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TRVG.OQ - Q2 2021 Trivago NV Earnings Call

EVENT DATE/TIME: JULY 30, 2021 / 12:15PM GMT

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PRESENTATION

Operator

Good day, ladies and gentlemen. Thank you for standing by, and welcome to the trivago Q2 Earnings Call 2021. I must advise you the call is being recorded today, Friday, the 30th of July 2021. We are pleased to be joined on the call today by Axel Hefer, trivago's CEO and Managing Director; and Matthias Tillmann, trivago's CFO and Managing Director. The following discussion, including responses to your questions, reflects management's views as of today, Friday, the 30th of July 2021, only. Trivago does not undertake any obligation to update or revise this information. As always, some of the statements made on today's call are forward-looking, typically preceded by words such as we expect, we believe, we anticipate or similar statements. Please refer to the Q2 2021 operating and financial review and the company's other filings with the SEC for information about factors, which would cause trivago's actual results to differ materially from these forward-looking statements.

You will find reconciliations of non-GAAP measures to the most comparable GAAP measures discussed today in trivago's operating and financial review, which is posted on the company's IR website at ir.trivago.com. You are encouraged to periodically visit trivago's Investor Relations site for important content. Given the drastic and unprecedented impact of the COVID-19 pandemic on our operating results in 2020, management believes that comparisons of 2021 results against those for the comparable period of 2019, allow for a better understanding of the progress of our recovery from the pandemic. Comparable 2020 results are included in our appendix for our presentation as well as in our financial and operating review filed as Exhibit 99.1 to the current report on Form 6-K filed on the 29th of July 2021.

With that, let me turn the call over to Axel. Please go ahead, sir.

Axel Hefer - *trivago N.V. - CEO, MD of Finance, Legal, International, Marketing, Product, People and Culture & Mgmt Board Member*

Thank you, everyone, for joining us today for our Q2 2021 earnings call. I hope everyone is enjoying the summer and getting to travel a bit. After months of lockdown and almost full isolation at home, our teams have been very relieved when our life opened up and travel restarted. Since then, the sentiment of the company has improved a lot. The travel market has returned to some extent, and colleagues and family members have reunited. More recently, we have started to offer on-campus vaccination to our staff, who want one, to allow us to move towards our hybrid setup by end of the quarter. We are happy to take note that all the hard work that we have put into our product and marketing initiatives have shown positive results. In the U.K. we have launched a new version of our local travel product, offering inspiration for weekend activities. Our alternative revenue streams have gained momentum and a significant number of new customers have been signed up. Our collaborative approach with our advertisers has facilitated a rapid recovery of the auction across multiple markets. While we are enjoying this return to travel, we're also very realistic with the current situation. Vaccination levels are still too low in many countries and the fall is coming. We know that cases will increase again. New variants will emerge and restrictions might be reimposed to some extent. In either case, we are staying optimistic in this difficult time and see through the ups and downs, a sustainable recovery has started, and we will continue to make progress.

With that, I now hand over to Matthias.

Matthias Tillmann - *trivago N.V. - MD, CFO & Mgmt Board Member*

Thank you, Axel, and good morning, everyone. A positive trend in April that we highlighted during our Q1 call continued throughout the second quarter. And in particular, in our segment Developed Europe, we have seen a lot of pent-up demand. Globally, our qualified referrals improved to 56% of 2019 levels compared to 33% in the first quarter and our referral revenue improved from 18% of 2019 levels in the first quarter to 42% in the second quarter. Our net loss also improved sequentially to EUR 3.3 million compared to a net loss of EUR 6.7 million in the first quarter, while our adjusted EBITDA turned positive to EUR 4.3 million from minus EUR 4.8 million in the first quarter, exceeding our guidance.

In most of our core markets in Europe, travel demand started to recover in April. Qualified referrals in that segment were around 35% of 2019 levels in April, which improved to around 65% for the full quarter. In some European markets, qualified referrals even exceeded 2019 levels at the end of the quarter, for example, in Germany. With the increase in qualified referrals, we have seen a gradual improvement in our revenue per qualified referral as well. In particular, in Americas and Developed Europe, advertisers started to increase their bids following the increase in referrals and bookings. In our segment, rest of world, in particular in APAC, many markets still had to deal with shutdowns and travel restrictions. Hence, the recovery there was much more muted. Our return on advertising spend, or ROAS, continued to improve year over 2 years, however, less than in the first quarter as we ramped up our investments in brand marketing channels in many markets, in addition to performance marketing channels. Excluding advertising expenses, our operational expenses decreased 10% compared to the second quarter last year. The decline was less pronounced than in prior quarters as we started to lap our cost-saving initiatives that we announced last year in May. The main drivers for the decrease in costs are reduction in headcount and office-related savings.

