

THOMSON REUTERS STREETEVENETS

EDITED TRANSCRIPT

TRVG.OQ - Trivago NV at Morgan Stanley European Technology, Media & Telecom Conference

EVENT DATE/TIME: NOVEMBER 14, 2019 / 7:55AM GMT



NOVEMBER 14, 2019 / 7:55AM, TRVG.OQ - Trivago NV at Morgan Stanley European Technology, Media & Telecom Conference

CORPORATE PARTICIPANTS

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

Matthias Tillmann *trivago N.V. - Senior VP & Head of Corporate Finance*

CONFERENCE CALL PARTICIPANTS

Sean Diffley

PRESENTATION

Sean Diffley

All right. Good morning. Thanks for joining us. My name is Sean Diffley, I'm the Internet, Media and Telecom Specialist based in New York at Morgan Stanley. Very happy to have trivago here with us. We had some recent management changes. So we have Axel who is newly appointed CEO and Matthias who's our newly appointed CFO. So welcome, guys.

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

Thank you.

Sean Diffley

Thanks for being here.

QUESTIONS AND ANSWERS

Sean Diffley

On the first off, from a high level, 2019 has been somewhat of a challenging year for your company. We've seen platform optimizations, recalibration of ad spend and some macro softness. Maybe you could discuss some of your learnings as it relates to the business and key strategic and financial priorities as we start to look to 2020.

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

Absolutely. So I think the first learning -- it's not really a learning, but it's obvious. It is important to really look through the quarters and to have a clear plan what you want to achieve and to work against that plan because, as you rightly said, the market is pretty volatile. And that's what we have done, and I think that's exactly the right thing to do. If you talk about the year more specifically, in the first half, we continued our move to profitability. And we saw -- we learned using your term there that we can run the business at a significant profit level. In the second half, I would basically pick one key learning on the financial metrics side, which is the leaning in in Americas showed significant results on top line. So we significantly outgrew the market there, which had some very interesting learnings that we are now planning to leverage to the other regions.

On the business side, the one that I would pick as the key learning is really our shift to a much more collaborative approach with our large advertisers. So until, I would say, a year ago, we had much more, how to put it, socialist approach and saying, okay, we want everybody to be exactly equal. And we moved to a more focused approach, investing a lot more time with our large advertisers. And that is not just the top 2 or 3, but really the top 30 to 50, and jointly developing together with them the product. And there, we are really at the beginning. But that to me is a very promising avenue.

NOVEMBER 14, 2019 / 7:55AM, TRVG.OQ - Trivago NV at Morgan Stanley European Technology, Media & Telecom Conference

Sean Diffley

Great. And then I guess just on the management change, if you just want to hit on why now and how you might approach the business in your new roles.

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

I don't think that there is really a big change. I mean we are running the business as a team, and the team hasn't really changed that much. Matthias has been with the company now for almost 3 years. Has been there since the IPO and in very key positions, so he's not really a new addition to the team. And Rolf will stay involved as active member of the Supervisory Board. So the team is not really changing that much. And I don't expect the strategy to change that as much and neither the way we run the business, Sean.

Sean Diffley

And then I guess as we do look to 2020, you talked about a decent amount of changes that you're making. We'll get into kind of bid modifiers and things like that. But what should investors kind of be looking for in terms of where your priorities are? You talked about Americas seeing some good progress on some of the changes. But I guess what are maybe your 1 or 2 kind of priorities into 2020 and how that differs from '19?

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

Yes. So in terms of strategic objectives, there is not a significant change, but we obviously hope to make more progress there. In terms of positioning vis-à-vis the user, there are 2 main differentiators that we do believe we have in the product today and that we want to build out further. One is to find the best deals. And there, we have added more rates that weren't available in the product, like rewards rates, but also specific rates by device, by certain sense environments.

In terms of comparing across all accommodation types, we made significant progress this year, and we hope we'll continue to do so. A, by making apartments and hotels more comparable, but also by increasing our coverage on the apartment side. And on the B2B side of the business, as I said, the main change has been the much more collaborative approach. And there, I'm really looking forward to the summits that we will conduct again in the first quarter to see what the most promising joint projects will be for next year, but the introduction of bid modifiers have been an ask of our main advertisers for many, many years. And I think the team did a very job there, introducing them, relatively speaking, quickly and very smooth. It doesn't mean that there is no volatility when you do so, but the technical implementation went very smooth. And there are many more ideas that we are working on.

