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TRVG.OQ - Q1 2019 Trivago NV Earnings Call

EVENT DATE/TIME: MAY 01, 2019 / 12:00PM GMT

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PRESENTATION

Operator

Good day, ladies and gentlemen. Thank you for standing by, and welcome to the trivago Q1 Earnings Call 2019. (Operator Instructions) I must advise you the call is being recorded today, Wednesday, the 1st of May 2019.

I would now like to hand to your presenter today, to Elie Matta, Head of Investor Relations. Please go ahead, sir.

Elie Matta - *trivago N.V. - Head of Corporate Development, Strategy & IR*

Thank you. Good afternoon, everybody. Welcome to trivago NV's financial results conference call for the first quarter ended March 31, 2019. I am pleased to be joined on the call today by Rolf Schrömgens, trivago's CEO and Managing Director; and Axel Hefer, our CFO and Managing Director.

The following discussion, including responses to your questions, reflects management's views as of today, May 1, 2019, only. We do 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 today's press release and the company filings with the SEC for information about factors which could cause our 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 our earnings release, which is posted on the company's IR website at ir.trivago.com. I encourage you to periodically visit our Investor Relations site for important content including today's earnings release.

Finally, unless otherwise stated, all comparisons on this call will be against our results for the comparable period of 2019 -- '18.

With that, let me turn the call over to Rolf.

Rolf Theo Johannes Schrömgens - *trivago N.V. - Founder, CEO, MD of Product, People & Culture and Member of Management Board*

Welcome, everybody. Many thanks for joining our first quarterly earnings call in 2019. Let me start with thanking the team for a very good quarter, not only in terms of financial results, but especially for how they showed progress on important operational topics. We are very pleased with the start into the new year. We've repeatedly said that the key improvement we want to see for the first 2 quarters is on profitability of our business, and profits turned out stronger than we expected. This will now give us more confidence and more flexibility to invest into growth opportunities in the second half of the year.

Before we go into the numbers, let me point out some operational highlights that we have made -- that have made a significant step forward.

On brand marketing, we are testing and iterating new spots concepts. These are focusing on clearly messaging our competency in aggregating prices and inventory. We are already seeing promising results in various countries.

On back-end infrastructure, we have successfully rolled out our new search infrastructure to 100% of our traffic, which is also now running in the cloud. That allowed us to switch off the core of the old application, which has grown over 15 years. Notably, our cloud shift was done with very little impact on our P&L.

On alternative accommodations, we continued to make progress to broaden our offering and increase visibility on vacation rentals and private apartments within one single integrated search.

On registrations and log-ins, we took initial but very promising steps

to ramp up our bookings coming from logged in users. That will give us in the future the chance to continuously learn and improve performance of individual users.

On our mobile app, we are continuing to shift branded users to our app. It is an ongoing continuous process over the last years, but we see that our latest changes positively improved performance on most metrics.

On advertiser relations, we used Q1 to hold executive summits with our core advertisers here in Düsseldorf. We brought the teams together to align perspective and to drive joint projects. We are very happy with the progress and are working together to maximize user experience throughout the funnel.

We are very pleased with the start into the new year, which you find summarized on Slide 5.

Following our optimization measures in advertising spend, in Q1, we managed to turn our business from our largest loss in trivago history to our most profitable first quarter. We reached a net income of EUR 7.8 million, up EUR 29.6 million from a net loss of EUR 21.8 million in the first quarter 2018. As well, adjusted EBITDA was EUR 20.9 million compared to an adjusted EBITDA loss of EUR 21.9 million, so up EUR 42.8 million year-over-year.

Our adjusted EBITDA margin reached a Q1 record of 10%. We reduced our advertising spend by 36% compared to Q1 2018. And in line with our expectations, our total revenue decreased to EUR 28.8 million or by 20%. Also, thanks to a broadly stable commercialization in Q1, our return on advertising spend, or ROAS, improved significantly to 137% compared to 108% in Q1 2018.

