

REFINITIV STREETEVENTS

EDITED TRANSCRIPT

TRVG.OQ - Trivago NV at Citi Global Technology Conference

EVENT DATE/TIME: SEPTEMBER 06, 2023 / 11:30AM GMT

CORPORATE PARTICIPANTS

Matthias M. Tillmann *trivago N.V. - MD of Finance, Marketing & Product, CFO and Management Board Member*

CONFERENCE CALL PARTICIPANTS

Ronald Victor Josey *Citigroup Inc., Research Division - MD and Co-Head of Tech & Communications*

PRESENTATION

Ronald Victor Josey - *Citigroup Inc., Research Division - MD and Co-Head of Tech & Communications*

So we'll get started here. So I'm Ron Josey, I lead the North American Internet equity research practice and here at Citi, and I'm pleased to have with us today, trivago's CFO, Matthias Tillmann. As you're kicking off the conference, one of a few companies that got selected early morning, but thank you for coming all the way from Germany from Dusseldorf. I think most are familiar with trivago, but just to level set, it's a meta -- trivago is a metasearch platform generating EUR 300-plus million qualified leads per year to its partners and offers access to 5-plus million hotels and other types of accommodations across pretty much the globe, 190 countries. I don't know how many more there are that you would have to go to.

But with that, Matthias, thank you for coming today and kicking off the conference.

Matthias M. Tillmann - *trivago N.V. - MD of Finance, Marketing & Product, CFO and Management Board Member*

Thanks for having me.

QUESTIONS AND ANSWERS

Ronald Victor Josey - *Citigroup Inc., Research Division - MD and Co-Head of Tech & Communications*

Absolutely, absolutely, and let's make this an annual event. So I wanted to kick off, there was an announcement yesterday little bit of a strategic shift in terms of the company and where we're going. I wanted to hear a little bit more about the announcement. And just to level set, I'll highlight the strategic shift, and you can tell me a little bit more. Let's do 3 parts of it. One is investing more in brand advertising. Two is, as a result, maybe taking down a little bit of profitability this year and three is a special dividend. So talk to us more about brand advertising.

And as we jump right in, and then we'll get to trends and everything else, but talk to most more about the decision to invest in brand and to really decide, okay, some things are working here, let's try to rebuild our awareness.

Matthias M. Tillmann - *trivago N.V. - MD of Finance, Marketing & Product, CFO and Management Board Member*

Yes, sure. And maybe let's take a step back and start with the change we had in May this year when the new management team was coming in. So we had a management change in May, a new CEO, CPO and CMO, came in at the same time. Old trivago executives coming back, returning to the company. And when they came back, they said, okay, we basically missed the pandemic. Now we are back. We want to understand what changed, what we have done and we want to focus on the peak summer season. And everybody knows in travel, that's a very important season for us. And they wanted to listen to the people and focus everybody on the summer campaigns, optimizing that.

And on the product side, get quick wins to improve conversion. And that's what we have done basically in the last couple of months. And we said at the end of the summer season, we will look back at the results, look back at the campaigns and we'll assess what that means going forward. What that means for the rest of this year and then early outlook on '24 as well. And what we announced yesterday is basically the result of that analysis.

So first of all, starting with your first point, brand. We, compared to last year in key markets, ramped up brand marketing this year. Not very aggressively, but was a higher spend, and we saw good results. So when I say good results, what does that mean? Essentially, we run brand marketing like a performance channel. So we invest and we have long-term metrics, but you also have direct response, so short-term response to your campaign. And that is very important for us. There we can see that at our target level of profitability, we can get incremental traffic to the website. And we have seen in many markets, and it's not specific by region, it's really across all regions, across key markets that we saw a good uplift in incremental visits.

And the team came in with a growth mindset, saying, okay, we want this business to grow again. And now that we see good results, let's try to push it more and invest more in the back half of the year, yes, to benefit from that and then also give that as the guidance and the direction for '24 as well. Obviously, it's path dependent. I mean we will push now. We would see what the results are. If we like what we see, we push more. But as a general mindset, we do that. And as you rightly said, and I think there was a second point, if you invest more on brand that comes at lower profitability. Payoff period is over a longer time period. And we said that's okay. We want to invest that money in order to drive growth because we believe in the long-term outlook of the business.

