended December 31, 2018, due to increased outsourced data center and cloud computing costs to support the growth in our businesses, software fees and payments to contractors.

Depreciation and Amortization

	Year Ended December 31, (in millions)		
	2019	2018	Increase
Depreciation and amortization	$ 469	$ 426	10.0%
% of Total revenues	3.1%	2.9%	

Depreciation and amortization expenses consist of: (1) amortization of intangible assets with determinable lives; (2) depreciation of computer equipment; (3) amortization of internally-developed and purchased software; and (4) depreciation of leasehold improvements, furniture and fixtures and office equipment. Depreciation and amortization expenses increased during the year ended December 31, 2019, compared to the year ended December 31, 2018, primarily as a result of increases of $22 million in data center equipment depreciation expenses and $18 million of internally-developed software amortization expenses due to higher capital expenditures and capitalized software development costs to support growth and geographic expansion.

Other Income (Expense)

	Year Ended December 31, (in millions)		
	2019	2018	Increase (decrease)
Interest income	$ 152	$ 187	(18.5)%
Interest expense	(266)	(269)	(1.2)%
Net unrealized gains (losses) on marketable equity securities	745	(367)	302.7 %
Foreign currency transactions and other	(18)	(57)	(68.2)%
Total	$ 613	$ (506)	221.2 %

Interest income decreased for the year ended December 31, 2019, compared to the year ended December 31, 2018, primarily due to lower average invested balances of marketable securities and lower yields as well as increased usage of investments classified as cash equivalents.

Net unrealized gains (losses) on marketable equity securities for the year ended December 31, 2019 and December 31, 2018 principally related to our equity investments in Trip.com Group and Meituan Dianping (see Note 5 to our Consolidated Financial Statements for further information).

Foreign currency transactions and other includes foreign currency gains or losses on derivative contracts, foreign currency transaction gains or losses, including costs related to foreign currency transactions, and net realized gains or losses on investments and other income or expense. Foreign currency transactions and other includes foreign currency losses on derivative contracts of $19 million and $44 million and foreign currency transaction losses of $13 million and $9 million for the years ended December 31, 2019 and 2018, respectively. In addition, foreign currency transactions and other includes a net realized gain of $11 million for the year ended December 31, 2019 from sales of investments in debt securities.

Income Taxes

	Year Ended December 31, (in millions)		
	2019	**2018**	**Increase**
Income tax expense	$ 1,093	$ 837	30.6%
% of Earnings before income taxes	18.3%	17.3%	

Our 2019 effective tax rate differs from the U.S. federal statutory tax rate of 21%, primarily due to the benefit of the Netherlands Innovation Box Tax (discussed below), partially offset by the effect of higher international tax rates and U.S. federal and state tax associated with our current year international earnings, resulting from the enactment of the Tax Act, as well as certain non-deductible expenses. Our 2018 effective tax rate differs from the U.S. federal statutory tax rate of 21%, primarily due to the benefit of the Netherlands Innovation Box Tax and the $46 million benefit resulting from the adjustment to our 2017 provisional income tax expense due to our completion of the accounting for the income tax effects of the Tax Act, partially offset by the effect of higher international tax rates and U.S. federal and state tax associated with our 2018 international earnings, resulting from the enactment of the Tax Act, as well as certain non-deductible expenses.

Our effective tax rate was higher for the year ended December 31, 2019, compared to the year ended December 31, 2018, primarily as a result of (1) higher U.S. gains from equity securities that contributed to a lower international jurisdictional earnings mix, which lessened the impact of the benefit of the Netherlands Innovation Box Tax, and (2) the effect of the higher tax benefit recorded during the year ended December 31, 2018 to adjust our 2017 provisional income tax expense related to the Tax Act. These increases in our effective tax rate were partially offset by higher U.S. federal tax credits, lower U.S. federal and state tax associated with our current year international earnings, and certain lower non-deductible expenses.