In G&A, costs slightly increased as the headcount and office-related savings were offset by a reduction of expected credit losses in the second quarter last year, which was a one-off decrease in expenses that did not repeat this quarter. In selling and marketing, the decrease was partly offset by an increase in TV production and related costs as we started to advertise on TV in multiple markets again. We remain well capitalized with a cash position of EUR 194 million at the end of the second quarter, which is stable compared to the beginning of the quarter. We mentioned the launch of an at-the-market equity program last quarter, but we have not utilized it so far, and we will remain opportunistic with this program.

We are now in the middle of the peak summer travel season, and the significant increase in travel demand we have seen in the second quarter in most European countries continued in July. Having said that, the number of new COVID infections in some countries is rising very sharply again due to the new Delta variant, and the overall uncertainty remains high with changing rules and restrictions, either still in place or having been put in place on a short notice. Germany, for example, put Spain and the Netherlands on the list of high-risk countries last week, which means that travelers need to quarantine for 10 days when they come back.

There are other examples. And whenever new restrictions are being introduced, we can observe a corresponding drop in traffic on our website. And on the other hand, a pickup in demand when restrictions are being lifted. Consequently, the volatility of our traffic remains at elevated levels. In the following, I will share a few more data points on trends in July. All metrics refer to the period from July 1 to July 16.

In Developed Europe, qualified referrals were at approximately 80% of 2019 levels and revenue per qualified referral above 80%. I called out Germany already, where we have seen huge pent-up demand and qualified referrals continue to be above 2019 levels during the first 2 weeks in July. In Americas, qualified referrals year-over-2-year growth rates in the first half of July were similar to what we reported for the second quarter, while revenue per qualified referral improved slightly. In Rest of World, year-over-2-year qualified referral growth rates slightly improved in the first half of July, while revenue per qualified referral remained around 60% of 2019 levels.

In Australia, volumes dropped significantly again in July amid new travel restrictions. The situation remains also challenging in countries like India, Japan and Russia, which are normally amongst our largest market in that segment. On the other hand, we see positive trends in our Central Eastern European markets, where the performance is similar to what we observed in Developed Europe. That brings me to our guidance. We believe that travel demand seasonality might be even more centered around the summer months this year compared to our pre-pandemic historical seasonality. As we are increasing our brand marketing investments during this peak travel period, we expect our return on advertising spend to be lower in Q3 compared to Q2. And for the full year, we expect our adjusted EBITDA to be positive.

With that, let's open the line for questions, please.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

And the first question comes from the line of Naved Khan from Truist Securities.

Naved Ahmad Khan - *Truist Securities, Inc., Research Division - Analyst*

I think a quick question on just the outlook for August and September, which is June and July. You said, you expect demand to be not as strong as it was in June and July. I'm just wondering if the drops in traffic you're seeing, if the restriction comes up, if that resurfaces as a demand for like a local booking, or if the demand just simply disappears? How much of this is you've been cautious versus a real risk maybe in terms of booking trends for the next 2 months?

Matthias Tillmann - *trivago N.V. - MD, CFO & Mgmt Board Member*

Sure, Naved. Thanks a lot. So first of all, everything we say regarding future months and second half is obviously based on what we believe and see as of today, I think is reasonable. But there is, as I said, a lot of uncertainty in any predictions that we make as there continues to be high volatility. So meaning all these changes, particularly in Europe that are still happening have an impact. And we do see in some cases that whenever countries are put on restricted list or whatever that travel demand is dropping. And you cannot necessarily see an immediate shift right away, meaning people than book domestic instead. I think for that, it's too much noise and to say that. But overall, we do see a decrease when that happens as I said. So I mean, as we have seen new travel restrictions on short notice, that increases, obviously, the uncertainty for travelers. And let me give you 1 specific example. As I mentioned before, Germany announced last week that when you're coming back from Spain or the Netherlands, that you have to quarantine for 10 days, and you can shorten that actually to 5 days when you're negatively tested after 5 days. But when they announced that, we saw traffic in Spain dropping on our platform. which obviously was also a result of the increase in new infections in that country. So as we're approaching the end of summer travel period, we expect that the seasonal decline in traffic on our platform will be more pronounced than what we have seen historically pre-pandemic as people have to go through more hassle to do the actual travel. And we believe they will be less inclined to do so after the peak summer travel season.