I would like to take a bit of time to explain the story behind the development of 2 of our key metrics that we explain on Slide 6. From a marketing standpoint, the optimization of our advertising spend resulted in a reduction of qualified referrals. We focused on cutting visits of relatively lower quality in terms of their likelihood of resulting in a booking.

From the product side, we continued innovation in order to increase user engagement. Higher engagement on trivago is ultimately resulting in higher retention, higher quality of leads we sent to our advertisers, but also a lower number of qualified referrals. As a result, the 2 underlying drivers of referral revenue, QR and RPQR, has been impacted by these optimizations, and as such, their development has diverged. As we left these effects in the third quarter this year, we expect to see more stability in these drivers going forward.

In summary, we continue to see the positive results of the measures we have undertaken at the end of Q2 2018, resulting in improved profitability. This is highlighted clearly on Slide 7 where you see the 2 different stories pre and post Q3 2018.

We believe we are now on a stable profitability base as we have optimized ad spend and continue to do so. While we showed a negative contribution development for the first 2 quarters in 2018, contribution improved very consistently for the last 3 quarters. The current quarter showed a EUR 37 million higher contribution than the first quarter 2018. A very similar development is seen in our adjusted EBITDA margin, which we improved by 18% quarter-over-quarter. We are aiming on delivering long-term profitable growth and believe that we are on the right path to do so.

Another continuing topic we have been updating you on is on -- is our ongoing effort to onboard alternative accommodation providers. We are proud to say we have now crossed 1.8 million properties, and we will continue on our path of gradually increasing our alternative accommodation inventory. We believe that alternative accommodation will improve our offering significantly by making it more comprehensive and cover long-tail destinations more effectively. Making it all available on one integrated search is a key focus for us. Given the long-tail nature of AA inventory, we believe we are already approaching relevant scale from an inventory perspective and are testing ways to leverage our inventory to better serve our users given the context of their search.

As always, we want to give you an update on our advertiser segmentation. Q1 2019 is again broadly in line with the historic distribution. Our 2 largest advertisers have slightly lowered share in the order of 1% to 2% as other advertisers on our platform have picked up share compared to Q1 2018. Overall, our marketplace and option dynamics remained stable. As we said, we continue to invest into the relationship work with our advertisers and are very happy about their commitment to work together on important projects.

To conclude. This quarter is a continuation of measures we have put in place last year, and we see our profit improvement as a clear positive sign that we are reaching a solid base. Our marketplace remains stable with no significant change in our commercialization, and we improved the dialogue with our advertisers.

Our next focus will be on delivering profitable growth. We consequently optimize our product towards higher engagement to improve perceived value and ultimately retention.

Let me now hand over to Axel to take a more detailed look at the numbers.

Axel Hefer - *trivago N.V. - CFO, MD of Finance, Legal, International, Marketing & Marketplace and Member of Management Board*

Thanks, Rolf. Looking at our KPIs, our advertising spend optimization is working. We reduced our advertising spend Q1 '19 over '18 by 37%, which resulted in a reduction of referral revenue of only 20% Q1 2019 over Q1 2018. We have started our optimization late in the second quarter 2018, which means that our year-over-year comparisons will start to ease end of the second quarter. As Rolf has already mentioned, the product and marketing optimizations also had a significant impact on our key KPIs.

As you can see on Slide 12, our qualified referrals dropped by 32% to EUR 129.3 million while our global revenue per qualified referral increased by 18% to EUR 1.59.

Looking at our segments. Developed Europe on Page 13 benefited from our strong loyal user base increasing revenue per qualified referral by 26% while advertising spend and qualified referrals dropped 28% and 32%.

In Americas on Page 14, our revenue per qualified referral improved by 13% while our advertising spend and qualified referrals decreased by 40% and 35%.

The Rest of The World segment on Page 15 showed an increase in revenue per qualified referral of 13%, advertising spend and qualified referrals decreased by 43% and 29%.

Coming to our guidance on Page 17. We are on the path we set ourselves in 2018 and are pleased with our performance to date. Given our performance in the first quarter and the momentum we see in the second quarter, we expect to reach the higher end of our adjusted EBITDA guidance of EUR 50 million to EUR 75 million. The strong start in 2019 is giving us the flexibility to invest into opportunities that might arise in the course of the year. We expect both advertising expense and referral revenue to decline in the second quarter and to grow in the third and the fourth quarter.