A portion of Booking.com's earnings during the years ended December 31, 2019 and 2018 qualified for Innovation Box Tax treatment under Dutch tax law, which had a significant beneficial impact on our effective tax rates for those periods. In 2019, the Dutch government approved a reduction in its corporate income tax rate from 25% to 21.7%, effective in 2021. Furthermore, the Dutch government has proposed an increase in the Innovation Box Tax rate from 7% to 9%, which, if enacted, could be effective beginning in 2021. While we expect Booking.com to continue to qualify for Innovation Box Tax treatment with respect to a portion of its earnings for the foreseeable future, the loss of the Innovation Box Tax benefit, whether due to a change in tax law or a determination by the Dutch government that Booking.com's activities are not innovative or for any other reason, would substantially increase our effective tax rate and adversely impact our results of operations and cash flows. See Part I, Item 1A, Risk Factors - "*We may not be able to maintain our 'Innovation Box Tax' benefit.*"

Results of Operations

Year Ended December 31, 2018 compared to Year Ended December 31, 2017

For a comparison of our results of operations for the fiscal years ended December 31, 2018 and 2017, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, of our Annual Report on Form 10-K for the fiscal year ended December 31, 2018, filed with the SEC on February 27, 2019.

Liquidity and Capital Resources

At December 31, 2019, we had $11.8 billion in cash, cash equivalents and short-term and long-term investments, of which approximately $4.7 billion is held by our international subsidiaries and is denominated primarily in U.S. Dollars, Euros and, to a lesser extent, British Pounds Sterling and other currencies. Cash equivalents and short-term and long-term investments are principally comprised of U.S. and international corporate bonds, U.S. and international government securities, money market funds, time deposits and certificates of deposit, convertible debt securities and American Depositary Shares ("ADSs") of Trip.com Group, Meituan Dianping equity securities and our investments in private companies. In August 2019, $500 million of Trip.com Group convertible notes were repaid on maturity. See Notes 5 and 6 to our Consolidated Financial Statements for further information.

In the first quarter of 2020 and 2019, we made prepayments of $717 million and $774 million, respectively, which represent a portion of our Dutch income tax liability, to earn prepayment discounts.

At December 31, 2019, we had a remaining transition tax liability of $1.1 billion as a result of the Tax Act, which included $1.0 billion reported as "Long-term U.S. transition tax liability" and $53 million included in "Accrued expenses and other current liabilities" in the Consolidated Balance Sheet. This liability will be paid over the next seven years. Generally, in accordance with the Tax Act, future repatriation of our international cash will not be subject to a U.S. federal income tax liability as a dividend, but will be subject to U.S. state income taxes and international withholding taxes, which have been accrued by us. See Note 15 to our Consolidated Financial Statements for further information.

In August 2019, we entered into a $2.0 billion five-year unsecured revolving credit facility with a group of lenders. The revolving credit facility provides for the issuance of up to $80 million of letters of credit as well as borrowings of up to $100 million on same-day notice, referred to as swingline loans. The proceeds of loans made under the facility can be used for working capital and general corporate purposes, including acquisitions, share repurchases and debt repayments. At December 31, 2019, there were no borrowings outstanding and $5 million of letters of credit issued under the facility. Upon entering into the new revolving credit facility in August 2019, we terminated the $2.0 billion five-year revolving credit facility entered into in June 2015. We made several short-term borrowings under this prior revolving credit facility in the first half of 2019 totaling $400 million, all of which were repaid prior to June 30, 2019. See Note 12 to our Consolidated Financial Statements for further information.

Our Convertible Senior Notes due June 2020 (the "2020 Notes") are reported as current liabilities in the Consolidated Balance Sheet at December 31, 2019. The holders will have the right to convert all or any portion of the 2020 Notes starting on March 15, 2020 regardless of our stock price (see Note 12 to the Consolidated Financial Statements).

During the year ended December 31, 2019, we repurchased 4,444,944 shares of our common stock for an aggregate cost of $8.2 billion. At December 31, 2019, we had a remaining aggregate amount of $11.5 billion authorized by our Board of Directors to repurchase our common stock. We have continued to make repurchases of our common stock in the first quarter of 2020 and may continue to make additional repurchases of our common stock from time to time, depending on prevailing market conditions, alternate uses of capital and other factors.