We believe in meta, a strong value proposition. We see that now in a high price environment with inflation. We see that when you look at how hotel rates are distributed, there are big price differences between market leaders, et cetera. So we think the market for meta is great and it's a good time to invest. And that is what we are doing now.

Ronald Victor Josey - Citigroup Inc., Research Division - MD and Co-Head of Tech & Communications

So let's dive in a little bit more on those things, and we'll get into sort of bigger picture here in a second. But the market for meta is great. Talk to us about what you're seeing, maybe in those markets where you had the brand advertising, because I think you said it was only in -- for peak, you focus on peak summer season, quick wins to improve conversion. You saw that. Talk to us a little bit more about what did you see specifically that led you decision like growth mindset we want to get ready for '24?

Matthias M. Tillmann - trivago N.V. - MD of Finance, Marketing & Product, CFO and Management Board Member

It's a good question. It's 2 things really. So one is, obviously, we do user surveys, and we look at, okay, what is the journey of the user coming from a performance channel, a brand channel, et cetera, how is the decision-making process, what's important for the customer. And there -- that's what I meant when I said that in the current high price environment, we see that the average consumer appreciates price a lot more than, let's say, a year ago. So that's what we can see.

We can also see, we mentioned it in our last earnings, that on average, people try to mitigate the effect of high prices. So they book shorter lengths of stay, et cetera. So there is pressure to deal with it, and that makes meta more attractive, because that's our core value proposition. We compare price. We help you to get you to the best deal, make sure you don't overpay, show your alternatives. And we call it deal finding and sourcing and that's highly relevant for us and for our users, yes.

Ronald Victor Josey - Citigroup Inc., Research Division - MD and Co-Head of Tech & Communications

So will we see more of the trivago guy campaign? And I apologize, you might have a different name, but what can we look for? And is it -- are we going to see maybe more regionalized or here in the States, we'll see it Europe, Asia Pac? How are you?

Matthias M. Tillmann - trivago N.V. - MD of Finance, Marketing & Product, CFO and Management Board Member

I mean, U.S. is a key market. It's our biggest market. So for sure -- and our market share is small. So I think there's lots of headroom for us to grow. Also in terms of brand awareness. So if you look at traditional brand metrics, there's room to grow compared to Europe where we are stronger because we have been in those markets for longer and spend more marketing dollars accumulated over the years, in particular, pre-pandemic.

Mr. trivago has been a very successful campaign for many years. Essentially, we started with that in 2009, '10, so a long time ago. And it worked everywhere. So that was the beauty of the concept. We could roll it out globally, and we didn't see big differences. And we localized it, obviously, the campaign, the creative but it worked everywhere.

And I think pre-pandemic, we started already testing other concepts, and we have done more of that during the pandemic, and we have also seen good results. And there, we are very pragmatic. We have a test and learn approach. We take the best, Mr. trivago -- trivago guy concepts, run them against new creative and whatever works better, we use. And we didn't really use the Mr. trivago concept in the past 2 years. And now we brought it back in the U.S. And...

Ronald Victor Josey - Citigroup Inc., Research Division - MD and Co-Head of Tech & Communications

I'm seeing it more and more.

Matthias M. Tillmann - trivago N.V. - MD of Finance, Marketing & Product, CFO and Management Board Member

Yes, we're good. So you can expect maybe more of it, maybe different versions. But the team is currently working on it. It's for the creative production team. We still do that all in-house. And it's a big initiative for them to come up with a winter campaign. What I've seen so far looks pretty exciting. So I'm very confident that we have great creatives that drive traffic to our website for the next marketing campaigns.

Ronald Victor Josey - Citigroup Inc., Research Division - MD and Co-Head of Tech & Communications

So we'll get into more marketing in a second. We have so much more to get through. Another part of the -- so we talked about advertise, talked about growth and profitability and the focus on growth. But another big part of the announcement yesterday was a special dividend. So tell us more about the decision around the special dividend, how it might get just the process around there.

