OVERVIEW:
Co. reported 2Q19 results.
Good day, and welcome to the Expedia Group Q2 2019 Earnings Conference Call. Today’s conference is being recorded.

At this time, I’d like to turn the conference over to Michael Senno, Vice President of Investor Relations. Please go ahead.

Michael Senno - Expedia Group, Inc. - VP of IR

Good afternoon, and welcome to Expedia Group’s Financial Results Conference Call for the Second Quarter Ended June 30, 2019. I’m pleased to be joined on the call today by Mark Okerstrom, Expedia Group’s CEO and President; and Alan Pickerill, our CFO.

The following discussion, including responses to your questions, reflects management’s views as of today, July 25, 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, we are optimistic or confident that or similar statements. Please refer to today’s earnings release and the company’s 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 Investor Relations website at ir.expediagroup.com. And I encourage you to periodically visit our IR website for other important content, including today's earnings release.

Unless otherwise stated, all references to cost of revenue, selling and marketing expense, general and administrative expense and technology and content expense excludes stock-based compensation and depreciation expense. And all comparisons on this call will be against our results for the comparable period of 2018.

A reconciliation of adjusted EBITDA guidance to the closest corresponding GAAP measure is not provided because we are unable to predict the ultimate outcome of certain significant items without unreasonable efforts. These items include, but are not limited to, foreign exchange, returns on investment spending and acquisition-related or restructuring expenses. As such, the items that are excluded from our non-GAAP guidance are uncertain, depend on various factors and could have a material impact on GAAP results for the guidance period.

Finally, on April 15, Expedia Group entered into a definitive agreement to acquire Liberty Expedia Holdings in an all-stock transaction. For details on the proposed transaction, we will refer you to the information in our SEC filings. The deal is currently pending approval from Liberty Expedia stockholders with the shareholder vote scheduled for tomorrow Friday, July 26. We do not plan to take any questions related to this topic on today's call.

And with that, let me turn the call over to Mark.

Mark D. Okerstrom - Expedia Group, Inc. - President, CEO & Director

Thanks, Michael. In Q2, we, once again, saw solid execution across the company and built on our operating momentum. Our strong results through the first half of the year are evidence of the continued progress we're making on our transformation underpinned by our key strategic themes. Being locally relevant on a global basis is guiding our focused market approach where we're seeing nice progress in international markets. We're focusing on being more customer-centric, adding features and functionality to better serve travelers. For example, we're rolling out a virtual agent platform, which is already driving improved customer satisfaction and increasing the efficiency of our customer service. This year, our efforts to increase the speed of execution and innovation have evolved into a new third strategic theme around fully leveraging the power of our global platform. We're collaborating across the company and operating more and more as 1 group than ever before.

We're increasingly unlocking opportunities to cross-sell between brands. For example, Vrbo customers are now able to book rental cars and other products powered by Brand Expedia. Our teams are also leveraging best-in-class systems and technologies across divisions. For instance, Hotels.com recently migrated to Brand Expedia's system for collecting post-stay reviews, and is already benefiting from additional features and an improvement in content. And these are just the tip of the iceberg. We have many other opportunities to drive customer and partner-facing innovation and increase operating efficiency by better leveraging the scale of our platform across Expedia Group.

To that end, we've recently begun a design process with the goal of realigning certain teams across the company to enable them to better execute on this platform approach. All of these efforts are squarely aimed at driving better customer and partner experiences as well as stronger long-term growth and value creation.

Our continued progress on these key strategic themes contributed to healthy financial performance in Q2 with top line growth accelerating and adjusted EBITDA increasing 23% year-over-year.

Our Core OTA segment continues to lead the way as we see positive results from the playbook we're executing to drive our lodging business. Core OTA room night growth was a healthy 12% in the quarter. We're confident that continuing to push targeted supply acquisition along with focusing on locally relevant content, product innovation and strategic marketing investments will lead to healthy top and bottom line results across our Core OTA business going forward.
A key tenet of our playbook is our supply acquisition effort where we continue to see nice results. Excluding Vrbo listings, we added over 40,000 properties to our core lodging platform for the sixth consecutive quarter and expect that elevated pace to continue as we move through the year. Including now approximately 570,000 integrated Vrbo listings, we ended the quarter with nearly 1.3 million total properties on our core lodging platform.

Vrbo eclipsed 2 million online bookable listings in the second quarter, and over 1.3 million of those are now instantly bookable. The team continues to navigate the brand and platform transition we discussed last quarter. And although, gross bookings growth remained modest, we saw growth trends improve throughout the quarter. While we still have a lot of work to do, we continue to see an attractive long-term growth opportunity, both at Vrbo and across Expedia Group in the alternative accommodation space.