In September 2016, we signed a turnkey agreement to construct an office building for Booking.com's future headquarters in the Netherlands for 270 million Euros. Upon signing this agreement, we paid 43 million Euros for the acquired land-use rights. In addition, since signing the turnkey agreement we have made several progress payments principally related to the construction of the building. At December 31, 2019, we have a remaining obligation of 109 million Euros ($123 million) related to the building construction, which will be paid through mid-2022, when we anticipate construction will be complete. In addition to the turnkey agreement, we have a remaining obligation at December 31, 2019 to pay 71 million Euros ($80 million) over the remaining term of the acquired land lease. We will also make additional capital expenditures to fit out and furnish the office space. See Note 16 to our Consolidated Financial Statements.

Cash Flow Analysis

Net cash provided by operating activities decreased by $473 million, for the year ended December 31, 2019, compared to the year ended December 31, 2018, primarily due to the payment of $403 million in 2019 to French tax authorities to preserve our right in order to contest certain tax assessments in court (see Note 16 to our Consolidated Financial Statements).

Net cash provided by operating activities for the year ended December 31, 2019, was $4.9 billion, resulting from net income of $4.9 billion and a favorable impact from adjustments for non-cash items of $541 million, partially offset by an unfavorable net change in working capital and long-term assets and liabilities of $541 million. Non-cash items were principally associated with net unrealized gains on marketable equity securities, depreciation and amortization, stock-based compensation expense, operating lease amortization and the provision for uncollectible accounts and chargebacks. The changes in working capital for the year ended December 31, 2019, reflecting the increase in business volume and growth in Booking.com's merchant transactions, were primarily related to a $480 million increase in accounts payable, accrued expenses and other current liabilities, offset by a $323 million increase in accounts receivable and $263 million increase in prepaid expenses and other current assets. Net change in other long-term assets and liabilities of $399 million was primarily due to the increase in other long-term assets related to the payment of $403 million to French tax authorities in order to preserve our right to contest the assessments in court (see Note 16 to our Consolidated Financial Statements).

Net cash provided by operating activities for the year ended December 31, 2018 was $5.3 billion, resulting from net income of $4.0 billion, a favorable impact from adjustments for non-cash items of $1.2 billion and a favorable net change in working capital and long-term assets and liabilities of $125 million. Non-cash items were principally associated with net unrealized losses on marketable equity securities, stock-based compensation expense, depreciation and amortization and the provision for uncollectible accounts and chargebacks. The changes in working capital for the year ended December 31, 2018, reflecting the increase in business volume and growth in Booking.com's merchant transactions, were primarily related to a $635 million increase in accounts payable, accrued expenses and other current liabilities, offset by a $319 million increase in accounts receivable and a $201 million increase in prepaid expenses and other current assets.

Net cash provided by investing activities for the year ended December 31, 2019 was $7.1 billion, principally resulting from the proceeds from sales and maturities of investments of $8.1 billion, net of purchases of $0.7 billion. Net cash provided by investing activities for the year ended December 31, 2018 was $2.2 billion, principally resulting from the proceeds from sales and maturities of investments of $5.6 billion, net of purchases of $2.7 billion, partially offset by acquisitions and other investments, net of cash acquired, of $273 million. Cash invested in the purchase of property and equipment was $368 million and $442 million for the years ended December 31, 2019 and 2018, respectively, which primarily related to additional data center capacity and new offices to support growth and geographic expansion related to our Booking.com and agoda brands. Cash invested in the purchase of property and equipment for the years ended December 31, 2019 and 2018 includes payments of $51 million and $78 million, respectively, related to the turnkey agreement for constructing Booking.com's future headquarters.

Net cash used in financing activities for the year ended December 31, 2019 was $8.2 billion, almost entirely resulting from payments for the repurchase of common stock. Net cash used in financing activities for the year ended December 31, 2018 was $7.4 billion, which primarily consisted of payments for the repurchase of common stock of $6.0 billion and payments for the conversion of senior notes of $1.5 billion.

For a discussion of our liquidity and capital resources as of and our cash flow activities for the fiscal year ended December 31, 2017, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, of our Annual Report on Form 10-K for the fiscal year ended December 31, 2018, filed with the SEC on February 27, 2019.