Sean Diffley

Great. We'll dig into some of those as we progress. There's been some debate on kind of slower growth and lower volumes in the paid channels. How do you view top of the decision-making funnel opportunity today versus a few years ago? And what gives you confidence that trivago can increase your share in terms of the overall advertising market in travel?

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

So when you look at the top of the funnel, I think you are talking about Google AdWords, in particular. I mean AdWords has not been a source of strong growth for some time. And the main areas or the main channels that are growing are obviously Google Hotel Ads where we still have potential to catch up, given that we're, in the beginning, not being a partner in that channel or not being allowed in that channel. The very big opportunity clearly is social media, and that is something we continue to invest into. So there is huge potential. But it is also not as easy as AdWords



NOVEMBER 14, 2019 / 7:55AM, TRVG.OQ - Trivago NV at Morgan Stanley European Technology, Media & Telecom Conference

because there's clearly no active intent signal, so you need to read into the passive intent signals. But that's something that will over time become more important.

Other channels that will grow are clearly online video, or nonlinear video content overall, so being YouTube, Facebook video, but also Hulu, Roku, Amazon Video, et cetera. Again, it's not that the channels are not as mature as linear TV, but they are clearly an area of investment where we actively invest capacity and also testing budget to learn and to understand better how to advertise effectively. So again, I think there is potential.

In terms of our own market share, from our customers' perspective, I do believe that there is huge opportunity by jointly developing products or features that are requested by our advertisers and just being the partner of trust rather than being a potential threat to the core business like some other marketing channels.

Sean Diffley

Great. That's helpful. When we look at qualified referrals, I believe they're down around 25% year-to-date. Can you talk to some of the regional trends exiting 2019 and what you expect to be the main drivers of returning to positive referral growth as we come into '20?

Matthias Tillmann - *trivago N.V. - Senior VP & Head of Corporate Finance*

Yes. Sure. I think, first of all, it's important to understand that qualified referrals are down for 2 reasons. One, as you rightly pointed out, the reduction in advertising spend, but then also our product and marketing optimization. So those led to a higher traffic quality. So in a way, you shift volume to price. And if you look at RPQR, so revenue per qualified referral, on the other hand, that has been up significantly in the first 9 months of this year. If you look at Q3 specifically where our advertising spend was slightly up, we still saw a decrease in qualified referrals, and that is then the impact from those optimizations.

If you look at Americas, I mean Axel mentioned it already, we increased our spend significantly and that qualified referrals were almost flat, but then you had the positive impact from the higher traffic quality in the revenue per qualified referral, leading to a referral revenue growth of, I think it was 19%. If you look at the other 2 regions, Europe and Rest of World, we kept our advertising spend roughly flat. And there, we saw a decline in qualified referrals, and that again is then coming from those optimizations.

If we look ahead, I think for next year, 2020, we will focus more on the meta aspect of our product. And so I believe the main driver of qualified referrals going forward would rather be our fundamental growth rate, first of all, and then the level of advertising spend. But the optimization should have less of an impact.

Sean Diffley

Got it. And I guess if we just dig into the Europe weakness that you guys called out in the quarter, how much of that is kind of your strategy change versus some macro factors we were talking before? It's a scary world, lots going on around Brexit and geopolitical uncertainty. But when you dissect kind of some of the softness that you saw in Europe in the quarter, how much of that is kind of business-related versus macro?

Matthias Tillmann - *trivago N.V. - Senior VP & Head of Corporate Finance*

Yes. I think it's both, yes, so that's for sure. But for us, it's very hard to tell what the exact impact is of macro, and I mean Brexit is obvious. But also, we saw generally softness in the business. But again, given the volatility that we see right now still in our business, it's hard to quantify. And we also made changes to our marketplace which added to the volatility. So then it's even more difficult. But I think both contributed here.

NOVEMBER 14, 2019 / 7:55AM, TRVG.OQ - Trivago NV at Morgan Stanley European Technology, Media & Telecom Conference

Sean Diffley

Okay. And we touched on it earlier, but talking about bid modifiers a bit more. For those who haven't been following the story as closely, maybe walk us through what exactly the changes are. I think you've talked about more granular factors. But update us on how you're thinking about that and the removal of kind of the relevance assessment.

