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PRESENTATION

Operator

Good day, ladies and gentlemen, and thank you for standing by, and welcome to the trivago Q1 Earnings Call 2021.

I must advise you that the call is being recorded today, Tuesday, the 4th of May 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, Tuesday, May 4, 2021, only.

trivago does not undertake any obligations 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 Q1 2021 operating and financial review and the company's other filings with the SEC for information about factors, which could cause trivago's actual results to differ materially from these forward-looking statements.

You will find a reconciliation of non-GAAP measures to the most comparable GAAP measures discussed today in trivago's operating and financial review, which is posted in the company's IR website at ir.trivago.com.

You are encouraged to periodically visit trivago's Investor Relations site for important content.

Finally, unless otherwise stated, all comparisons on this call will be against results for the comparable period of 2020 (corrected by company after the call).

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

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

Good morning, everybody, and welcome to our first quarter 2021 earnings call. For the first time since the pandemic has begun, I want to start our earnings call on a positive note. Although the pandemic is definitely not over and the second and third waves have hit countries like India very hard and are still limiting mobility in many of our core markets, the recovery has begun.

With the continuation of the rollout of vaccines in many key markets, we have seen a return of local, and in some parts, also international travel across a few markets. Israel has reached 2019 activity levels already, and the U.S. is continuing to gain momentum with a strong acceleration of demand in the past few weeks. This positive trend is giving us a lot of comfort for a broader return of the travel market in summer and later in the year.

But it is not only the early start of the recovery that is giving us comfort. With users coming back, we have also managed to launch the first initiatives that we've been working on during the pandemic. We are excited to get real customer feedback and accelerate the speed of iterations and improvement. The launch of our activities offering and partnership with TUI Musement and the release of our Weekend offering in the U.K. and the U.S. are even more exciting as they are the first tangible results of the evolution of our strategy during the pandemic.

Leveraging our strength in city and weekend trips, we are increasing the engagement with and our relevance to our users by adding more products and features. Activities allow us to extend our offering to the destination of travel, while the more inspirational Weekend product is engaging with our users even before they've made a decision of where and when to travel to. We are excited to get first direct customer feedback on our new direction, and we are looking forward to continue to add new features and products later in the year.

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. The first quarter was still significantly impacted by the pandemic in all our regions. Our qualified referrals declined by 55% year-over-year, and our revenue declined by 73% year-over-year. Our net loss improved sequentially to EUR 6.7 million compared to EUR 8.6 million in the fourth quarter last year while our adjusted EBITDA declined slightly in the first quarter to minus EUR 4.8 million from minus EUR 3.4 million in the prior quarter, in line with our guidance.

Normally, we experience a significant pickup in demand at the beginning of the year when we are coming out of the winter holiday season, in particular, in our segment Developed Europe. Historically, we have increased our marketing activities in January compared to December and usually start airing new brand campaigns on TV.

In 2021, the start of the year was much slower. As in most of our core markets, lockdowns were still in place and were extended throughout the quarter. With most European countries having travel restrictions in place, we experienced very limited travel activity in our segment Developed Europe and adjusted our marketing activities accordingly.

In our segment Americas, we saw the usual seasonal decline in Latin America starting in February, which was more pronounced than in prior years. On the other hand, in our largest market in that segment, the U.S., travel demand started to pick up in February and the trend significantly improved in March.

We observed similar travel trends that we have seen last year in other regions when demand picked up, namely, very limited recovery in international and in particular intercontinental travel and a shift from city trips towards nature and beach destinations. Based on these trends, we started to ramp up our marketing activities in the U.S., including TV advertisement in March.

On a global level, we significantly reduced our advertising spend in Q1 compared to the same period in 2020 as travel demand continues to be heavily impacted by the pandemic. This led to a decrease of 68% or EUR 100.4 million in our total cost and expenses, excluding impairment of goodwill charges compared to the first quarter in 2020. Excluding advertising expenses and impairment of goodwill charges, our operational expenses decreased by EUR 16.4 million or 37% year-over-year, in line with the decrease we have reported to you for the last quarter, as we continued to benefit from the permanent reduction in expenses as a result of the restructuring that we announced last year.

We remain well capitalized with a cash and short-term investment position of over EUR 210 million, and we continued to be debt-free. We filed an F-3 shelf registration statement to replace the one that expired in April. And in addition, we launched an at-the-market equity program, which increases our flexibility to further invest in the business. We will be opportunistic with this program and disciplined around price levels.