Matthias M. Tillmann - trivago N.V. - MD of Finance, Marketing & Product, CFO and Management Board Member

Yes, exactly. So that was the third key announcement yesterday. We started looking at that last year already, like our capital structure. We are well capitalized. We had -- or we have EUR 300 million cash on the balance sheet, no debt. And last year, we bought back some shares. That was part of that strategy to return capital to shareholders to optimize the capital structure because right now, if you look at the market cap to EV ratio, a lot is just the cash position. And I think that is not optimal, not attractive for new investors, and we don't need that cash.

So we looked at different ways what to do. And now we decided to distribute or pay the special dividend, which is the retained earnings under Dutch law that we can distribute the [EUR 184 million] (corrected by company after the call). So that we are paying that out now. And then we are still -- we remain well capitalized and will not need funding to cover our day-to-day, yes. And I think overall, it's good news for investors. We optimize the capital structure, and we still keep the business well capitalized.

Ronald Victor Josey - Citigroup Inc., Research Division - MD and Co-Head of Tech & Communications

And in your discussions of optimizing capital structure, talk to us about organic, inorganic. How do you think about the M&A world? I mean you still have a good amount of cash after this, so?

Matthias M. Tillmann - trivago N.V. - MD of Finance, Marketing & Product, CFO and Management Board Member

Exactly, yes. But if you look at us -- if you look at what we did historically with M&A, it was more opportunistically, no big acquisitions, but rather smaller tech acquisitions where we could leapfrog developments, et cetera. And that's something we will continue to do. Look at that and -- for

that, we have still cash on the balance sheet. So we keep that flexibility to do something if it makes sense. But I would say the big focus, in particular, on the new growth strategy is on organic growth.

We see a lot of -- and that's -- I mean, it wasn't really in the announcement, but another big part of the strategy is the focus on product, the focus on deals and iterating faster, improving the core products. There are many small ideas. It's not the one big thing. But in aggregate, they matter a lot. And we are confident that we can, a, drive conversion up and b, drive retention up. App is also an important part of that strategy. And we will focus on that rather than distracting ourselves with bigger M&A projects.

Ronald Victor Josey - *Citigroup Inc., Research Division - MD and Co-Head of Tech & Communications*

Perfect. And so let's maybe take a step back and talk about the management change. We highlighted that a little bit earlier in the conversation. But I mean, essentially, Johannes, Rolf, Andrej, Jasmine. They all came back to the company. So as you said, they took the pandemic off and now were back. We just talked about a big investment in brand and getting back to growth. We just talked about the importance of app, the importance of direct, but talk to us more maybe internally. We're only what -- they came back in May, was it? So we're only several months into it. How has the company changed internally? Is there any -- just any like change in -- we just talked about change of philosophy, but talk to us more about we're now 3, 4 months in, how are things going so far with new-old management and back to -- yes, I don't know how to say it, but.

Matthias M. Tillmann - *trivago N.V. - MD of Finance, Marketing & Product, CFO and Management Board Member*

Yes. No, and I think it's fair. I mean it's still early, but on the other hand, given that they know the company very well, and they know the industry very well, they hit the ground running. So they didn't need much time. I mean they had to catch up to understand, okay, what changed in the pandemic and obviously, a lot has changed. Not in trivago -- not only in trivago, but in the industry as well. And that's why, first, they came in, listen, understand what's happening, why we took certain decisions in the past.

And one key strategic question of what they looked at is the growth margin profile. And obviously, they came back more with a growth mindset, and they pushed hard everybody to look at where are opportunities for us to grow more. What's on the product side? What's on the marketing side? What's on the tech side. And I think that has been a key theme and now with 3 months, it's still early, but we're taking first learnings. They are giving the input. And they -- what they are focusing on more in terms of philosophy is trying to be more entrepreneurial again, be faster, look for growth and take intelligent risk.