I think with that, we can move over to questions. So operator, can we open the floor for Q&A, please?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Now from Deutsche Bank, your first question comes from the line of Lloyd Walmsley.

Unidentified Analyst

This is Chris on for Lloyd. Just a question on loyalty rates. Are you guys making any progress on getting them integrated? We've seen the headlines in some recent hotel deals with some of the OTAs. I'm just curious how this has changed how hotels are able to syndicate their loyalty pricing in metasearch.

Rolf Theo Johannes Schrömgens - *trivago N.V. - Founder, CEO, MD of Product, People & Culture and Member of Management Board*

Yes. You might have seen that we currently have already implementation of the first loyalty rates on trivago, and we are currently working on integrating more advertisers to that. Still, this is -- we are still in an early stage, and we are continuously like trying to engage more advertisers into showing loyalty rates. Currently, we're focusing more on hotel chains because this seems to be the most attractive start for us, but we're also interested in getting OTAs on board.

Operator

Your next question from Cowen and Company comes from the line of Kevin Kopelman.

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

Great. So I have a question on Q2 trends, given the bumpy comps as you start to anniversary the beginnings of your profit optimization. Can you give us more color on how you're expecting the second quarter revenue growth and ad spend growth to look year-over-year as compared to the first quarter?

Axel Hefer - *trivago N.V. - CFO, MD of Finance, Legal, International, Marketing & Marketplace and Member of Management Board*

Yes. So as I said, we started to -- we start our marketing optimization in the second quarter end of 2000 -- in the end of the second quarter 2018. So we expect the second quarter to have a slower reduction in advertising expense than the first quarter 2019 compared year-over-year and an improved revenue trajectory. However, revenue and advertising spends, we expect to be down year-over-year.

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

Okay. Got it. And then you alluded to the Q1 -- the stronger start to profitability to the year allowing you to invest more later in the year. Can you give us a sense of the magnitude that you're contemplating on advertising spend growth for the second half of the year?

Axel Hefer - *trivago N.V. - CFO, MD of Finance, Legal, International, Marketing & Marketplace and Member of Management Board*

I mean we only guide the adjusted EBITDA overall, but we expect to ramp up where we see opportunity in the third and the fourth quarter. So we are expecting in both quarters an increase.

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

Okay. And then just one last one on free cash flow. You had a strong free cash flow conversion in the first quarter. Is there anything to call out there? And how do you see that playing out relative to EBITDA this year?

Axel Hefer - *trivago N.V. - CFO, MD of Finance, Legal, International, Marketing & Marketplace and Member of Management Board*

There are no fundamental changes in our cash conversion. Quarter-over-quarter, you can have some volatility particularly on the working capital side. But overall, there is no fundamental change in our cash conversion coming out of adjusted EBITDA.

Operator

Now from SunTrust, your next question comes from the line of Naved Khan.

Naved Ahmad Khan - *SunTrust Robinson Humphrey, Inc., Research Division - Analyst*

Just a couple. So in your prepared commentary, I think you guys call out some muted performance in the U.K. and weakness in Australia. I wonder what was driving that. And was there any Easter impact to the quarter as well?

And then just on the RPQR front, Europe seems to be doing better versus the other markets. Is that something that's structural just because that's your core market or the earliest market? Where should I go to think about it?

Axel Hefer - *trivago N.V. - CFO, MD of Finance, Legal, International, Marketing & Marketplace and Member of Management Board*

Yes. Absolutely. So in terms of regional performance, we indeed see some softness in the U.K. in the first quarter. To what extent? That has been impacted by -- the Brexit suggestion is very difficult for us to say, but the U.K. underperformed the overall Developed Europe segment in the first quarter. That is correct.

In Australia, the first quarter was also weaker than you would normally expect the first quarter to be, so a different seasonal trend. And it might have been impacted by the ongoing investigations in Australia, the publicity around that. But again, it is very difficult to say for sure.