Naved Ahmad Khan - *Truist Securities, Inc., Research Division - Analyst*

Understood. And maybe just a follow-up on some of the commentary you provided in the past. So length of stay, are you continuing to see that being longer? And then also, when I look at the QR, the qualified referral volume for Europe and compare that to where it was in Americas, it was nicely above. And I'm wondering if that's a reflection of European demand now exceeding the Americas? Or is that just the allocation of your own ad dollars and that ultimately translated into these QR volumes?

Matthias Tillmann - *trivago N.V. - MD, CFO & Mgmt Board Member*

Sure. Yes. Let me start with your second question first. I think it's a combination, yes. So we have clearly seen that the U.S. started first to recover. We mentioned that before. And that obviously is our biggest market in the segment Americas. And that was already the case in March, whereas beginning of April, pretty much all countries in Europe were still in lockdown. And then with more and more countries in Europe opening up and lifting restrictions and the outlook for summer became more positive, we have seen a steep increase in travel demand and activity. So then going into May, we saw that because of that increase in demand, Europe started to overtake Americas for us and our platform as a segment. And obviously, we had plans already before to invest into the recovery, as we also mentioned before. And with seeing that positive trend, we were more confident to do it and to do it at the more aggressive levels maybe that we anticipated. And then you reinforce what you see, in particular, on the brand side, where we invested according to our plan. So yes, I would say it's a combination, but first driven by the pickup in demand that we saw in most European markets.

On your second question, length of stay, so it has slightly increased in our segments, Americas and Developed Europe compared to 2019. Average booking value has also increased in both segments, but not as much. But I think there are a lot of mix effects in there, most notably destination and trip-type shifts. And it is hard to predict how this could look like in a post-pandemic world. In the end, I believe supply and pricing will be relevant once travel has normalized, and there I do not expect tectonic shifts. It will be interesting to see how people change their travel behavior outside the peak summer travel season. I mean that's something to be seen. And I don't know, a topic has came up with more flexible work conditions. It could be that people travel more frequently and combine it with work. But again, I think it's too early to see a meaningful shift there yet.

Operator

And the next question comes from the line of Brian Fitzgerald from Wells Fargo.

Brian Nicholas Fitzgerald - *Wells Fargo Securities, LLC, Research Division - Senior Analyst*

I wanted to ask a little bit about something on local activities because they're kind of so relevant in kind of COVID operations and with the release of the new U.K. version. Wondering if you could talk a little bit about how you may be able to get consumers to come back to trivago after the initial lodging booking, either when they are closer to travel dates, or in destination, or choosing activities while there? And then what level of cross-seller penetration are you seeing now in terms of activities. And where do you want that to get to longer term?

Axel Hefer - *trivago N.V. - CEO, MD of Finance, Legal, International, Marketing, Product, People and Culture & Mgmt Board Member*

Thanks for the question. So I think, first of all, it's important to say that we are -- and we've just launched. Yes, so we have limited insight. But strategically and also from a user value proposition, we think the product is very exciting because it allows you, A: in the local travel product to have more reasons to travel. So what are the reasons to travel statically to go to a certain place, but then also looking forward, what are time-sensitive reasons to travel, what are certain concepts, exhibitions, et cetera, at a certain destination that are very good reasons to travel to a certain place at a certain point in time. And with our local travel product, we want to inspire travel as well as generate the booking. And so that's why we think it's a very important feature. But you can also use the same feature without even traveling. And there, from a user value proposition, but also for us, the big benefit is obviously that you can use the product a lot more often. It is basically relevant every week. To be fair, I mean, we don't have a complete catalog of activities yet. It is a starting point, and we will continuously add activities and make it more and more relevant. Therefore, I think it's a bit too early to tell what exactly the cross usage will be. But we think it's highly relevant and it's very useful to our users.