So not just waste money. Obviously, that's not what we intend to do. But they are all confident and that was the key theme or reason hypothesis why they came back. They said, trivago is a strong brand, operates in a huge industry. And the value proposition is very strong, and it's a growing business -- or growing industry. And we need to invest more to get back to where we were pre-pandemic. And that is what's happening now.

So we'll take a bit more time to now get to the details, et cetera, our strategy -- detailed strategy planning process just kicked off, and that is what we will do in September, October. By the end of that month, we will also finalize our first 2024 plan, but the direction is what we said yesterday in the release.

Ronald Victor Josey - *Citigroup Inc., Research Division - MD and Co-Head of Tech & Communications*

And so I want to get into the product here in a second. But maybe a question we get from investors and speaking about the growth mindset, and it is more on search overall and metasearch. So talk to us a little bit more about just how the -- how metasearch has evolved over the past couple of years -- decade plus, however, where are we on the, call it -- where does it sit in a consumer search focus. When you go searching for travel, do you go to meta immediately? Talk to us more just about the broader industry for meta, where it sits and how you think about meta going forward?

Matthias M. Tillmann - *trivago N.V. - MD of Finance, Marketing & Product, CFO and Management Board Member*

Yes. I don't think it's black and white. So you have certain segments that are meta users, heavy users, our core users, they come to us direct. They have used us in the past. They understand the value proposition very well. Maybe they use the app. Reality is certain users of that group also use other travel websites. I think that's something that's interesting in travel that on average -- can't recall the exact number, but I think something like 8, 9, 10 websites is the average number of websites a user use before they book.

And for us, that means we need to be among the top 10 websites. We want to have a touch point there. And we -- obviously, we just don't want that because we are efficient or good in marketing, but we want to add value. And we need to -- that's a big part of the optimization we have done, in particular, with performance marketing traffic over the pandemic, where we looked at, okay, what are natural users for us to buy? Where can we add value? Where do we see users from their behavior, how they search. Because as you said, it's -- there are 2 types of search. One is which hotel. So that's a vertical search. And that is something OTAs are doing as well. So you come with a loose intent, I want a hotel in New York for the Citi Conference, maybe midtown and then you see a list of options. And obviously, what you show is -- makes a difference to the user.

And then obviously, we have a second dimension, and that's the horizontal where we tell you, okay, now you pick the Hilton, where should you book? What's the best price, what's the best deal? And it's not only about price and people sometimes confuse that. That's why we internally talk about deal, because there are different attributes, is breakfast included, what type of room is it, et cetera, all of that. So there are quite a few dimensions and then it gets quite complicated to make that comparable.

And that is something where we are investing a lot. And I think that's where meta can add a lot of value. And I think, overall, how the industry changed, obviously, if you look back 5, 6, 7 years ago, Google essentially was traditional ad words. They started to push their own meta product. I believe it was in 2017, Google hotel ads and by doing that, they send more users into the meta experience. And then obviously, that makes less sense to acquire those users, so they got through meta experience for a second time.

Some markets, it might make sense because we have the bet offering and stronger product from my perspective. In other markets, the difference is not really big, and then it's just distraction. So that's something that has been a headwind for -- not only for us, but other folks in the industry as well. And that is another reason why we believe brand is even more important, because you want people not to start on a generic search because their intention is not to use Google, but they use it as a default, and then they are pushed into a product. So we want to build that brand. And I think with our unique data set, we can create a profile of the user and can work in personalization, et cetera, to deliver better options. That's the idea and that you can do when the user is loyal, when you have multiple touch points, they are coming back, et cetera, and then you create this fly wheel. And that's something we are focusing on.

Ronald Victor Josey - *Citigroup Inc., Research Division - MD and Co-Head of Tech & Communications*

And Matthias, forgive me, have we talked about just traffic composition between direct, app, search or where traffic comes from with trivago?