Egencia delivered healthy profits in Q2 with adjusted EBITDA increasing 24%. The Egencia team continues to be disciplined in cost management while enhancing its product offering with new machine learning-driven features and increasingly leveraging the Expedia Group platform capabilities to provide a better customer experience.

As we further differentiate our product, we’re confident we can deliver strong growth and share gains over the long term in the managed corporate travel segment.

Trivago posted another quarter of healthy profitability, while revenue decline slowed as its marketplace continue to stabilize and trivago started to lap last year’s marketing optimization effort. With comps largely normalized heading into the second half of the year, the team is making targeted marketing investments to drive growth. In addition, as trivago highlighted yesterday, it continues to evolve its product and test new features aimed at enhancing its marketplace, which should provide a benefit over time. Overall, we expect trivago to return to revenue growth in the second half of the year, and they remain on track to deliver healthy profits for the full year.

In closing, we’re making nice strides in transforming the company as we push forward on our key strategic priorities. Our operating momentum and healthy financial results throughout 2018 and now into the first half of this year are evidence of our enormous potential. While we are still early in our journey as the world’s travel platform, we are confident that continuing to rigorously execute on our plan will lead to sustained growth for many years to come.

With that, I’ll turn over to Alan.

Alan R. Pickerill - Expedia Group, Inc. - Executive VP, CFO & Treasurer

Thank you, Mark. We are pleased with our performance in Q2 with both gross bookings and revenue increasing 9%. Excluding the negative foreign currency impact to each, gross bookings grew 11% and revenue was up 12%. Both total lodging revenue and stayed room nights also grew at solid 12% in the quarter.

We continue to see nice momentum in our core OTA segment. The healthy room night growth Mark mentioned contributed to an acceleration in revenue growth and an 11% increase in adjusted EBITDA despite tougher comps as we started to lap the marketing optimization benefits from last year.

Our approach to marketing remains balanced and disciplined, strategically investing in key marketing channels to drive growth, particularly, as we expand our supply base and attract new customers. That balanced approach has our Core OTA segment well positioned to deliver solid growth for full year 2019.

Vrbo gross bookings increased 2% in the quarter as we continued to work through the brand and platform changes that we have discussed previously. Stayed room nights grew 8% in Q2 and we expect continued modest room night growth in the back half of the year.
Revenue at Vrbo was up 17% year-over-year due to approximately 25% growth in transaction revenue, while the decline in subscription revenue moderated to 7%. Transaction revenue benefited from continued optimization of our fees and further mix shift of transactions to pay per booking listings.

Adjusted EBITDA increased 8% in the quarter as we invested behind the Vrbo brand across marketing channels. We plan to continue investing in the business as we navigate this transition period to position Vrbo to capitalize on the significant opportunity in alternative accommodations longer term.

Total advertising and media revenue was up 4% in Q2 and increased 8%, excluding a negative foreign currency impact. Media Solutions posted another quarter of over 20% growth, while the revenue decline at trivago moderated as the comps began to ease.

In our air business, ticket volume increased 10% benefiting from new enterprise partnerships at Expedia Partner Solutions that launched in late 2018 along with growth at Brand Expedia. Revenue per ticket declined 7% due to a reclassification of certain fees to Other revenue, in addition to a negative FX impact and a shift in product mix. As a result, total air revenue was up 2% in the quarter.

Turning to expenses. We saw a nice leverage on overall cost, resulting in almost 200 basis points of adjusted EBITDA margin expansion in the quarter. While total expense growth was above Q1 levels, it was in line with our expectations as we continue to execute on the same formula: combining strategic marketing investments with disciplined overhead cost management to deliver attractive profit growth.

We saw nice leverage on cost of revenue, which grew 6% in Q2, primarily due to higher cloud expenses. We continue to expect cost of revenue growth to accelerate in the back half of the year, but we now expect cost of revenue to grow approximately in line with revenue for the full year.

Total selling and marketing expense increased 7% in the second quarter. Similar to last quarter, trivago accounted for the leverage with declines in both direct and indirect selling and marketing. Excluding trivago, direct selling and marketing increased 15% due to higher brand investments and performance marketing costs in part to support our international expansion efforts along with partner commissions related to the growth at Expedia Partner Solutions.

As I mentioned earlier, we started to lap the marketing optimization benefits we saw last year, which were most notable in the second and third quarters creating tougher comps and direct selling and marketing this year.