Moving on to trends in April. First, let me remind you that April 2020 was the first month that was fully impacted by the first wave of the pandemic. Hence, all metrics are significantly up year-over-year. Thus, I will discuss the most recent trends by looking at the comparison versus 2019 only.

In Developed Europe, qualified referrals were still significantly down in April compared to 2019. However, there is a positive trend and we did see a considerable improvement versus the first quarter in countries like Spain, Italy or Portugal. There was already a positive trend in Q1 in the U.K. as the country provided a step-by-step plan to lift restrictions, and the trend continued in April as the country is gradually opening up. Overall, qualified referrals in Developed Europe in April improved to around 35% of 2019 levels compared to around 20% in the first quarter. At the same time, we started to see an improvement in the auction, which led to a slight increase in the year over 2-year revenue per qualified referral growth rates as well.

As mentioned in our shareholder letter, we saw a very positive trend in the U.S. with qualified referrals in April improving to approximately 70% of 2019 levels. For the segment Americas, qualified referrals improved to more than 50% of 2019 levels.

As travel demand is coming back, we also observed an improvement in our auction. In Americas, revenue per qualified referral increased to more than 80% in April compared to less than 50% in January of 2019 levels.

In our segment Rest of World, we also see a positive trend. However, the performance is more mixed. We called out Israel, which obviously is a small country, but it proves that there's a lot of pent-up demand, and when people feel comfortable traveling again, they do so. In April, as Axel mentioned, qualified referrals were significantly up compared to the same period in 2019 in that country. On the other hand, the recent spike in new COVID cases in India led to a significant decline in qualified referrals in that country.

For the segment overall, qualified referrals were approximately 35% of 2019 levels. And due to improved auction dynamics in that segment, revenue per qualified referrals improved to approximately 70% of 2019 levels in April.

Overall, we are very pleased with the trends that we are seeing in the second quarter so far. In addition to an increase in travel demand in certain regions, we see that most countries, in particular, in Europe, are now speeding up their vaccination programs. We believe that this will ultimately be very positive for the summer travel period, and we expect a lot of pent-up demand.

That brings me to our guidance. As we see trends generally improving and as we are coming closer to the summer travel period, we plan to ramp up our marketing activities and invest in the business. As a result, we expect our adjusted EBITDA in the second quarter to be similar to that in the first quarter and expect to return to positive adjusted EBITDA in the second half of 2021.

With that, let's open the line for questions. Operator, we are now ready to take the first question, please.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question comes from the line of Naved Khan from Truist Securities.

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

Maybe just a question on the guidance. So for the second half, you mentioned positive EBITDA, and I know you're not guiding for the full year, but is there a case that you could be EBITDA positive for the full year based on the trends you're looking at?

And then I had a follow-up question on the city travel. So as we think about city travel coming back in the back half of this year and think about where that could be versus 2019 levels, how should we be thinking about that? Would it be 50%? Would it be like more than that? How should we -- could you give us some framework to think about that.

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

Sure. Thanks, Naved. I will take your first question on guidance, and then Axel will cover your second question.

So I mean, as a caveat, I have to say it's very, very difficult to make precise predictions right now for the rest of the year as, overall, the situation remains dynamic. And I mean we do see positive travel demand trends in some countries, as we called out, and we expect in particular Developed Europe the trend will accelerate and volumes to increase in more and more countries as we are approaching the summer travel season. But on the other hand, I mentioned India. So it shows that It's not a straight line. It will go in ways. And what I said in the guidance is that we focus in the near term and then also in the third quarter on capturing our market share.

So we want to bring people back to our platform. And what that means in terms of top line growth is hard to predict at this point. It will largely depend on the overall recovery. But regardless of the exact shape and level of recovery, we have to recalibrate our advertising spend and we expect that to be a dynamic process.

And TV will be an important channel in that mix, but it is clear that even if the market recovers to, let's say, and I'm randomly picking numbers, 70% or 80%, we cannot reach the same efficiency as before as it is a mass medium and it is difficult to exclude the share of people that did not come back to the market yet. So clearly, if you think that through, that means our marketing efficiency will be slightly lower and -- but we want to invest in the opportunity. And that's why we expect a similar EBITDA in Q2 as we just disclosed for Q1 despite an expected increase in overall travel activity.

And at this point, I would view that similar in the third quarter, but that is further out and we'll have to see how we're getting into second quarter. So probably expect an update from us next time, obviously. But overall, yes, what will happen exactly in the second half is a bit more uncertain at this point.