On your third question, the development in Europe. Indeed, we see a stronger development in Developed Europe, which is the region where we've been active for the longest time, where our brand is strongest, and where our loyal user base is strongest. And we believe that, that foundation that we've built over the last years has led to the better performance compared to our newer and more recent markets.

Naved Ahmad Khan - *SunTrust Robinson Humphrey, Inc., Research Division - Analyst*

Okay. And then mainly on Easter, was there any shift in revenue possibly from Q1 into second quarter?

Rolf Theo Johannes Schrömgens - *trivago N.V. - Founder, CEO, MD of Product, People & Culture and Member of Management Board*

So looking at the previous years, we have not seen a lot of Easter seasonality overall in our business. So we also would not see a big shift into Q2.

Operator

Now from Mizuho Securities, you have a question from the line of James Lee.

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

A couple of questions here. First one, just curious what you guys think. What is the implication, the new agreement, between Marriott and Expedia? It seems like the agreement is more favorable towards the hotel at this point in time. And how are you adjusting your strategy accordingly here?

And secondly on your lending page assessment. Anything new that you learn from the consumer perspective? Obviously, the reason you're doing this, you want to be able to drive better conversion. You've been doing that for more than a year. Just wanted to see if there's a meaningful lift to conversion that makes this exercise worthwhile.

Rolf Theo Johannes Schrömgens - *trivago N.V. - Founder, CEO, MD of Product, People & Culture and Member of Management Board*

I think in general, it's really difficult for us to comment on -- like Expedia's contracts. They arrange with their hotel chains. In total, you have to say like what is currently the total part of the Marriott inventory on trivago, like what is going in -- coming in through Expedia. So I would not assume that a change in that contract would have a significant impact on the trivago business.

Axel Hefer - *trivago N.V. - CFO, MD of Finance, Legal, International, Marketing & Marketplace and Member of Management Board*

On your second question, are we -- on the relevance assessment, we continuously optimize our algorithms and continue to test what the impact is and what the results are and calibrate the algorithm. Other than that, there is not much to say. We believe that it is in the interest of our users and of trivago overall. But yes, we are continuously optimizing and measuring the impact.

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

And if could ask a follow-up question. Obviously, you guys made some product change last quarter. And one thing you did is showing the total price per stay instead of per night, and that's kind of reducing click out. I'm just curious what is the benefit of doing that from your perspective. It seems like you're giving -- is the reason doing that is you want to give advertiser a better ROI, you're willing to sacrifice revenue in near term to make your advertiser happy? Is that the reason why you're doing it? And also, secondly, on advertising plan for 2019, anything different that you're doing this year versus last year? And maybe can you give us -- maybe update or break out your channel or your traffic mix by channel?

Rolf Theo Johannes Schrömgens - *trivago N.V. - Founder, CEO, MD of Product, People & Culture and Member of Management Board*

Yes. Thanks a lot. I think that's a very good observation. It was -- though it was one of the changes we did, I think there were several changes that all went into that direction that you described. And it's correct to say that we are sacrificing short-term revenue for like creating higher lead quality on one hand. But on the other hand, also a higher engagement, higher interaction on the trivago side. So if you keep in mind that in the long run, it will be very -- it will be vital for us to focus on retention. Retention can be only built up if you connect a strong brand with a strong product experience. Product experience is depending on like how you engage, how much you engage with the website. So we are very interested in delivering as much information as possible. So if we can get clarity to telling our users, give users more information like providing next to the date, the weekly rate -- sorry, the daily rate, providing the rate for the full stay, this is more information. And more information will also lead, of course, to less click outs to check on the advertiser side, will lead to a higher interaction on trivago, and ultimately, we hope that it also leads then to a higher retention in the future. And that is the basic strategy that is shown in several product improvements that we did over the last year and the last quarter.

Axel Hefer - *trivago N.V. - CFO, MD of Finance, Legal, International, Marketing & Marketplace and Member of Management Board*

On your question regarding the marketing strategy for the year and the mix, we continue to believe that a mix of roughly 50-50 between branded and performance is a healthy mix. Branded advertisement explains our value proposition whereas performance advertisement does show the benefit of our product live. And our experience so far has been that the combination of those 2 marketing channels in balance is very effective and works very well for our product.