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

Yes. So there are 2 different topics, basically. But they originate from the same shift in strategy. As I mentioned earlier, we moved to a much more collaborative approach roughly a year ago. And the one, first result of those much more intense and strategic discussions has been that there was a very, very strong preference to optimize our treatment of the handover of users to our partners, which was basically the relevance assessment. And if you zoom out and abstract the old concept, it was basically we have a strong view of what we think is optimal for the user, and we give guidelines how the handover should happen. And the advertisers that stick to those guidelines have an advantage in the auction and those that don't have a disadvantage.

So it's a bit more confrontational, a bit more rule-based. And what we then came up with together with our partners was, okay, why don't we test an alternative concept where we share more information and context and use that to optimize really jointly end-to-end? So take the friction out of the handover point. And when we did a test together with our largest partners on a very large scale, with very good visibility really end-to-end, we saw that, that approach is indeed more promising, and that's why we've faded out the old concept, the relevance assessment, and now focus our energy and our partners' energy on the joint optimization. So that's one track in a way.

The second one is the bid modifiers, originating in the same thought. If you work closely with your main partners, they've been asking for a more granular auction for years and years and years. And conceptually, the benefit clearly is not everybody is equally competitive everywhere. You've got companies that are very competitive on same-day stays, for example. That's what they optimize their product for, that's what the brand stands for. You've got other companies that are actually very good in longer stays, stays with the larger party, vacation stays, et cetera. So by not allowing any modifier as you force everybody in a way to compete head-to-head on average, that's not optimal. And so we started to make the auction more granular by introducing 2 bid modifiers. The first ones ever on the platform. So one is length-of-stay and the other one is time-to-travel. And I mean it sounds like a small change, but it is actually a very significant change because we needed to rebuild the whole back-end to be able to cope with multiple dimensions. And there, I'm very happy with the time the team took to really implement it. So now we have a system that is very flexible, and we can add, relatively speaking, easily more modifiers.

So with these 2 modifiers, we initially started in some markets with some advertisers and then added markets and advertisers over time. And the feedback has been very positive. Having said that, when you change the auction, there is always friction because whatever you optimize for, whatever your algorithm was trained on is changing. So day 1, the algorithm is suboptimal because it was optimized for the auction 1 day earlier in a way. And there, what's interesting to see that it took advertisers significantly a different amount of time to train their algorithms to the new environment. And I think that's just something you need to accept. And of course, we are supporting where we can, but these things just take some time.

So there, as Matthias said before, there has been increased level of volatility and it's suboptimal bidding in the transition period. And that's very likely that, that will happen again when we introduce more modifiers, which we don't plan for this year. But for next year, we have candidates that we are assessing.

Sean Diffley

Okay. That's helpful. So talking about some product changes. You've made some progress this year, kind of those integrating loyalty programs and mobile rates and better content display. Maybe you could talk about some of the initiatives in place to further improve trivago's value proposition and customer retention.



NOVEMBER 14, 2019 / 7:55AM, TRVG.OQ - Trivago NV at Morgan Stanley European Technology, Media & Telecom Conference

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

Yes. I mean I will not share any specifics. But generally speaking, the direction is unchanged. It's really integrating more and more rates, even if they are just available to a few customers, to make sure that we continue to have the most comprehensive offering and the best rates on the Internet. And then the really big, big workstream is the integration of apartments in a better and better way. I do believe that we have today the best product by having an integrated list of apartments and hotels, but we are clearly at the beginning. We started November 2017, if I remember correctly, with the onboarding of HomeAway, now Vrbo. And so we are still at the beginning of that path, but that is something that's strategically very exciting. And we do believe that, particularly with the millennials aging, a bigger and bigger part of the market will ask for really cross-accommodation comparison.

Sean Duffley

And we'll dig into more of that shortly. Talking about mobile, which I think is about -- over 60% of revenue now, what are your 1 or 2 kind of key priorities for mobile in shifting branded users to the app?