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

Yes. Just coming to your second question on the city trips. We added one page to the deck where we are giving some idea of the different recovery stages of the different kind of trips in the U.S. And what you can see there is that city trips, which is really our strength where our product is best and offers most value to our users, is significantly lagging beach and nature trips. And we do expect that gap to narrow over time until end of the year.

Having said that, as Matthias just said, it is very, very difficult to predict the exact levels of the recovery later in the year because there are a lot of uncertainties in terms of -- not so much in terms of vaccination progress in the Western markets, but more in terms of potential variants that might come up and what that will mean for international travel. That also has an impact on city trips.

So the way we are thinking about it is that we are on a sustainable recovery path that will still have some ups and downs, but the direction is very positive. And that is what we think we need for our business. But what is also important for travelers around the world to really see a gradual improvement with some ups and downs, whether the slope of the recovery will get steeper in the end of the year or a bit flatter to then get steeper next year. That's impossible to predict, to be honest, and we will need to see.

Operator

Okay. 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*

Could you guys give us a bit more color on maybe how the bidding strategies of your large advertisers have evolved here over the last couple of months as the world starts to open up a bit? Just curious if you're seeing kind of more evidence that they're less risk-averse when it comes to their expectations around cancellation policies, stuff like that.

And then just sort of as a follow-up, now that we're starting to kind of emerge a bit from the heights of the pandemic, what's your latest thinking on the potential for significant consolidation of lodging supply? And to the extent you think that's happening, just curious to hear your thoughts on how you think that impacts your business?

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

Sure. So on the bidding strategy, so overall, the bidding behavior in the market, there's really one very clear trend that we have observed across many markets, to a certain extent, also last summer, but in particular in the last couple of months. The better the visibility is getting and the more we've seen recovery, the more advertisers are participating very broadly and very actively and the lower the risk discount for potential increase in cancellation is getting.

So really, it's almost -- it's not exactly a linear relationship, but more recovery in terms of volume generally also means that there is more recovery in the auction overall. And that's also what you've seen from some of the data points that Matthias mentioned.

So there, we are confident that we will see a much more normal dynamic across many, many of our markets hitting the summer and a broader recovery overall of the travel market.

On the second question, whether we are expecting a consolidation of the lodging supply. I mean, so far, there we haven't seen that much and there are no strong indications from our perspective. It's a bit too early to tell to see what exactly the pandemic has done to a lot of the industry participants. But so far, if anything, it has been very, very positive and most of our partners are coming out strong on this side of the pandemic.

But yes, it's still a bit too early to tell. So the after summer, I think, we'd have a much, much clearer perspective because summer is obviously very, very important to many, many of the lodging suppliers in the industry.

Operator

Okay. Our next question comes from the line of Lloyd Walmsley from Deutsche Bank.

Lloyd Wharton Walmsley - *Deutsche Bank AG, Research Division - Research Analyst*

Two questions, if I can. First, when you look at the last few weeks or so in the inflection in Europe, is that following a similar path to what you saw in the U.S. where things went from 30% to 70% of '19 in a matter of a few months? Anything you could share there?

And then the second one, if you can give us a sense of what you're seeing in terms of recovery between maybe weekend vacation and business. During the IPO process, you shared some data showing what looked like a pretty healthy mix of business travel. So wondering, was that mix stable at least from the IPO to 2019? Any major changes there? And what are you seeing kind of in terms of the divergence in recovery?

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

Yes. Thanks, Lloyd. I will take your first question on trends in Europe, I mean, and how that compares to the U.S. First of all, an obvious comment, but in a high level but it is important, U.S. is one big market and it is more harmonious compared to Developed Europe where we have many different countries. And we also see different policies in different countries, and countries react differently to the pandemic. You have different restrictions in place. Timing is different. Progress in vaccination program is different. So all this makes it a bit difficult to compare Europe overall to the U.S.

I mean we called out the U.S. and the U.K. before, and there, you can see once you make or get traction on your vaccination program and you gradually start opening things up, then people do want to travel. We have seen that in several surveys, third-party or our own surveys that we ran in different countries, that people absolutely want to travel. That's why we believe there is a lot of pent-up demand. And we see when people generally have the opportunity, they do that as well.

And that's a trend. I mean, in Q1, I gave you some numbers. I gave you also numbers for April. So generally, you have a good idea, I guess, where we stand right now. The one comment I would add is when you look at the April figures that I provided, that we have seen also in Europe a positive trend throughout the month week-by-week. So that gives you an idea where we stand right now. Yes.