Contingencies

French tax authorities conducted an audit of Booking.com for the years 2003 through 2012 and are conducting audits for the years 2013 through 2018. They are asserting that Booking.com has a permanent establishment in France and are seeking to recover what they claim are unpaid income and value-added taxes. In December 2015, the French tax authorities issued Booking.com assessments related to tax years 2003 through 2012 for approximately 356 million Euros, the majority of which represents penalties and interest. As a result of a formal demand from the French tax authorities for payment of the amounts assessed for the years 2003 through 2012, in January 2019, we paid the assessments of approximately 356 million Euros ($403 million) in order to preserve our right to contest those assessments in court. The payment, which is included in "Other assets" in the Consolidated Balance Sheet at December 31, 2019, does not constitute an admission that we owe the taxes and will be refunded (with interest) to us to the extent we prevail. If we are unable to resolve the matter with the French tax authorities, we plan to challenge the assessments in the French courts. In December 2019, the French tax authorities issued an additional assessment of 70 million Euros ($79 million), including interest and penalties, for the 2013 year asserting that Booking.com has taxable income in France attributable to a permanent establishment in France. Furthermore, the French tax authorities have issued assessments totaling 39 million Euros ($44 million), including interest and penalties, for certain tax years between 2011 and 2015 on Booking.com's French subsidiary asserting that the subsidiary did not receive sufficient compensation for the services it rendered to Booking.com in the Netherlands. We have not recorded a liability in connection with any of the French tax assessments as we believe that Booking.com has been, and continues to be, in compliance with French tax law, and we are contesting the assessments. Additional assessments could result when the French tax authorities complete the outstanding audits. See Note 16 to our Consolidated Financial Statements and Part I, Item 1A, Risk Factors - "*We may have exposure to additional tax liabilities.*"

Contractual Obligations and Commercial Commitments

The following table represents our material contractual obligations and commercial commitments at December 31, 2019:

	By Period (in millions)				
	Total	Less than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 Years
Operating lease obligations[1]	$ 690	$ 172	$ 251	$ 104	$ 163
Building construction obligation[2]	123	55	68	—	—
Purchase obligations [3]	79	65	14	—	—
Senior notes[4]	9,639	1,170	3,293	1,867	3,309
U.S. transition tax liability	1,074	53	198	308	515
Letters of credit and bank guarantees[5]	160	118	23	1	18
Revolving credit facility[6]	9	2	4	3	—
Total[7]	$ 11,774	$ 1,635	$ 3,851	$ 2,283	$ 4,005

(1) Includes the land lease for Booking.com's future headquarters. See Notes 10 and 16 to our Consolidated Financial Statements for further details.

(2) See Note 16 to our Consolidated Financial Statements for further details.

(3) Represents significant noncancellable contractual obligations individually greater than $10 million. The obligations are primarily related to sponsorship and cloud hosting arrangements.

(4) Represents the aggregate principal amount of our senior notes outstanding at December 31, 2019 and cumulative interest to maturity of $928 million. Convertible debt does not reflect the market value in excess of the outstanding principal amount because we can settle the conversion premium amount in cash or shares of common stock at our option. See Note 12 to our Consolidated Financial Statements.

(5) Standby letters of credit and bank guarantees issued on behalf of the Company at December 31, 2019 are primarily related to payment guarantees to third-party payment processors (see Notes 12 and 16).

(6) Represents commitment fees on undrawn balances available under the revolving credit facility and fees on outstanding letters of credit at December 31, 2019.

(7) We reported "Other long-term liabilities" of $104 million in the Consolidated Balance Sheet at December 31, 2019, the majority of which relates to unrecognized tax benefits of $51 million (see Note 15 to our Consolidated Financial Statements). We have excluded these long-term liabilities from the contractual obligations table above as a variety of factors could affect the timing of payments for the liabilities; therefore, we cannot reasonably estimate the timing of such payments. We believe that these matters will likely not be resolved in the next twelve months and, accordingly, we have classified the estimated liability as non-current in the Consolidated Balance Sheet.

In 2018, we entered into an agreement to sign a future lease related to approximately 222,000 square feet of office space in the city of Manchester in the United Kingdom for the future headquarters of Rentalcars.com. Our obligation to execute the lease is conditional upon the lessor completing certain activities, which are expected to be completed in 2021. If these activities are completed, the lease will commence for a term of approximately 13 years and we will have a lease obligation of approximately 65 million British Pounds Sterling ($86 million), excluding lease incentives. We will also make capital expenditures to fit out and furnish the office space. The obligation is not included in the table of contractual obligations presented above.