Matthias Tillmann - *trivago N.V. - Senior VP & Head of Corporate Finance*

Yes. So that's correct. Our share of mobile is over 60%, and that has been continuously going up. So mobile is important. Having said that, the booking share of mobile is lower than that. And if we look at our average user, the time lag between the researching phase and the booking phase is not that big. So what is important is a consistent user experience. And if you then take into account the spill effect from mobile to desktop, we believe that the conversion gap is also not that high. So it's not that high. So still mobile is important, obviously. But we believe that it will continue to go up.

Sean Duffley

And how should we think about mobile as part of driving revenue per qualified referral over time? How important is that?

Matthias Tillmann - *trivago N.V. - Senior VP & Head of Corporate Finance*

Yes. Exactly. So if you look at the conversion again, yes, so taking into account the spill effect, I don't think mobile is really a driver of revenue per qualified referral. Revenue per qualified referral is the product of conversion and monetization. So our ability to improve those will drive revenue per qualified referral, but it's not really the mobile versus desktop.

Sean Duffley

Got it. Okay. And going back to some marketing spend, you've tested out some new ad spot concepts since the beginning of the year. And maybe you could talk about some success you're seeing with the new creative.

Matthias Tillmann - *trivago N.V. - Senior VP & Head of Corporate Finance*

Yes. So our 2 key value propositions are price and inventory. And we have very successfully communicated those with the Mr. trivago concept for many years in many countries. Having said that, last year already, we started to test new concepts and a more focused approach, and we saw promising results. So beginning of this year, we refined those and tested those in further markets, and what we see so far is quite encouraging. And now obviously the next step would be to adopt that to more countries next year. So that's something I'm really looking forward to.

On the channel mix, I mean we get the data point during the IPO 3 years ago and we said it's roughly 50-50, but we haven't updated that number since. And generally, we don't comment on the channel mix.

NOVEMBER 14, 2019 / 7:55AM, TRVG.OQ - Trivago NV at Morgan Stanley European Technology, Media & Telecom Conference

Sean Diffley

Got it. Okay. We touched on Google earlier. They're still a key strategic partner for trivago, but at the same time, they've obviously been very active in building out and monetizing their own travel offering. And maybe at a higher level, you can talk about your relationship with Google. How has it changed? How do you see it evolving going forward?

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

So we have a very, very good relationship with Google. Clearly, we are one of their biggest customers, and they are one of our biggest marketing partners. Having said that, like in probably any Internet business, they are a partner and a competitor at the same time. And as you rightly said, they have invested in the last couple of years more and more resources and effort into their own meta product, Google Hotel Ads, and it has improved quite a bit, I would say. We do believe that our product is better, both technically and also in terms of coverage. But clearly, they are our biggest competitor and partner at the same time, which makes it -- but this is not specific to us, I think this is normal in the Internet business, a different relationship than with some other partners. And you need to consider both profitability metrics and also strategic considerations. But I don't see a significant change there in the relationship. I mean this has been true some time ago, years ago. It has been true last year, it is true this year, it will be true in the next couple of years. What is obviously gradually changing is perhaps the balance between financial and strategic considerations. But also there, I don't see radical shifts there.

Sean Diffley

And earlier, you referred to a more collaborative approach with your large advertisers. I guess maybe you could talk about 2 or 3 key themes as it relates to their performance marketing spend. And how has this historic approach of empowering some of the smaller regional advertisers changed on the marketplace?

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

I think the best example of the new approach is really the change from the relevance assessment, more rule-based to a more collaborative approach. And I expect to see more projects that follow a similar logic.

And regarding the smaller advertisers, small doesn't mean not important. You have small advertisers that do contribute to our overall value proposition significantly by having very attractive rates on the platform, by having very good coverage in certain regions of the world, and they are obviously very relevant. On the other hand, there are also advertisers that are just reselling each other's inventory and therefore are not as accretive to our overall value proposition. And I think it is absolutely rational to focus on those advertisers that do help us to compete better for our own users and then have a better product offering and to focus less on more 'me-too' advertisers.

Sean Diffley

Got it. And I guess Booking and Expedia were both pretty stable quarter-to-quarter. Is that a fair way to think about them going forward? Or do you see the smaller guys kind of gaining share over time?

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

Time will tell. But clearly, the market is pretty consolidated, and those 2 groups are very, very strong. I would expect players like Airbnb to gain share by broadening their offering. But also, that will not dramatically change the percentages going forward.