Brian Nicholas Fitzgerald - *Wells Fargo Securities, LLC, Research Division - Senior Analyst*

Got it. And then maybe 1 follow-up, if I could. It's just the kind of favorable row as you're seeing on that 2-year stack. Wondering if you could share your expectations for how that might trend as the environment normalizes in the back half of the year. Are you seeing any structural changes in the market that would benefit your ROAS on a sustainable basis? Any changes to Google stuff they've done to metasearch, anything that is going to give you kind of beneficial ROAS tailwinds on a sustainable basis?

Matthias Tillmann - *trivago N.V. - MD, CFO & Mgmt Board Member*

Yes, sure. So first of all, we said that we will invest into the recovery by ramping up TV and online video and other brand campaigns. And that is what we started in May and continued in June and July. And this naturally leads to lower ROAS compared to periods where you significantly reduce your brand marketing investment. Going into Q4 this year, we will balance our marketing spend mix again as we have always done historically with a lower share of brand spend. On the performance marketing side, our approach has not really changed. We continue to invest at long-term sustainable ROI targets. And hence, overall, we expect ROAS to sequentially decline in Q3 versus Q2 and then to increase again in Q4. So what that means for next year, I mean, on the brand marketing side, we usually sit together after the summer season and reflect on the results and plan the next year. So right now, it is very interesting to run different campaigns in many markets. We get a ton of learnings and we will incorporate that into our brand marketing strategy for next year. But again, it's too early to tell. If anything, what I can say already is that we got some nice learnings in online video, in particular in the U.S. So that could potentially play a bigger role in our mix. And on the performance marketing side, I think, again, there, we don't see big changes. We increased ROI targets already before the pandemic and have seen good results. And so far, I'm very happy with how we manage through the crisis, and the teams have really done an excellent job there. So I mean, I wouldn't foresee any big changes at this point.

Operator

And the next question comes from the line of Shyam Patil from SIG.

Ryan Michael Lister - *Susquehanna Financial Group, LLLP, Research Division - Associate*

It's Ryan on for Shyam. Just 2 quick ones for me. First on, just want to touch on booking windows. Are booking windows changing in markets where travel is coming back. Is that sort of an indicator of demand or leading or lagging indicator? And then secondly, on brand marketing. Are you just planning it to be a relatively temporary pickup in 3Q? Or are you planning on sort of elevating that and just hoping to capture demand as it continues to come back throughout the next several quarters?

Matthias Tillmann - *trivago N.V. - MD, CFO & Mgmt Board Member*

Sure. Yes. So on booking windows, they have not changed significantly in Americas and Europe, going into the peak summer season on our platform at least. And rest of the world, on the other hand, the booking window has shortened quite a bit, but I think that is more a result of the overall drop in volumes and travel restriction, in all compared to 2019 that we have seen in that segment. On the brand marketing side, I mean, for the rest of the year, it is, as I said, we are in the middle of the peak season right now. So that is when we invest, we started to gradually increase our investment as of early June and will continue throughout the third quarter and then normally what we do when we go into autumn and winter, we reduce, and we will do that this year as well. And there are 2 main reasons for that. One is that overall volumes normally go down. And as I said before, it could be given still restrictions and uncertainty that this happens even to a larger extent than what we have seen historically. And then secondly, for our largest brand channel TV normally going into October, November, December, pricing gets more expensive as for the Christmas season, a lot of retailer use TV and driving up prices. And that at a time when for us, the seasonal demand is at a low. So there I wouldn't foresee any change. And then what we will do coming out of the year and going into January next year, that's something we will discuss in the next couple of weeks and months.

Operator

And the next question comes from the line of James Lee from Mizuho.

James Lee - *Mizuho Securities USA LLC, Research Division - MD of Americas Research & Senior Internet Sector Analyst*

On the shareholder letter, you guys talked about mix shift towards hotels versus alternative accommodation. Can you maybe elaborate or even quantify that mix shift? And which region are you seeing the most impact? And also secondly, a big picture question. As you kind of evaluate your product portfolio, which products do you want to double down and which products do you want to rationalize? Is it part of your long-term goal to transition your business into a more or less content discovery business that drives top-of-the-funnel advertising in sort of just relying on transaction advertising?