If you now look into the specific sub-channels. In brand, online video is obviously becoming over time more and more important with the younger generations not consuming as much linear TV as the older generations. So that needs to be substituted by other means of brand advertisement. On the performance marketing side, Google Hotel Ads is becoming more and more important for us. A, because it gets more and more visibility overall in the market; and B, because we have scaled up significantly, now being live in more than 50 markets, but we haven't fully scaled up our inventory in all of these markets. So we don't fully leverage the breadth of our offering and the breadth of the rates that are available on trivago that should lead to an increase in Google Hotel Ads as in our performance marketing mix.

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

Great. And sorry for being so nosy, do you have updated mix by channel -- traffic mix by channel?

Axel Hefer - *trivago N.V. - CFO, MD of Finance, Legal, International, Marketing & Marketplace and Member of Management Board*

No, we don't.

Operator

Now from Goldman Sachs, your next question comes from the line of Heath Terry.

Heath Patrick Terry - *Goldman Sachs Group Inc., Research Division - MD*

Great. I was wondering if you could maybe help us disaggregate the improvement in ROAS this quarter. How much of that is coming from just simple reduction in the lower-performing spend on the platform versus actually seeing any sort of improvement in efficiency either from the prices of the ad units that you're buying coming down or your conversion rates going up. And if there was a way to look at this spend, the spend that you have this quarter on a like-for-like or sort of same-store sales basis, would we be seeing an improvement in ROAS on a year-over-year basis just looking at the remaining spend versus the comparable spend last year?

Axel Hefer - *trivago N.V. - CFO, MD of Finance, Legal, International, Marketing & Marketplace and Member of Management Board*

It is a combination of both. That is true for sure. So we have various initiatives where we are optimizing our marketing spend, improving our efficiency on the bidding in performance marketing, our bidding algorithms, bidding efficiency, the targeting of our bidding. But also on the branded marketing side, on our messaging, we have, as Rolf said earlier, we are now running more variety of creatives in parallel, testing them against each other and getting positive impacts out of that. In the selection of the ad breaks that we're using for our creatives, we are making progress. To disassemble the overall spend optimization from the improved efficiency is very difficult. And yes, I mean, I can only say that we have -- we are benefiting from both trends definitely, and that has led to the significant improvement.

On the product revenue improvements improved conversion, you can see part of that in the revenue per qualified referral. However, you can't take the full effect because there is also mix effect in there. So the revenue per qualified referral is also benefiting from the more targeted and more optimized marketing spend, which is increasing the average quality of the traffic as well. So it's not all coming from product, it's also impacted by our marketing strategy.

Heath Patrick Terry - *Goldman Sachs Group Inc., Research Division - MD*

Great. And then to follow up on one of the questions before or really one of your comments about looking to bring more hotels onto the platform. As we increasingly see hotels focusing on their direct booking options, what are the reasons that you get from hotels as to why they're not leveraging trivago to drive bookings directly to their hotels? It would seem like the metasearch model, particularly the way that you guys have built your metasearch model, would be a appealing option for them in terms of driving additional direct traffic.

Rolf Theo Johannes Schrömgens - *trivago N.V. - Founder, CEO, MD of Product, People & Culture and Member of Management Board*

Yes. I think it's very true. I think, intuitively, you would assume that it's very appealing and there is really no rational reason not to be present on trivago. Still, like managing a small hotel has also large complexity. Like, I mean, you have to do a lot of stuff at the same time and like focusing on your online marketing. It's just one of the many things that you have to do as a hotel owner. So you should not underestimate that hotel owners are confronted with a high complexity. So for them, I think we have to make it as easy as possible, and that's what we're working on. That when we talk to individual hoteliers, that we show like how easy it is to integrate on the trivago platform, to running campaigns on the trivago platform. We are successful with that, but it's also like a process. It's a process to talk to every individual hotelier. And you see, when you're looking at the different OTAs in the market, you see also a difference in like how strong their inventory is. So they also have to put effort into that, although it's probably also a no-brainer to put your inventory on several OTAs. But still, you have to convince every single individual hotelier one by one, and that's just a continuing effort and that takes time.