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

Yes. On your question about the business share of our business, I mean so pre-pandemic, and we don't process the bookings so we have our logic how to estimate which share is business, what is a typical business destination and typical business duration in that destination, it is a small part of our overall business. So we don't expect the expected drop in business travel going forward to have a meaningful impact on our business.

On the other hand, we are positive and looking forward to what Matthias was mentioning, there's huge pent-up demand of leisure travel, that is the vast majority of our business. So net, we expect this effect to be positive for us given that business travel is a small part of our overall business.

Operator

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

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

On Activities, we were wondering if you could talk about how you may be able to get consumers to come back to trivago after initially doing the lodging booking either when they are close to the travel dates or in destination and choosing activities?

And then second question on Activities. The initial level of cross-sell or penetration you're seeing there and then 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*

Yes. So Activities are very exciting for us, let me just start with that. And the key reason why we are excited is not only because it's a very big vertical, but it is exactly what you're mentioning, that it gives us an opportunity to engage with our users in destination. And we are very early on. I mean so we just basically signed the agreement with TUI Musement. It was supplying us with the activities for our users. So we start a test to integrate, and it's early days, but there are various retargeting options, either on-site, directly or through app or e-mail marketing that we have in mind. And we do think that it is a sizable opportunity. But yes, we would like to see some more test results before we would quantify the absolute opportunity.

But strategically, very, very interesting to have an engagement point in destination at not only the point of travel, but also the time of travel where, so far, our engagement is quite a bit ahead of the trip as such. And there, we do see a significant benefit in having that additional touchpoint.

Operator

Okay. Our next question comes from the line of James Lee from Mizuho Securities.

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

I was wondering which hotel segment are you seeing the most recovery as you start seeing the rebound in the accommodation sector? Is it still pretty much the alternative accommodation or which of the hotel segment are you seeing more rebound, whether it's high-end hotels, mid-tier and also economic chains?

And also secondly, you guys mentioned about ramping up in brand advertising. Can you also talk about performance advertising here? Should we think about the trends of performance going up in line with your revenue growth?

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

Yes. So on your first question, I mean we do believe, and you know that, in really having an integrated offering, so offering hotels and apartments on one side. Having said that, the majority of our users has some preference for hotels. So because we have been positioning ourselves as hotel trivago for many, many, many years. So it is more, okay, there is some preference towards hotels, but also some interest in apartments. And because of that, I think it's fair to say that we have not benefited from the boom of alternative accommodation during the pandemic as much as some pure-play players.

If you turn that around for us and our user base and our positioning, the recovery is also stronger on the hotel side. So I think It's partially representative of what you see in the market, but it's slightly different given our positioning and our user base.

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

And then, James, on your second question on performance marketing, So obviously, I mean, how we look at marketing, we don't look at the channels only in isolation, but always the combination of the various options that we have. So that is branded, that is performance.

But if you look at performance channels specifically, I would say there's no big change. No big change to our approach. We will continue to invest where we see attractive ROIs and overall volumes then depend on the level of recovery and obviously on the competitiveness in the respective channels. But again, I think it's pretty straightforward and our approach there has not changed.

The more complicated part is on the branded side, I would say, as I mentioned before, because if you advertise on TV, that is a mass medium and it's difficult to exclude the share of people that did not come back to the market yet. And you can partly compensate for that by shifting budgets to more targeted channels like online video or connected TV. And then it becomes a bit more blurred, like is that brand, is that performance, et cetera. But high level, what we usually see is the more targeted your advertisement, the more expensive it is. So that is something you need to consider. But in general, we will explore all our options and we'll make sure that we get our market share.

Operator

Okay. Our 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. First, when you guys look out long term, do you foresee any permanent changes in travel behavior coming out of the pandemic?

And then secondly, what are you seeing on booking windows, particularly in the U.S. and other markets that are a little more normalized on travel demand? Are you seeing booking windows normalize along with demand?

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

Yes. On your question on travel patterns, I mean, in the very, very long term, that's obviously very difficult to predict and trends tend to converge. But for the foreseeable future, we do think that intercontinental travel will lose importance versus pre-pandemic. And that is not only because there -- it will take quite some time until the virus is globally under control. And as long as that is the case, you will have waves of new variants basically coming through different countries, reducing the uncertainty for travelers to go very far away from home, but also increasing the friction.

The second element is the restart of the airline networks that will take some time to get to the same convenience that we've seen pre-pandemic.

And so because of that, intercontinental travel we do expect to suffer in the overall mix and local travel to gain, and then nearshore international travel or continental travel, somewhere in between.