Axel Hefer - *trivago N.V. - CEO, MD of Finance, Legal, International, Marketing, Product, People and Culture & Mgmt Board Member*

So on your first question on the accommodation mix, last year, we've seen a very significant shift towards alternative accommodation. And I think we've talked about it in length. What we are seeing this year is that with the market recovering further that, that shift towards alternative accommodation is partially reverting. Not to the starting point that we've seen in 2019, but somewhere in between, which also makes sense because hotel capacity can be added much more quickly. And with the higher level of recovery in many, many markets, the destination mix is also becoming a bit more normal than pre-pandemic levels. Having said that, we do believe that the longer-term trend towards alternative accommodation will continue even after the pandemic, but not to the same extent and as disruptive as it might have seemed in last summer season.

On your second question on our product strategy and product focus, and we've been for many, many, many years, a single product company, just hotel price comparison. And we've only relatively speaking recently with alternative accommodation in November 2017. And then with some of the newer products really starting last year, added more and more products. And our general belief is that it is important to really serve our customers for various different needs that are all centered around travel rather than just 1 very specific, which is what we used to do in the past. And by doing that, providing overall a better service and being on top of everybody's mind and more engaged with our users throughout the year.

So that doesn't mean that we are strategically moving in a completely different direction, so upper funnel more inspiration. It's more -- it's all about a portfolio of products that serve the various needs of our core users.

Operator

And the next question comes from the line of Jason Bazinet from Citi.

Jason Boisvert Bazinet - *Citigroup Inc., Research Division - MD, Global Head of EMT & Analyst*

So I have sort of an unusual question, earlier this year, many buy siders were just very animated about owning any sort of reopening stock. And the thesis was that there would be a quarter or 2 of sort of an overshoot, something that was above sort of the 2019 run rate, just as all this sort of pent-up demand got unleashed. And more recently, I've heard from some clients that they're nervous that the demand in some markets might be so strong that the hotels themselves need the OTAs and therefore, metasearch less because the demand is so strong in some markets. Do you think that thesis has any credence? Or is that just sort of a little bit not consistent with what you're seeing in the real world?

Axel Hefer - *trivago N.V. - CEO, MD of Finance, Legal, International, Marketing, Product, People and Culture & Mgmt Board Member*

That is a very good question. The answer is not that straightforward. The demand patterns are still not even, yes. So as last summer, you've got leisure destinations at the beach and the mountains with significantly greater demand than city destinations, big cities. And so in the leisure destinations, the demand is very strong. Whether that leads overall to a shift in the market dynamics, I would be skeptical whether that were to be true because it's a very special situation. But I wouldn't rule out that some individual hotels are focusing more on their own efforts. But I don't see a strategic shift in the distribution structure in the market.

Operator

And the next question comes from the line of Kevin Kopelman from Cowen.

Kevin Campbell Kopelman - *Cowen and Company, LLC, Research Division - MD & Senior Research Analyst*

Great. Just had 1 question. Can you discuss what you're seeing from advertiser bid intensity as it relates to what you believe they're seeing in downstream conversion. And maybe just talk about how that has compared to before the pandemic, how that's developed?

Axel Hefer - *trivago N.V. - CEO, MD of Finance, Legal, International, Marketing, Product, People and Culture & Mgmt Board Member*

Yes. So on the auction dynamics, we've seen this quarter, a significant improvement in the overall auction dynamics, really driven by a broadly more optimistic view about the summer and also, obviously, about the potential cancellation risk. So it has really been very broad across all our long year partners. And the result of that is there's been a significant improvement in the auction. How that would compare to pre-pandemic. That's very difficult to answer, to be perfectly honest. I mean what we can say is that the trend in the last couple of months has been very positive, and there is, generally speaking, a lot more optimism. In particular, for summer, there is a lot of optimism. But as we've also said, I mean, our view is that there is some risk in autumn and winter coming. And I wouldn't be surprised if some of our advertisers would have a similar view.