Operator

Now your next question from Morgan Stanley comes from the line of Brian Nowak.

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

It's Alex Wang sitting in for Brian. Just 2 questions. One, you talked about, I think, your branded marketing, new spots concept. Can you maybe just talk a little bit more about that and how maybe that messaging differs? And understanding that you still believe a 50-50 mix between brand and performance is still the right long-term mix, but are you perhaps leaning into branded marketing more heavily in the second half of 2019? And the second question around, I think, Rolf mentioned the advertiser summit you guys held in 1Q. Maybe if you could just talk to us about -- give us some broad themes that came out of that and how that might differ for your larger advertisers versus some of the other advertisers.

Axel Hefer - *trivago N.V. - CFO, MD of Finance, Legal, International, Marketing & Marketplace and Member of Management Board*

Sure. So on the creatives that we are currently running globally, you obviously have the Mr. trivago concept, the studio or limbo world concept. That is still working very well. In addition to that, we are running real world Mr. trivago concept where you have a real world non-studio situation that people can relate to very easily that have some anchoring with our very known spokesperson. And the third category that we are testing is basically with a passive narrator with a real-life situation, which has the benefit that it can be translated into other markets much more quickly and much cheaper, which means that you can produce a lot more of these spots for the same budget. And we see positive results of all 3. And overall, more -- not hedged, it sounds a bit negative, but have more variety and more things to choose from for every individual market. So I think we've made a significant progress there, and we'll continue to test various different concepts against each other.

In terms of spend, that doesn't necessarily mean that we will increase the share of branded spend in the overall mix. As I said before, we believe roughly in the 50-50 traffic usage mix, and I don't see a reason why we should deviate from that.

In terms of messaging, the messaging focus is clearly on our main value proposition, which is breadth of inventory and attractiveness of rates. And the secondary messaging that we have launched recently and so far is performing very well is the alternative accommodation apartment value proposition that Rolf talked about and that we are, I guess, seeing more and more traction on the platform. And we believe our offering is getting better and better as we speak.

Rolf Theo Johannes Schrömgens - *trivago N.V. - Founder, CEO, MD of Product, People & Culture and Member of Management Board*

And on the advertiser summits, of course, with a couple of hundred advertisers, you can't do like the same format with all of them, right? So they are like -- it's a different format for or depending on like how intensively we work together with the different advertisers. But with our key advertisers, we have invited them over to Düsseldorf with the executive teams. So not only with the account managers, but with the high-level marketing teams involved, sitting here on campus for 2 days. On one hand, we give them a glimpse of a lot of things that we do here at trivago to go into learning sessions and give them an idea of our culture, our processes and so on and so on.

And on the other side, we work together on strategic projects because we truly believe that at the end, the maximum value is created if we create a perfect handover between our site and the advertiser site in the moment where we improve and where we optimize the funnel as a whole and not only one or the other side. That was always our philosophy. And nowadays, we invest even more to go into conversations with them and to create not a local optimum on each side, but a global optimum together.

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

Got it. And just one more quick follow-up. I know in your prepared remarks, you talked about expecting to see more stability in QR and RPQR drivers going forward. We've had to obviously, given a variety of developments, deal with a lot of comps over the last couple of years. But as you start to invest in advertising in the second half of this year, maybe if you can just talk about, conceptually, how we should kind of frame the development of QR versus RPQR for revenue drivers going forward.

Axel Hefer - *trivago N.V. - CFO, MD of Finance, Legal, International, Marketing & Marketplace and Member of Management Board*

Yes. Sure. So in Q3, you will still see some comp effect because there are some product optimizations that started to kick in end of Q3 in Q4. But as of Q4, I would expect the QR, RPQR trend to be more in line with the historic trends with a slight shift structurally towards RPQR coming out of continuous product optimizations. So when we said in the past, base assumption per region is RPQR to be flat. We would now expect RPQR to be slightly up. Yes, so low single digits year-over-year once we've lapped the comp effects.