Matthias M. Tillmann - *trivago N.V. - MD of Finance, Marketing & Product, CFO and Management Board Member*

We have not disclosed that. I mean if you look at app for us, I think from what I'm seeing and hearing from others, I think we're under indexed. There's an opportunity. And it's -- there's a good reason for that, because for a very long time, we didn't really focus on the app. Basically, the app was just a mirror of the mobile web. And mobile web was very strong, fast, lean product, good conversion, and there was no significant extra value in going through the app. And that's why we didn't really push it. Now we've changed that. We started last year already with simplest things that you can only do with the app. And I think that is the focus going forward. And I do think we should get our app share up.

Ronald Victor Josey - *Citigroup Inc., Research Division - MD and Co-Head of Tech & Communications*

No. I mean we check out app share from third parties and understood.

Matthias M. Tillmann - *trivago N.V. - MD of Finance, Marketing & Product, CFO and Management Board Member*

You know it, probably.

Ronald Victor Josey - *Citigroup Inc., Research Division - MD and Co-Head of Tech & Communications*

We're always looking at it, but it's always interesting to us between web versus app and direct. And I think once you have the app, you typically have a greater loyalty, or you actually took an act -- the consumer took an action. So it's interesting. And maybe this is a good -- I'm sort of jumping around here in terms of my approach, but we talked a lot about product. About the investments, maybe the small things that are sort of together. Earlier in the year, we talked about direct hotel bookings. But talk to us more about just the product road map. We just talked about app, how that might be a greater focus. Would love to hear maybe some of the smaller things that the team is tweaking that might be working in maybe a viewpoint into '24.

Matthias M. Tillmann - *trivago N.V. - MD of Finance, Marketing & Product, CFO and Management Board Member*

Yes, sure. So in very simple terms, the headline would be we focus on deals, as I said before. And you mentioned direct hotel. So that initiative, we kicked off end of last year, and we increased coverage in certain markets in the first half of this year, and that is now part of the whole deal topic, because obviously, the direct hotel rate is one rate. And it's sometimes a very relevant rate because it might be the cheapest price you have as a consumer, you have certain benefits of booking direct. And what we see is even if you just have it as a price reference point, it increased conversion. People want to know, okay, what's the direct hotel offer.

And I'm getting sometimes the question, okay, what does that mean? What are you trying to do here? Are you trying to reduce the share of the large global OTAs? And that's not really the point. So we don't -- we don't have targets for certain advertisers. I think it's very important for us that we have a neutral marketplace -- that we operate as a neutral marketplace.

We want everybody, every advertiser to be as effective as they can be, have the tools for them and compete and then the share is just the outcome of the auction. And we look at it from a different angle. We look at, okay, from a consumer what's best for the consumer. So to have all the options and how to display them, what's the content that you need to display to understand the deal as well. That's something we haven't really focused on prior to the pandemic. It's now a bigger topic.

And certainly, things like generative AI are helping there, interesting new technology that you can use to have a much better user experience, much better content, et cetera. And that is part of the product road map for next year. So again, there's not one big thing, but the big theme, I would call it deals and how to source them, how to make sure we have the best deals, how to make them visible, how to make the user understand what they're getting and why we think it's a good deal. And if you listen to that, that sounds simple, but the devil in the detail. There is a lot of work, a lot of complexity, in particular on the content side and how you compare deals?

And just to give you one example, if you have an item, a property that is always high in your list because advertisers are bidding high, and you see a high click-through rates or conversion rate that item tends to always surface to the top. Another item, maybe a property that's new to the market, doesn't get promoted, et cetera, you don't have a click-through right, you don't have the same idea on conversion. In order to get there and compete, that is more difficult, yes? And that's our job, to make sure to anticipate that to throw it in to find what are users interested in? What makes them convert? What's important for them and then find similar properties items and make them visible and comparable.

Ronald Victor Josey - *Citigroup Inc., Research Division - MD and Co-Head of Tech & Communications*

That's always easier said than done. So that's bringing new hotels to the platform. So we're about 25 minutes in and gen AI just came up. So just talk to us a little bit more about how you see generative AI changing the dynamic maybe within travel and then specifically within trivago?