NOVEMBER 14, 2019 / 7:55AM, TRVG.OQ - Trivago NV at Morgan Stanley European Technology, Media & Telecom Conference

Sean Diffley

Got it. Perhaps a good segue to talk a bit more about alternative accommodations, which we hit on earlier. And I think you guys were at 2.3 million units on the platform, which more than doubled within a year. Maybe you can talk a bit more about how alternative accommodations are an opportunity for trivago and then what are the challenges involved in moving at a faster pace in that segment.

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

So yes. Absolutely, we do believe that it is strategically a very exciting opportunity. And the main reason is that you have currently 2 main use cases for apartments. One is the millennials that are just used to stay in apartments, and that's the starting point, basically, the default. The other group is really families. If you travel with a large family, then hotels can be a good alternative, but it's just one of many. And depending on the age of the children, you might really want to have a vacation rental or an apartment.

And that's the status quo today. But what is really exciting is that with -- in particular, the millennials aging, then people overall are getting more and more used to consider apartments as a real alternative to an hotel. But also the trends to have more hybrid offerings. So you have hotel chains that do offer serviced apartments. You have companies like, for example, Sonder in the U.S. that is renting full buildings and then equipping them with very standardized apartments that are very tailored towards also a business traveler, very reliable, very predictable. And that is where there's really an unserved need today in the market. So we do expect this trend to continue. So the boundaries between the different markets will get increasingly blurry. And what that means is that it is getting tougher and tougher for you as a user to really find what you are looking for because it's not that clearly defined anymore. And that's why we are very excited about that opportunity by investing into our product so that it does not only compare for a hotel room all the different offers and helps you to find the best rate, but also helps you to compare the hotel room with the different apartment alternatives in the relevant dimensions and helps you to navigate through this increasing complexity.

Having said that, we do believe that, that is really a trend over the next couple of years. But still, it is a very big trend and it is necessary to invest now into the product to have the best tool in the market to serve that rising need.

Sean Diffley

Okay. And how do you guys think about adding additional travel products like flights or cars or experiences onto the platform?

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

Yes. I mean there are 2 schools of thought. One is you have a user, and so you should maximize the revenue that you generate with that user. And that's the school of thought that many, many players follow. Our thinking is slightly different. We do believe that focus is really an asset and focus is an asset in terms of brand. The more focused your brand is, the more effectively you can communicate your value proposition. But also in terms of product, the more focused the product is, the better the conversion is because you don't have distraction. And that view has not changed. We do believe that there is huge potential, as I just mentioned, in the integration of apartments into the main hotel product, and that, that requires all of our focus.

So therefore, for now, we believe that we can gain more by keeping the focus than by trying to maximize the revenue per user. But of course, that is something that each year you should reassess and challenge yourself to say, is it in the current environment still the right decision? But for now, we do believe focus is key.

Sean Diffley

Got it. Okay. Let me see if there's any questions in the room here. Okay. So if we look at 2 of your newer markets, the U.S. and the Rest of World continue to be growth opportunities for the platform. And maybe you can compare the runway between the 2 markets and what investments are required to scale faster.



NOVEMBER 14, 2019 / 7:55AM, TRVG.OQ - Trivago NV at Morgan Stanley European Technology, Media & Telecom Conference

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

When you look at our business, we started the business in Europe, clearly. And that's where we also saw, when we shifted and focused more on profitability, that the brand had bigger stickiness. Our loyal user base was greater and the markets were just most developed, but from an overall travel perspective, but from a trivago perspective.

Looking at Americas and Rest of the World, we've entered more recently, and our brand recognition is very strong as well, but we haven't been in the market as long as in Europe. And one learning that we had in the last 2 years was, okay, it is apparently not only the brand recognition, but also the repeat end usage. The average user doesn't really travel that often per year. And so you need to be in the market for really years and years, not only to repeat the marketing message, but also to repeat their usage to get to real stickiness. So having said that, we do believe that there is significant upside in Americas and Rest of the World.

In Americas, we have seen very good traction in the third quarter, and that gives us a lot of confidence that by being very clear in our messaging and very focused, that we can grow the business significantly and get to the level that we have in Europe. And the same is true in Rest of the World.