Operator

Now from Susquehanna, your next question comes from the line of Shyam Patil.

Unidentified Analyst

It's Ryan on for Shyam. Just 2 quick ones, if I could. So first, how should we be thinking about the cadence of ad spend and return on ad spend throughout 2019? And then secondly, could you just give us a quick update on your new strategy with regards to Google Hotel Finder?

Axel Hefer - *trivago N.V. - CFO, MD of Finance, Legal, International, Marketing & Marketplace and Member of Management Board*

So on the advertising spend cadence, as I said, we expect the advertising spend to be down year-over-year in the second quarter and start to increase in the third quarter and also be up year-over-year in the fourth quarter. We don't give any specific guidance on the return on advertising spend, but we also expect the revenue to be down in Q2 and up in Q3 and Q4.

Rolf Theo Johannes Schrömgens - *trivago N.V. - Founder, CEO, MD of Product, People & Culture and Member of Management Board*

Could you just repeat the second part of your question because I couldn't hear it correctly.

Unidentified Analyst

Yes. Just asking for a quick update on your strategy with regards to Google Hotel Finder.

Rolf Theo Johannes Schrömgens - *trivago N.V. - Founder, CEO, MD of Product, People & Culture and Member of Management Board*

Yes. So as Axel said before, we are now live on most of our markets. So we ramped up significantly the number of markets beginning of the year. And -- but still, we have not leveraged all of our inventory, all of our price inventory right now. So we think that we are currently under-invested in the Google Hotel Ads channel, and we think that we will be able to have a catch-up over this year to reach a level, which is in relation to the overall market share of GHA compared to nonbranded SEM.

Operator

And from JPMorgan, you now have a question from the line of Doug Anmuth.

Douglas Till Anmuth - *JP Morgan Chase & Co, Research Division - MD*

Just wanted to ask. You talked about for EBITDA being -- towards the high end for the year and additional growth opportunities that you can invest in more. Can you give us a sense of what you're thinking about there, what those opportunities are and where you could be focused? And then secondly, just given kind of revenue with declining less in 2Q to 1Q and talk about some of the improvements as you lap in the back half of the year, was there any commentary around full year revenue growth?

Axel Hefer - *trivago N.V. - CFO, MD of Finance, Legal, International, Marketing & Marketplace and Member of Management Board*

Yes. So let me start with your second question. We don't guide revenue for the full year. On your first question, opportunities to invest. We are running marketing across various channels in -- on 55 platforms covering roughly 70 markets. And we continuously, obviously, assess whether there are additional investment opportunities where we got -- get good marginal return for our investment. And with the comment that we made, I want to say that with the good start into the year, we believe that we have the financial flexibility to invest into opportunities when they might arise predominantly marketing-driven, and that will support our revenue trajectory particularly in the second half of the year.

Operator

Thank you very much indeed. Thank you. And there appear to be no further questions at this time.

Elie Matta - *trivago N.V. - Head of Corporate Development, Strategy & IR*

So at this time, I would like to hand it over back to Rolf for some closing remarks.

Rolf Theo Johannes Schrömgens - *trivago N.V. - Founder, CEO, MD of Product, People & Culture and Member of Management Board*

Yes. So thanks a lot for participating in our Q1 2019 earnings call. As I mentioned before, we are very pleased with the start of the year. We were able to turn around profitability from a record adjusted EBITDA loss of EUR 21.9 million to a record profit of EUR 20.9 million. We made significant progress in many areas continuing our path to optimize our products for retention and improving cooperation with our advertisers. We are confident that we can reach our profitability targets while returning to growth in the second part of the year.

Thanks again, and we're looking forward to talking to you next quarter.

Elie Matta - *trivago N.V. - Head of Corporate Development, Strategy & IR*

Thanks a lot, Rolf. And with that, operator, I think we can conclude the call.

Operator

Thank you very much indeed and with many thanks to all our speakers today. That does conclude the conference. Thank you all for participating and you may now all disconnect.