Whether these trends will persist in the long term, I'm not sure. I mean, as I said, I mean, trends tend to converge to the mean over a very long time period, but this disturbance could, yes, could be in the market for really a few years. And because of that, we're actually very excited about the Weekend product that we just launched because that is trying to capture, in particular, the local demand and the local demand that is searching for new destinations that are a bit off the beaten track.

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

Yes. And then on your second question on booking windows. I think what we are seeing there on our platform is pretty much what you would expect. So if I compare Developed Europe and Americas, for example, in Developed Europe in the first quarter, travel was largely, yes, heavily restricted or not even possible in some cases. So that's why, obviously, we saw a decrease in shorter booking windows and all that spontaneous travel or you plan something for the next couple of weeks out, that was very, very limited. And even though overall demand was lower, if you planned your summer vacation for June, July, August, whenever, already and booked that, that was a bit less affected.

And then if you take the two together, there obviously you can see in the booking window that increased in Developed Europe compared to even last year, but then more so even compared to 2019.

In Americas, it's the opposite and there, also no surprise, I would say, because overall the uncertainty is still high. So you don't know exactly what will be in 3, 4, 5 months. So people are probably less confident in doing now longer-term plans as they want to see how the overall situation is shaking out.

On the other hand, travel was largely possible in the short term. So you had more confidence if you book something for next week that you can actually go there and do the travel. And that's why we have seen less of a decrease in there.

And again, if you combine the 2 effects, then that leads to a shorter booking window that we have seen for that segment overall. Does that answer your question?

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

Yes.

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

Great. Thank you.

Operator

Okay. Our next question comes from the line of Doug Anmuth from JPMorgan.

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

I just want to follow up on the auction dynamics in some of the markets that are coming back, more like Israel and the U.S. I'm just curious if you can talk about the degree of participants perhaps versus 2019 levels and just kind of overall auction density?

And then just on the brand campaign, just curious if there's anything you can add on the strategy there and how you're approaching that kind of coming out here?

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

Yes, sure. So on the advertiser depth, we have pretty much the same number of advertisers. The advertising basis is pretty much unchanged. And the key lever that is helping improving the auction is basically twofold. A, that cancellation rates overall are coming down with the recovery in the market. So uncertainty overall is coming down and volatility is coming down, which, as such, is already helping our CPCs and our RPQRs.

And the second one is that the predictability for larger, but in particular, also smaller players is getting easier and easier and they're getting more and more comfortable that they will not face a situation like in March 2020 where they had to refund in a very, very short period of time very significant amounts.

And so those 2 levers basically progressed almost in parallel across all the advertisers. And that's why we are seeing this steady improvement in line with the improvement in overall volume and recovery across really all the markets.

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

Yes. And let me take the second question on brand marketing. So we started to prepare our new brand marketing campaign for summer and it is a continuation of our shift away from the Mr. trivago concept. We tested a more engagement-driven approach last summer as we believe it was a better fit for the sentiment in the market. And we were very happy with the results, and we got some great learnings. And now we are developing the concept further. So we think the sentiment is changing once again. And people really fell that after 1 year or longer of the pandemic, they really want to get out there, want to do something.

And along those lines, we will or we developed a new campaign. And it nicely fits to our most recent product development as we are building more features and products that focus on engagement with our customers as well, yes. But time will tell how successful that will be, but we think it's the right step to continue in that direction.

Operator

Okay. Our next question comes from the line of Kevin Kopelman from Cowen and Co.

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

I just had a couple of follow-ups. The first one is on Europe, you talked about QRs going up to 35% of prepandemic levels, up from 20% in Q1. Can you talk about there, specifically in Europe, how well downstream conversions and ad bids have held up through that increase in referrals? And then I had a follow-up.

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

Sure. Thanks, Kevin. I mean, so when we look at qualified referrals, that is our volume component, right? So that is really the -- what we measure there is how people are coming back, how is the market coming back, how is overall demand recovering. And when you look at downstream conversion, that's more in our revenue per qualified referral, which is essentially the product of our monetization and the conversion. And what we are seeing there is that the conversion is not that different if you look at it sequentially or even year-over-year.

So there are no big changes. It's just on a lower level. So what we expect and what we are planning to do is to scale up basically overall volume development, so the qualified referral at or around the current level of conversion we are seeing.

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

Excellent. And then on Europe, in terms of the weaker recovery that you've seen in the last few weeks, would you say that's -- is that a broad-based thing or is it being driven by a couple of markets?