Technology and content expenses were up 9% year-over-year driven primarily by increased headcount as we invest in product and platform enhancements across the business.

General and administrative costs grew 7%. As expected, cost growth was above Q1 levels mainly due to more difficult comps and higher growth in professional fees in Q2. We remain on track to see nice leverage on general and administrative costs in 2019.

In total, overhead expenses increased 4%, as we continued to take a disciplined approach to managing these costs. As Mark highlighted earlier, we are increasingly operating as a platform company by leveraging technology to drive automation and collaborating to reduce duplicative activities. We are starting to see some early benefits and expect additional efficiency gains in 2020 and beyond. Importantly, we expect our platform approach to spur further innovation and contribute to healthy revenue trends over time.

Moving down the P&L, we also saw nice leverage below the line. Depreciation expenses increased just 4% as we continued to benefit from lower data center CapEx.

Net interest expense declined year-over-year and our adjusted tax rate was 22% in Q2. These factors, taken together with our strong operational performance, led to very healthy adjusted EPS growth of 29%.

In terms of capital allocation, our overall approach is the same as it’s been for several years: balancing opportunistic M&A with share repurchases and our dividend. Looking ahead, the strong organic growth potential for our business and declining capital intensity leave us well positioned to
deliver attractive free cash flow over the next few years. As demonstrated last year and based on the landscape we see today, we currently have
an incremental bias toward deploying a greater portion of our excess capital to share repurchases in the coming years.

Also note, we remain on track to close Liberty Expedia acquisition pending their shareholder vote tomorrow, which will reduce our share count by
3.1 million shares.

Turning to our financial expectations for the full year... We are increasing the low end of our guidance range and now expect consolidated adjusted
EBITDA growth of 12% to 15% in 2019. Looking at the back half of the year, we expect modest adjusted EBITDA growth in the third quarter due to
the expected retroactive impact of the French digital services tax as well as tougher comps at trivago and from the ramp-up of our marketing
optimization efforts last year. We then expect adjusted EBITDA growth to reaccelerate in the fourth quarter. One other item to note, we anticipate
our adjusted tax rate will be a bit higher in the second half of the year than it was in Q2.

Overall, the formula that led to our strong performance in the first half healthy revenue growth combined with strategic marketing investments
and disciplined overhead cost management, is the same formula we plan to execute going forward. And we believe continuing to progress on our
key strategic initiatives, which are all aimed directly at driving that same growth algorithm, will position us to deliver healthy growth in 2019 and
beyond.

Operator, we're ready for our first question.
of leverage and we're comping over that. So that's part of the relationship between direct selling and marketing in this Q2 if you're comparing it to kind of what you saw in Q1.

Operator

Next, we'll hear from Deepak Mathivanan with Barclays.

Deepak Mathivanan - Barclays Bank PLC, Research Division - Research Analyst

Two quick ones. So first one on Vrbo. As you navigate through the challenges in the business and then as you move toward brand integration efforts that you talked about in the last quarter under the Vrbo brand internationally, how should we think about the magnitude on timing of sort of the marketing investments that you're required to make this push internationally? It doesn't sound like there is incremental investments in 2019. Is that more a 2020 event? Or should we expect a more gradual investment? And then second one on core. The 12% growth was really good improvement from last quarter. There was obviously some noise with Easter timing benefit, et cetera. But with international business particularly showing good results from all the initiatives that are put in place over the past few quarters, do you think the core business is on track to kind of deliver improving growth continuously over the back half?

Mark D. Okerstrom - Expedia Group, Inc. - President, CEO & Director

Thanks, Deepak. I'll take the first one and then I'll turn it over to Alan for the second one. The plan for Vrbo around international expansion is really we'll be looking through the back half of this year and then into 2020 to really start to do the bulk of the, call it, brand consolidation work internationally. As we do that, we will start to put more money against the Vrbo brand. But again, as we do with the rest of the business, I mean, we're really looking to take a balanced approach here. We do it at Vrbo, we do it across the Core OTA business. I would also say that our international expansion efforts and our urban expansion efforts, as it relates to alternative accommodations, are in part Vrbo, but they are also part of the Brand Expedia and Hotels.com story. So Brand Expedia, Hotels.com have or building meaningful positions in places outside of the U.S., places like Europe, places like Asia, Latin America where Vrbo doesn't have a presence. A lot of that demand is real-quality urban demand. But they've also got great demand in resort and other destinations. So as we build the Vrbo brand and as we start to add international and urban inventory over the course of the next 18 to 24 months, the story is build Vrbo but also drive demand into those new partners as they come on the platform through the rest of the Core OTA brand. And that will help essentially us do this in the most efficient and effective way.