Matthias Tillmann - *trivago N.V. - MD, CFO & Mgmt Board Member*

And just to add to that, I mean, as you know, Kevin, we have no great visibility on cancellation rates, et cetera, or anything that would impact our advertisers conversion, but a good proxy for us is looking at our CPC bids in our auction. And unless there is a large shift in conversion, ROI targets of our advertisers or other mix effects, CPC bids are a good indication for current and expected cancellation rates. And as Axel said, we have seen a great improvement in CPC bids throughout the second quarter, and that is reflected in the RPQR. So the trends I talked about and what you can see from our disclosure, the improvement there is potentially also related to that. So just looking at this, I would assume that cancellation rates have come down overall sequentially.

Operator

And the next question comes from the line of Doug Anmuth from JPMorgan.

Dae K. Lee - *JPMorgan Chase & Co, Research Division - Analyst*

This is Dae on for Doug. Back to just first one, just talk a bit more about your brand marketing diversification efforts. What benefits are you seeing in these new channels? And does this change how you approach TV going forward? And then secondly, you talked about a new B2B backend-as-a-service that you're piloting with multiple partners. What services are you providing? And why did you decide to go down this route?

Matthias Tillmann - *trivago N.V. - MD, CFO & Mgmt Board Member*

Yes. Thanks, Dae. I will take the first question. So I mean, overall, we do not disclose our exact channel mix and what we are doing there. But on a higher level, I mean, brand marketing as we said in the past, very focused on TV. TV is still our largest channel in that segment, and we will continue to invest in that. At the same time, we started to not only this year, but last year and the year before, started with smaller tests in alternative branded channels. Obviously, a big one being online video, and there, we scaled this up this year more than last year, and we talked about it before. The key reason being that when you are in the first phase of the recovery and the full market is not back yet. TV as a mass medium can be quite expensive and then we want to be more targeted and that you can achieve with online video. And that's what we have done there. Obviously, other interesting aspects as well, like different demographics, different target groups, things you cannot easily do on TV, you can do maybe better on other channels. On the other end, obviously, you have to look at the pricing as well, you have to look at conversion and how that translates then longer term into repeat behavior. That is obviously still something where we need to get more data and need to do more tests. But we are happy with what we are seeing so far.

Axel Hefer - *trivago N.V. - CEO, MD of Finance, Legal, International, Marketing, Product, People and Culture & Mgmt Board Member*

Yes. On your second question, I mean, like with our B2C products, we are looking at the market and trying to identify customer needs. And on the B2B side, what we've seen last year is that with a significant drop in volumes there, we think that a new opportunity arose. On the 1 side, a lot of travel companies have seen that their volume dropped quite a bit, and it was increasingly difficult using own infrastructure to provide a good service to their own users by having fresh prices, fresh content, fresh availabilities available without a prohibitive cost in maintaining the infrastructure.

On the other hand, a lot of advertisers were also increasingly struggling with maintaining marketing channels that were becoming too small because if you drop below a certain volume of data, it is very, very difficult to submit precise bids and bids that are not of de facto random.

So we saw that opportunity and thought that we could actually step into this opportunity and provide a service where everybody is winning. The travel websites that get much more accurate prices and much fresher availabilities and rates. The advertisers by not having to manage multiple platforms that are sub-scale, but basically leveraging our scale and our infrastructure and our connectivity and asked by providing a service that is an alternative revenue stream that it's more diversified from our core business and follows a very different logic.

So we started to work on that opportunity last year, and we now have the first partners live in testing. So it's like with a lot of the other things that we talked about, it's very exciting. We are very, very excited about it, but it's a bit too early to tell and to estimate how big and how successful this new product line could be. But it is obviously a great moment to have a product live and to get real customer and real-world feedback.

Operator

And our next question comes from the line of Tom White from D.A. Davidson.

Thomas Cauthorn White - *D.A. Davidson & Co., Research Division - Senior VP & Senior Research Analyst*

Great. I guess, first off, maybe a follow-up to the question about auction dynamics and cancellation rates. I remember a couple of quarters ago, you guys talked about exploring kind of a cost per acquisition product that factored in cancellation. And I was curious whether that's still a focus and whether that's giving you any insight into kind of trends in cancellation rates? And then second, the different products that you guys have talked about over the last several months in terms of trying to diversify the business a bit. So sponsored listings, display, tourism activities, maybe this new B2B thing. Any sense like what percentage of revenues that is sort of in total, those might come to represent in 12, 18, 24 months?