Matthias M. Tillmann - *trivago N.V. - MD of Finance, Marketing & Product, CFO and Management Board Member*

Yes. I mean, obviously, it is a hot topic. And for me, it will play out over longer term. For us, it's -- this year, we start to play around with it. Many other peers and competitors have launched Beta versions of some trip planning tools, et cetera. We also launched that in our app. But to be honest, I think that is more nice testing it and getting a feel for it, getting some feedback and learning along the way, but it's not super helpful. We don't see that consumers are really using it the way we think it can be in the future.

Ronald Victor Josey - *Citigroup Inc., Research Division - MD and Co-Head of Tech & Communications*

Do you think consumers aren't using it, because it's a different mindset to use it. So in other words, talking naturally is different? Or is it more the capabilities aren't yet fully built out?

Matthias M. Tillmann - *trivago N.V. - MD of Finance, Marketing & Product, CFO and Management Board Member*

I think it's probably both -- a bit of both. But what -- and we will continue to iterate around that and play with that, et cetera, but I -- my point is, I don't think that will make a big difference in financial terms next year or in terms of driving growth or consumers.

Where I see the bigger opportunity, immediate opportunity for us is around content generation and also improving, enhancing free search. So you type in the search bar as we have it, I need a hotel in New York, that area, those [inaudible], prices, whatever, without maybe using less of the filters but doing it in a free text. And then you can use your proprietary data to enhance that algorithm, the machine learning model and get to better results and get to better results than everybody else because you use your own data. There, I see a lot of potential. And I think there, we are only at the beginning, and that's a bigger theme for '24 also for us in the product road map.

Ronald Victor Josey - *Citigroup Inc., Research Division - MD and Co-Head of Tech & Communications*

And that will help us search -- that help just as you get the content right and sort of everything else might follow.

Matthias M. Tillmann - *trivago N.V. - MD of Finance, Marketing & Product, CFO and Management Board Member*

The whole topic around deals, I think you can put that on another level because you can make it more understandable to a user why you're selecting certain deals? And why is it relevant? And obviously, you can -- the whole topic around personalization gets easier. So you find -- or your results list is more relevant, and it's clearer for the user why we are selecting certain items. I think that's kind of the conceptual framework I would put around that.

Ronald Victor Josey - *Citigroup Inc., Research Division - MD and Co-Head of Tech & Communications*

That makes a lot of sense. And internally, as gen AI changed things in terms of the process to build products are still early days and figuring that out.

Matthias M. Tillmann - *trivago N.V. - MD of Finance, Marketing & Product, CFO and Management Board Member*

It is early days, but we are promoting it in the whole company. I also think in finance, for example, I encourage my teams to look at how can it help us to become more efficient to optimize processes to become better. And I think that's on everybody in every part of the company. I believe if you don't do it, then you will -- as a company and as an individual, you will probably have a hard time in, I don't know what the time frame is. Maybe a year, 2 years or whatever, but it is a great productivity enhancer, and everybody needs to learn how to deal with it and make it use for them. And that's what we're promoting in the company as well. And I think that's important.

Ronald Victor Josey - Citigroup Inc., Research Division - MD and Co-Head of Tech & Communications

Yes. So still to come, stay tuned. '23 was introduction, '24 maybe the content and consumers might follow soon thereafter. That makes a lot of sense. And so I'd be remiss not to ask about macro. We've been talking a lot about the company in trivago and what's happening with product and travel. There's a lot of news out there in terms of another summer of travel, not surprising. But talk to us about just the broader travel environment. I would love to hear broader travel environment dynamics and then also auction dynamics within trivago. But just talk to us at the macro level. And if you could tell us maybe Europe versus Americas or different regions, what are you seeing currently?

Matthias M. Tillmann - trivago N.V. - MD of Finance, Marketing & Product, CFO and Management Board Member

Yes, sure. So I think, again, taking a step back, last year, we saw a strong recovery in Europe and Americas. And I think it was a combination of pent-up demand. First quarter was not good, and in particular, in Europe, and then when travel restrictions were lifted, et cetera, everybody wanted to travel, and we saw that all condensed in a shorter period. There was a summer period. At the same time, we saw an increase in hotel rates, but we didn't see that people traded down. So length of stay roughly stable.