Alan R. Pickerill - Expedia Group, Inc. - Executive VP, CFO & Treasurer

Yes. And Deepak, on your second question. I mean, I think the first answer really is that we're quite pleased with the execution in the Core OTA business. We're happy with that 12% room night growth that we saw there in the second quarter. We do have significant efforts, as you know, underway to grow the business internationally. And we think that we are seeing good execution there and benefits from that. As far as how to think about the trajectory into the back half of the year, I would say that we have many initiatives underway to help continue to deliver healthy room night growth as well as acceleration where we can find it. But I wouldn't necessarily count on vast acceleration in the back half of the year. We're comfortable with where we are. But the long-term story is that we're looking to drive as faster room night growth as we can.

Operator

Next, we'll hear from Naved Khan with SunTrust.
Naved Ahmad Khan - SunTrust Robinson Humphrey, Inc., Research Division - Analyst

Two questions. One on Vrbo and one on international. On Vrbo, I think, Mark, you talked about some improvement during the quarter in the booking growth trajectory. Can you shed some light on it? And also in the face of these SEO headwinds, the platform changes, and when do you expect to start to see sort of return to more normalized growth trend in the Vrbo business? And then on the international front, if I look at the international room nights, there was a nice pickup. Obviously, Easter probably contributed to that. But even ex that, it looks really strong. What are the factors contributing to that other than Easter, I would ask?

Mark D. Okerstrom - Expedia Group, Inc. - President, CEO & Director

Great. So on Vrbo, we did see some acceleration in the quarter sequentially from month to month. But I would say, listen, the overall story for Vrbo is that if you adjust for Easter and a few other factors, the Q1-to-Q2 story was broadly consistent. The team is working hard on all of the tactical improvements that they need to make to get predominantly the SEO volume back on track in addition to continuing to drive essentially best-in-class marketing efforts and delivering amazing products to both their customers on the travelers' side and then also their hosts. And the team has come a very, very long way on that front. So we're comfortable with the activity the team is doing. How that plays out in terms of growth rates, we're kind of expecting more of the same for the next couple of quarters. We're going to try to do our best and the teams are doing their best to do better. But we're probably into 2020 before we see a meaningful pickup. And I will tell you again that underneath all of this is a very healthy growth we're seeing at the Vrbo brand itself. This really is a flanker brand story and underneath is kernel of a real healthy business.

Alan R. Pickerill - Expedia Group, Inc. - Executive VP, CFO & Treasurer

Yes. And then as far as the international room nights, I think that you hit the nail on the head, Naved. The execution is good. We're seeing progress internationally in our focus market. We've talked extensively about all the efforts underway to close supply gap to make sure we've got locally relevant content across the board. And there's still a ton of work to do around the world but we do think that we're starting to see some good results there. Easter was a contributor factor as well and plays a decent role, especially in Europe. But overall, quite pleased with the execution there.

Operator

Next, we'll hear from Justin Patterson with Raymond James.

Justin Tyler Patterson - Raymond James & Associates, Inc., Research Division - Internet Analyst

I wanted to double click on Mark's earlier comments on the third strategic theme, leveraging the global platform. You've had many of these brands for a while. Could you talk more about why you're focusing on collaboration now? And any investment or conversely savings that you expect to realize around this? Conceptually, it seems like this could be a net benefit to conversion rates, marketing ROI and your local relevance initiatives.

Mark D. Okerstrom - Expedia Group, Inc. - President, CEO & Director

Yes. Listen, we're super encouraged by what we're doing. And the real goal of this is that as we look across the company, we've just built some incredible technologies that exist throughout, some incredible capabilities on the marketing side. And aside from the fact that they exist, which is great, there is this huge opportunity for us to actually leverage that across the business. And historically, how we would manage this business was largely and essentially brand silos. And our belief is that by leveraging actually not just best practices, but really sharing the technologies across our businesses, it will actually be able to do things that none of us could do independently that make the product better for our customers and do so in a more efficient way. And the great thing is, if you take, for example, the Hotels.com post-stay review example that I mentioned, where they're using Brand Expedia's post-stay review platform, they got essentially a better product, better content, more features. And the team at Hotels.com that was working on that actually was able to go and work on something else that actually our customers can see as well. So it's one of these things
where as long as you do it, as long as you do it right, you set things up the right way organizationally, you can get the -- sort of the magic of more effective and more efficient. I think for now, as it relates to brand strategy, we’re happy with the brands that we have and what we’re not saying is that we’re doing some big consolidation effort. But what we’re saying is that a lot of our brands have very unique value propositions. And there are ways where we can cross-sell amongst them and treat each other like essentially partners almost like third parties would do as opposed to being super focused on just competing with one another. And we think that is unlocking opportunities like the example I mentioned with respect to Vrbo actually putting Brand Expedia offerings available for Vrbo customers. So again, it’s early in all of this, but we’re very optimistic about what we can unleash across Expedia Group by doing this more effectively over time.