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

Yes. It's not the same everywhere. I called out a few markets in my remarks like Spain, Italy and Portugal. U.K., we mentioned before. But we also, in the recent weeks, see positive developments more broadly based, but it's certainly not that you see exactly the same development everywhere.

But yes, I gave you, for the overall segment, a number for April already. And what I mentioned as well is that we saw a week-by-week improvement. So yes, if you take the 2 together, then that gives you an idea where we stand right now overall for the segment.

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

Great. And then just one last question on -- a follow-up on the discussion about advertising. Can you talk about -- maybe give some color on your channel, how the channels are developing as markets are ramping back up, like how you're seeing the kind of ad-driven traffic versus direct traffic or any other developments there?

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

Yes. I think -- I mean, it's a very good question. And obviously, what you know from us is that, in the past, we heavily advertised on TV and it's an important channel for us and it will continue to be an important channel. So the moment you are off-line, that is certainly a drag on that part of the traffic mix. And with TV, as I said before, it's a mass medium. So you cannot just ramp that up linearly, but it works in a step function. So there is a certain level threshold when it makes sense to more broadly advertise on TV again.

I mean, obviously, what you can do, you can broadcast regionally and not nationwide in certain countries. But whenever you do things like that, you lose some efficiency. So that's why I would not expect the same gradual recovery that we do see in performance channels where it's much easier to gradually ramp up or down.

Operator

Okay. Our next question comes from the line of Brian Nowak from Morgan Stanley.

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

This is Alex Wang on for Brian. First, just a follow-up on the marketing side. I think, historically, trivago has talked to a 50-50 split between brand and performance. Can you maybe philosophically talk to us how you think about that going forward and why that might be the right balance, particularly as we've seen sort of this digital transformation as a result of the pandemic.

And Matthias, if there are any sort of performance channels, understanding you said it could be more expensive from a pricing perspective, anything that's encouraging at this point that you could lean in over the coming months?

And then second, I think, historically, you've taken also a very collaborative approach with your large OTA partners offering different bid modifiers, different bidding models. Can you maybe talk about some of their priorities or how that's changed in the near to medium term and how that conversation might be progressing?

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

Yes. Thanks, Alex. Good questions. So let me start with your first one on the marketing mix and historically our 50-50 mix. So I think we commented on that many times before. That was a mix that was stable and served us very well for many years, but that was also a mix in stable times.

So right now, obviously, that mix is different by country. It's different by region. And as I said, it's not that we plan our advertising spend. It's not that we know exactly right now what we want to, for example, invest in brand marketing on TV in Q3. But we will take it week by week, and we will look at the performance and the results we are seeing and reflect on the recovery of any particular market and then we have to calibrate that, yes. So right now, there is no golden rule like we want to do 50-50, but we are really doing that opportunistically.

And then going forward, I mean, it's too early to tell, yes. We will do the approach I just described for the second and probably for the third quarter. And then once the markets overall are more stable and coming back to 2019 levels, that's the point in time when we probably will have a more stable shift or mix as well in our marketing channels.

And on the performance side, yes, it's not that all of a sudden, a completely new channel came up. But there are different channels where we tested in the past already. I mentioned online video. I mentioned connected TV. We clearly have seen in the pandemic a shift to digital channels. So they were interesting a couple of years ago, they are probably even more interesting right now. And we continue to test there and look at the performance.

But just to be clear, I think you cannot replace a channel ad TV overnight. Even though linear TV is declining, it is still one of the largest channels out there and we believe that it will be important for the foreseeable future for us as well.

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

Yes. On your question on our approach towards our advertisers. I mean you're absolutely right. I mean we see them as partners and we take a very, very collaborative approach there to jointly optimize the user experience end-to-end. And if anything, the pandemic, I think, has strengthened that approach and with some of our key competitors are strategically moving more against their partners. We do think that, that is the right strategy and we will continue to be very collaborative and jointly really optimize and rebuild the travel industry.

Operator

(Operator Instructions) No questions at the moment. Please continue.

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

Yes. 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 the past 14 months, collectively and individually. We have long championed the essential role travel plays in society as it brings people together, creates experiences and memories and broadens people's horizons. During the pandemic, this has become much clearer to all of us and it has helped us as a company to focus our strategic direction.

Therefore, we are very much looking forward to the near future when lives are back to normal and where we can experience the magic that our products bring to all of our lives.

Stay safe, and see you next quarter.

Operator

Okay. That does conclude our conference for today. Thank you for participating. You may all disconnect.