And for us specifically, we had another positive effect from the auction because there was an environment where our advertisers said, "Oh, we want to participate in the recovery, we want to grow." And they bid up to get that traffic. So for us, it was kind of the perfect storm all stars aligned, and we had a great year. And I think that was reflected in very strong profitability and a record EBITDA for the company.

So now fast forward to '23. At the start of the year, we saw that on the auction side, things changed. So I think that was probably a result of a broader shift in the market, not only travel but financial markets as everybody was focusing on profitability.

Ronald Victor Josey - Citigroup Inc., Research Division - MD and Co-Head of Tech & Communications

Like we've had 5 years in 1, it's pretty well, yes.

Matthias M. Tillmann - trivago N.V. - MD of Finance, Marketing & Product, CFO and Management Board Member

Exactly. And that was true also for our large partners, public companies, and they have pressure, obviously, and they wanted to increase their margins. And in a way, I think it's healthy. I don't think monetization -- and they continued, by the way, up until now, and we are now in September. And for me, how I look at it is more a normalization in the auction dynamics. So last year was very strong. Now we normalize. But in the year-over-year, obviously, that is a headwind. So that's why we said, okay, we faced difficult comps because of that monetization effect.

If I look at the market, so not trivago specific but demand, then I think demand is robust as well. We see that people still want to travel. I think that's a difference compared to other industries where we are seeing more weakness and softness in demand. We haven't seen the same in travel. What we did see, however, is a reduction in length of stay. That's the one to call out, where it's very clear. So I think it's the economic weakness that we see, in particular in Europe right now affects the consumer, and they don't spend no matter what, but they are more conscious of their budgets. Maybe they tapped into their savings last year, and they are not doing it this year and that's why they try to mitigate it and keep the average booking value, so the basket value content. And that's exactly what we see.

We see still slightly in the key regions in Europe and Americas. So I'm mostly talking Europe and Americas here. We do see that ADRs are still slightly up year-over-year, but that is offset by a shorter length of stay. And then on average, the basket value is roughly flat year-over-year. In rest of world, and that for us is Eastern Europe and APAC and Australia and New Zealand. We see still a recovery.

So there last year, the recovery wasn't as strong, in particular markets like Japan. This is one of the biggest markets in that segment, but also many smaller markets like Singapore, Hong Kong, Malaysia, et cetera, they all didn't really recover last year. And now we see the catch-up effect. And

there, you see ADRs are going up, length of stay is stable, average booking values are up as a result of that. And that's why I think there's more runway, they are just at a different stage in the recovery and that has been quite positive up until now this year.

Ronald Victor Josey - Citigroup Inc., Research Division - MD and Co-Head of Tech & Communications

That's super helpful. And do you think -- is there any change in maybe traditional seasonality where summer months are the summer travel, but now maybe the shoulder seasons, the September might be a little bit more because ADRs are so high. Any change in seasonality or just back to school, back to work, it just is what it is?

Matthias M. Tillmann - trivago N.V. - MD of Finance, Marketing & Product, CFO and Management Board Member

It's more than latter, I would say. It's -- so last year, we saw a different seasonality, again, because of travel restrictions earlier in the year, et cetera. So that's why the summer peak was more pronounced. And then at the beginning of the year, demand was lower. End of the year, it was also lower than historical seasonality would have suggested. This year, so far, we see more back to normal. So it's pretty much in line with 2019 and prior.

Obviously, we would see how that's playing out for the rest of this year. So what you're describing maybe now we spend the money on the summer vacation, and we save a bit in the fourth quarter, I don't know -- we don't know. Our average booking window is 30 to 60 days. So we don't have that much visibility into end of this year at this point. But what we are seeing right now, there's nothing that suggests there's a big change.

Ronald Victor Josey - Citigroup Inc., Research Division - MD and Co-Head of Tech & Communications

And as we invest more in brand marketing, as we prepare into '24, now we're setting the stage for '24, Talk to us how the investments in brand set us up for the 2024 travel season?