Having said that, Rest of the World, the way we define it is obviously a region with very, very diverse subregions. And it is much more difficult to read anything into the numbers compared to Americas, where Northern America is clearly dominating and you do see clear trends there.

Sean Duffley

And just looking at Europe a little more closely. We mentioned Brexit earlier, but you also had the bankruptcy of Thomas Cook. I guess can you guys maybe further elaborate on -- was that a factor in the quarter? Do you foresee that being a headwind in 4Q? Kind of how should we think about puts and takes in Europe?

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

So I mean it's not only Thomas Cook, but if you look at the online travel space, a company called Amoma went bankrupt, a very big reseller of wholesale rates. So clearly, that shows that the market is softening, as Matthias said earlier. And we actually also suffered financially from those bankruptcies. Technically, we didn't realize revenue that we would have realized otherwise. So it is a financial loss. It's very difficult to predict whether the market will get better sooner or later. Politically, clearly, Europe is not in a very stable situation. And economically, at least in the economies that have a very strong influence of the automotive sector, I would think it's a more prudent assumption to assume that there wouldn't be not a very short-term recovery. But yes, I mean very difficult to say, of course.

Sean Duffley

Got it. Okay. And then you guys have previously guided to long-term EBITDA margins of about 25%. Maybe given the evolving landscape, what are puts and takes in how we should think about both revenue and OpEx growth to achieve those margins over time?

Matthias Tillmann - *trivago N.V. - Senior VP & Head of Corporate Finance*

Yes. Clearly, our ambition is to outgrow the market at some point again. I guess that's clear given the size of our company and the market opportunity that we have. And we believe we should be able to do that with a lower increase in our overhead. So there will be some fixed cost regression.

The 25% is something we talked about during the IPO. And there, the logic was, to get there, you need a 155% ROAS and 10% overhead. And at the time of the IPO, we saw that ROAS in some of our markets already. And we are a lean company, and we believe we can still get the overhead closer to that level. So I think it's -- but it's really a longer-term goal? So here, we're talking 7 to 10 years. It's nothing that we will want to achieve over the next 3 years. But our ambition is still to achieve that at some point in time.

NOVEMBER 14, 2019 / 7:55AM, TRVG.OQ - Trivago NV at Morgan Stanley European Technology, Media & Telecom Conference

Having said that, if you look at the past 2 years, we faced challenges due to lower monetization. So clearly, it might take us longer than we anticipated 3 years ago. And also, looking ahead, there are certain challenges, like, for example, what we see right now is the introduction of digital sales tax in Europe. So this year, it's already in France. So it was already a headwind in Q3. And there is more to come for next year, so that we know, and it's really an additional cost. So it's not really a tax but a cost to our business. So the improvement in efficiency has to compensate for that. So that's something I would call out as well. But clearly, the goal is to go there eventually.

Sean Diffley

All right. And then as we look into '20, what do you guys see as kind of the biggest risk and the biggest opportunity for trivago as we enter a new year? And you guys have obviously implemented a bunch of changes. But how should we be thinking about where you see the biggest opportunity and also the biggest risk for the company?

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

I think we are -- we've got a very good plan how we want to develop the business. And there, we are very confident that we are on the right track.

Timing is always the biggest risk. Is the market a bit softer, a bit stronger? Are you making progress a bit faster or a bit more slowly? But strategically, I do think we have a clear track, and we'll be successful on that track.

Biggest opportunity, we talked about it, is really to work on the user value proposition and make significant progress there and also to deepen even more our relationships with our advertisers and get to a new level of collaboration there. But yes, I would say timing is always the key risk, in particular, in an increasingly volatile and unpredictable world. But yes, the good thing is, for timing, you just need to be patient and disciplined and continue to stay on track. And as long as you do that, then it is not a real risk.

Sean Diffley

Great. And congrats on your new roles, and thank you for joining us.

Matthias Tillmann - *trivago N.V. - Senior VP & Head of Corporate Finance*

Thank you very much.

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

Thank you.



NOVEMBER 14, 2019 / 7:55AM, TRVG.OQ - Trivago NV at Morgan Stanley European Technology, Media & Telecom Conference

DISCLAIMER

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

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

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

©2019, Thomson Reuters. All Rights Reserved.