We believe that our existing cash balances and liquid resources will be sufficient to fund our operating activities, capital expenditures and other obligations through at least the next twelve months. However, if during that period or thereafter, we are not successful in generating sufficient cash flow from operations or in raising additional capital when required in sufficient amounts and on terms acceptable to us, we may be required to reduce our planned capital expenditures and scale back the scope of our business plans, either of which could have a material adverse effect on our future financial condition or results of operations. If additional funds were raised through the issuance of equity securities, the percentage ownership of our then current stockholders would be diluted. We may not generate sufficient cash flow from operations in the future, revenue growth or sustained profitability may not be realized, and future borrowings or equity sales may not be available in amounts sufficient to make anticipated capital expenditures, finance our strategies or repay our indebtedness.

Off-Balance Sheet Arrangements

At December 31, 2019, we did not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on our financial condition, results of operations, liquidity, capital expenditures or capital resources.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We have exposure to several types of market risk: changes in interest rates, foreign currency exchange rates and equity prices.

We manage our exposure to interest rate risk and foreign currency risk through internally established policies and procedures and, when deemed appropriate, through the use of derivative financial instruments. We use foreign currency exchange derivative contracts to manage short-term foreign currency risk.

The objective of our policies is to mitigate potential income statement, cash flow and fair value exposures resulting from possible future adverse fluctuations in rates. We evaluate our exposure to market risk by assessing the anticipated near-term and long-term fluctuations in interest rates and foreign currency exchange rates. This evaluation includes the review of leading market indicators, discussions with financial analysts and investment bankers regarding current and future economic conditions and the review of market projections as to expected future rates. We utilize this information to determine our own investment strategies as well as to determine if the use of derivative financial instruments is appropriate to mitigate any potential future market exposure that we may face. Our policy does not allow speculation in derivative instruments for profit or execution of derivative instrument contracts for which there are no underlying exposures. We do not use financial instruments for trading purposes and are not a party to any leveraged derivatives. To the extent that changes in interest rates and foreign currency exchange rates affect general economic conditions, we would also be affected by such changes.

We did not experience any material changes in interest rate exposures during the year ended December 31, 2019. Our investments in marketable debt securities are subject to unrealized gains and losses due to interest rate volatility. We performed a sensitivity analysis to determine the impact a change in interest rates would have on the fair value of our investments in marketable debt securities assuming an adverse change of 100 basis points. A hypothetical 100 basis point (1.0%) increase in interest rates would have resulted in a decrease in the fair values of our investments of approximately $23 million and $126 million at December 31, 2019 and 2018, respectively. These hypothetical losses would only be realized if we sold the investments prior to their maturity. This amount excludes our investments in Trip.com Group convertible senior notes, which are more sensitive to the equity market price volatility of Trip.com Group's American Depositary Shares ("ADSs") than changes in interest rates. The fair value of our Trip.com Group convertible senior notes will likely increase as the market price of Trip.com Group's ADSs increases and will likely decrease as the market price of Trip.com Group's ADSs falls.

At December 31, 2019 and 2018, the outstanding aggregate principal amount of our debt was approximately $8.7 billion and $8.8 billion, respectively. We estimate that the fair value of such debt was approximately $9.8 billion and $9.3 billion at December 31, 2019 and 2018, respectively. A substantial portion of the fair value of our debt in excess of the outstanding principal amount relates to the conversion premium on our outstanding convertible senior notes. Excluding the effect on the fair value of our convertible senior notes, a hypothetical 100 basis point (1.0%) decrease in interest rates would have resulted in an increase in the fair values of our other debt of approximately $325 million and $370 million at December 31, 2019 and 2018, respectively. Our convertible senior notes are more sensitive to the equity market price volatility of our shares than changes in interest rates. The fair value of the convertible senior notes will likely increase as the market price of our shares increases and will likely decrease as the market price of our shares falls.