Matthias M. Tillmann - trivago N.V. - MD of Finance, Marketing & Product, CFO and Management Board Member

No, I think that's exactly right, yes. So we said if the goal and the target is to invest more next year and focus on growth, then we should not wait until '24, but we should start now because we know that from the past, what you do in Q4 has an impact on the first quarter. First quarter is very important. January is kind of a mini peak in particular, in Europe, when people come out of the winter holidays and start looking for summer, maybe Easter, some late bookers for Easter. And then it matters a lot what you did in December, for example, or in Q4 more generally, so that's why we said, okay, we want to -- we want to start early. That's why we lowered our EBITDA guidance for this year because that is an investment in brand that comes at lower profitability.

And then for next year, as I said in the beginning, we will obviously look at the results and then decide as we move along. But the goal is to be on top and invest more aggressively and optimize for growth. Obviously, we don't want to burn money, that has always been our discipline. So we are not, we talked about the cash position we still have. So the intention is not to take that money. I think we can fund all the investment through the free cash flow the business generates. And then if we see good results, and we will continue to invest. And if we don't see that, then we can course correct, I guess.

Ronald Victor Josey - Citigroup Inc., Research Division - MD and Co-Head of Tech & Communications

That's great. And we have 3 minutes, so I'll open up to questions here shortly. One last one, and we haven't talked about it and just Google and performance ads that was highlighted as a change in terms of how their -- I think Google Hotel auction that carousel happened in May, June. Talk to us just, are we over that? Or how is that going?

Matthias M. Tillmann - *trivago N.V. - MD of Finance, Marketing & Product, CFO and Management Board Member*

Yes, that's a very good question. And it added a lot of volatility to performance channels and for us specifically. So we -- when they rolled it out and increased the visibility of the ad unit -- the new ad unit, we did not participate, by now in key markets we are participating. Results are similar to what we've seen in '21 when we tested this as part of GHA. So it's a unit that was in Google Hotel ads before, now in traditional ads. And back then, we stopped it because we didn't like the quality.

Now looking at it, the quality is still similar. And that's why I personally believe from my perspective, it adds volatility in the short term, medium to long term, I don't see that this changes a lot because of that lower quality. And I think it will adjust like in terms of what the visibility of that unit will be and how other advertisers bid for traffic from those ads.

Ronald Victor Josey - *Citigroup Inc., Research Division - MD and Co-Head of Tech & Communications*

Perfect. Any questions from the audience, we're about a minute or 2 left. Okay, no questions from the audience. Maybe I'll just sneak another one in there. As we just think about sort of wrapping this up. We heard a lot about brands. We heard a lot about product and like sort of tweaks in the product going forward. We heard Europe and Americas sort of back to where we were Asia Pac coming back to more of our levels. Maybe wrap this up in the last minute that we have, just broader investment thesis, broader thesis on trivago, we think about 2024 and beyond?

Matthias M. Tillmann - *trivago N.V. - MD of Finance, Marketing & Product, CFO and Management Board Member*

Yes. I think the high-level summary is that we believe there's a lot of headroom for us. We said in the release yesterday that we target double-digit growth. And that is the goal for next year. We do believe there's a strong value proposition for meta. Meta can play a key part in the industry. As with every consumer business, I think there are 2 things that are always on top of the list and important, that's price and convenience.

And price, I mean, obviously, that's our core value proposition and convenience. I think that's core whenever we talk about product. Right now, if you look at it, it's a very lean product, easy to use, no distraction, et cetera, very fast and that is what we need to continue as well with everything we do. And then I think there's plenty of room for us to grow this business.

Ronald Victor Josey - *Citigroup Inc., Research Division - MD and Co-Head of Tech & Communications*

Yes. Perfect. Matthias, thank you so much for coming out. I appreciate it. A lot to think about and a lot that we got through. So I appreciate it. Thank you.

Matthias M. Tillmann - *trivago N.V. - MD of Finance, Marketing & Product, CFO and Management Board Member*

Thank you.

DISCLAIMER

Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2023, Refinitiv. All Rights Reserved.