Axel Hefer - *trivago N.V. - CEO, MD of Finance, Legal, International, Marketing, Product, People and Culture & Mgmt Board Member*

Sure. On the auction dynamics, we do offer a gross CPA automated bidding feature to all of our partners. That is not factoring cancellations. But it's basically invoicing, not by click, but by gross bookings. And we do have a product for individual hotels that is actually invoicing on a net CPA basis, so which was recently launched and is currently basically in testing in terms of scale. So again, it's a bit too early to tell what the real impact is of the net CPA product for individual hotels. The gross CPA product for our larger partners is very popular within particularly smaller partners, whereas the big partners have their own algorithms and their own bidding teams and prefer to bid on their own. But for a lot of our medium-sized and smaller partners, it's a great service, and then the feedback is very positive.

On the alternative revenue streams, we are making good progress. So we are signing up more and more partners, as I also mentioned in my opening remarks. But it's a new business, there we have to be honest to ourselves, and we have a very, very sizable core business. So it will take some time for these new activities to make up a significant share of our overall revenue. But we are still excited about it and think that it is important for us to diversify away from our core revenue streams and be less dependent on the pure CPC auction.

Operator

And the next question comes from the line of Brian Novak from Morgan Stanley.

Alaxandar Wang - *Morgan Stanley, Research Division - Associate*

This is Alex Wang on for Brian. Can you just talk on the revenue stream (inaudible) at the end of (inaudible) as we think about the next 12, 18 months (inaudible)?

(technical difficulty)

Matthias Tillmann - *trivago N.V. - MD, CFO & Mgmt Board Member*

Sorry, you're breaking up there. Alax, sorry you're breaking up there, we can barely hear you. I mean, I guess, you're asking about the new products, displays and sponsored listings. But I couldn't understand your question.

Axel Hefer - *trivago N.V. - CEO, MD of Finance, Legal, International, Marketing, Product, People and Culture & Mgmt Board Member*

I think you're asking about the outlook for the next 12 months. So let me try to answer that question. So in a way, there are 2 directions and 2 levers. One is to have new advertisement products for existing partners. Onboard the partners to the products, get them up the learning curve experiment with the products and calibrate them. That is what we are doing right now. And we see that the benefit is complementary to our existing core product because the product allows some messaging on the website, which our core product doesn't. That's purely transactional. But the more exciting part, and that's, I think, more related to what you're after, what is the outlook? We are also onboarding completely new partners that are not in the core travel segment, but more travel related. And we've onboarded a significant number of DMOs. And that is quite exciting because they are going more in cycles where you onboard and secure a budget that is then used over the next month and in some cases, even over the next year.

And that is a segment where in the past, we have not managed to make significant ingrowth. And right now, we actually have signed up a significant number of DMOs already. So that's very exciting and promising. Again, in the current market environment, it is almost impossible to forecast what will happen in the next 12 months because it's not only the volume complexity, but also the mix in destinations, travel restrictions that can have a huge impact on certain campaigns by our partners and then not each one of our partner is benefiting and also hit by by search and travel and by restriction and travel to the same extent. So we are taking a pragmatic approach there. We are working on these initiatives and trying to get better every day, and some of them will have a greater impact a bit sooner and some a bit later. But I think that's all we can do in a highly volatile environment.

Operator

(Operator Instructions)

There are no further questions at this point. May I hand over for closing remarks?

Axel Hefer - *trivago N.V. - CEO, MD of Finance, Legal, International, Marketing, Product, People and Culture & Mgmt Board Member*

Many thanks for taking the time to participate in today's earnings call. As we look forward, I want to reiterate how proud I am of what our company and our employees have achieved in this unprecedented time. Travel is an essential part of our life. It's not going away, but it will look different than what we have seen -- what we have been used to. We are thinking about our business beyond COVID and remain focused on building a product that will be part of our users' daily life. We will emerge from this as a stronger company, agile and will adapt for the long run.

Before I close, I would like to say a few words about the catastrophic floods that have hit us in the past few weeks. My hometown has been completely flooded, many villages and whole regions have been wiped out. Despite all the tragedy and the suffering from this disaster, we should also see this as a warning sign of what our future will look like if we individually, as businesses and as societies don't change our behavior. I wish you a safe and enjoyable rest of the summer and look forward to speaking to you next quarter.

Operator

Thank you. This concludes today's conference call. Thank you for participating. You may all disconnect.