Our international business represents a substantial majority of our financial results. Therefore, because we report our results in U.S. Dollars, we face exposure to movements in foreign currency exchange rates as the financial results and the financial condition of our international businesses are translated from local currencies (principally Euros and British Pounds Sterling) into U.S. Dollars. If the U.S. Dollar weakens against the local currencies, the translation of these foreign-currency-denominated balances will result in increased net assets, gross bookings, revenues, operating expenses, and net income. Similarly, our net assets, gross bookings, revenues, operating expenses, and net income will decrease if the U.S. Dollar strengthens against the local currencies. Additionally, foreign currency exchange rate fluctuations on transactions, denominated in currencies other than the functional currency, result in gains and losses that are reflected in our Consolidated Statements of Operations.

As a result of foreign currency exchange rate changes, our foreign-currency-denominated gross bookings, revenues and operating expenses as expressed in U.S. Dollars are lower for the year ended December 31, 2019 than they would have been had foreign currency exchange rates remained where they were for the year ended December 31, 2018. Since our expenses are generally denominated in foreign currencies on a basis similar to our revenues, our operating margins have not been significantly impacted by currency fluctuations. Historically, the aggregate principal value of our Euro-denominated debt and accrued interest thereon had provided a hedge against the impact of foreign currency exchange rate fluctuations on the net assets of one of our Euro functional currency subsidiaries. Beginning in the second quarter of 2019, we have only designated certain portions of the aggregate principal value of the Euro-denominated debt as a hedge. The foreign currency transaction gains or losses on the Euro-denominated debt that is not designated as a hedging instrument for accounting purposes are recognized in "Foreign currency transactions and other" in the Consolidated Statement of Operations.

We enter into foreign currency derivative contracts to hedge translation risks from short-term foreign currency exchange rate fluctuations for the Euro, British Pound Sterling and certain other currencies versus the U.S. Dollar. We also enter into foreign currency forward contracts to hedge our exposure to the impact of movements in foreign currency exchange rates on our transactional balances denominated in currencies other than the functional currency. See Note 6 to our Consolidated Financial Statements for further information.

We are exposed to equity price risk as it relates to changes in fair value of our investments in equity securities of publicly-traded companies and private companies. The fair value of our investments in equity securities of publicly-traded companies and private companies, excluding certain investments classified as debt securities for accounting purposes, was $1.8 billion and $501 million, respectively, at December 31, 2019, and $1.0 billion and $501 million, respectively, at December 31, 2018. Our investments in private companies, excluding certain investments classified as debt securities for accounting purposes, are measured at cost less impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. See Note 2 and 5 to our Consolidated Financial Statements for further information. A hypothetical 10% decrease in the fair value of these investments at December 31, 2019 and 2018 would have resulted in a total loss, before tax, of approximately $230 million and $150 million, respectively, being recognized in net income.

Item 8. Financial Statements and Supplementary Data

The following Consolidated Financial Statements of the Company and the report of our independent registered public accounting firm are filed as part of this Annual Report on Form 10-K (See Part IV, Item 15, Exhibits and Financial Statement Schedules): Consolidated Balance Sheets at December 31, 2019 and 2018; Consolidated Statements of Operations, Consolidated Statements of Comprehensive Income, Consolidated Statements of Changes in Stockholders' Equity and Consolidated Statements of Cash Flows for the years ended December 31, 2019, 2018 and 2017; Notes to the Consolidated Financial Statements; and Report of Independent Registered Public Accounting Firm.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures. Under the supervision and with the participation of our management, including our principal executive officer and our principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Exchange Act Rule 13a-15(e). Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Annual Report on Form 10-K.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we include a report of our management's assessment of the design and effectiveness of our internal controls over financial reporting for the year ended December 31, 2019.

Management's Report on Internal Control Over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in the *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on our evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2019. Our independent registered public accounting firm also attested to, and reported on the effectiveness of internal control over financial reporting.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Changes in Internal Controls. No change in our internal control over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f)) occurred during the three months ended December 31, 2019 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Booking Holdings Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Booking Holdings Inc. and subsidiaries (the "Company") as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the financial statements as of and for the year ended December 31, 2019, of the Company and our report dated February 26, 2020, expressed an unqualified opinion on those financial statements and included an explanatory paragraph related to the Company’s change in method of accounting for the recognition and measurement of financial instruments in 2018 due to the adoption of an accounting standards update.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management's Report on Internal Control Over Financial Reporting." Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP

Stamford, Connecticut
February 26, 2020