Operator

Next, we’ll hear from Mark Mahaney with RBC Capital Markets.

Benjamin Wheeler - RBC Capital Markets, LLC, Research Division - Associate

This is Ben Wheeler on for Mark. I was just wondering if you could please provide any commentary on the macro environment in Europe, travel landscape in terms of what you saw in Q2, maybe your outlook heading into Q3, any specific commentary on regions like the U.K. given delayed Brexit decision. And secondly, I think you mentioned in the comments about continued modest growth in room nights in the Vrbo for the rest of the year, is that relative to the 8%, meaning does that imply a deceleration or is this just kind of more of the same?

Mark D. Okerstrom - Expedia Group, Inc. - President, CEO & Director

Thanks, Ben. With respect to overall macro, I think it’s largely a continuation of the same. I mean we’ve been seeing for some time healthy RevPARs but a slowdown in RevPAR growth, healthy airline metrics but a slowdown in a lot of the key metrics and a slowdown in the growth rates. So I don’t know if whether we’re at the top or we’ve sort of reached the plateau, I think the longer we go down this road, the more it feels like we might be set for a softening period. But it’s nothing that we would call out right now. With respect to Europe specifically, again, it was largely a continuation of the same thing, the U.K. softness that we saw around the initial, call it, drama around Brexit, really did subside a fair bit once they extended the date. I wouldn’t say that it’s back up to full strength. But it is better than it was. And then with respect to the rest of Europe, again, it seems relatively stable to us and there wouldn’t be much change that we would call out.

Alan R. Pickerill - Expedia Group, Inc. - Executive VP, CFO & Treasurer

Yes. And Ben on the Vrbo outlook, as you know, we don’t guide on room night growth. And so I don’t want to be very specific here. I think for us, modest is not relative to any of the other quarters. It’s just an objective term. And I would just encourage you to take a look at the recent trends across the business and come up with your estimates. But we’re expecting modest room night growth and -- sorry, gross bookings growth, as Mark said, for the rest of the year until we get into 2020.

Operator

Our next question comes from Jed Kelly with Oppenheimer.

Jed Kelly - Oppenheimer & Co. Inc., Research Division - Director and Senior Analyst

You’re optimizing revenue pretty nice for Vrbo. Your commissions are still, I guess, smaller or lighter than what your competitors are. How much more room do you think you have to optimize for commissions? And then my second question, you’re sort of seeing some larger companies start to get decent investments that are optimizing around Vrbo and some of the other alternative accommodation platforms. Do you ever think about investing in some of these platforms and just trying to get closer to your supplier base, particularly, as you think about growing internationally?
Alan R. Pickerill - Expedia Group, Inc. - Executive VP, CFO & Treasurer

Yes. Thanks, Jed. So on the revenue and the take rates for Vrbo, as you know, the team has continued to test and learn to adjust and optimize as we’ve moved through the periods. And that continues to be part of the story here. Where we’ve got opportunity, we’ll test that out. And if it looks like it works, then we’ll go ahead and take advantage of that. But we’re trying to just make sure that we’ve got a real reason and tested way of adjusting those. And I think the take rate on a trailing 12-month basis is about 10.7%, revenue divided by gross bookings for Vrbo. I think our understanding is that the industry envelope there looks to be kind of in the 10% to 15% range. And so we’ll continue to navigate kind of in and around there.

Mark D. Okerstrom - Expedia Group, Inc. - President, CEO & Director

And then, Jed, with respect to some of the, call it, alternative accommodations, kind of, professionalized property management platform type things, and I think I know the ones you’re talking about, we’ve looked at it from time to time. To be honest, it’s not our core business. And so we have to date shied away from getting too deeply involved in it. I think some of them are interesting. We’ve never been a huge fan of exclusive inventory arrangements because we’re not sure they’re kind of sustainable over the long term for the asset owners and often those are the types of things that go along with platform like us investing in one of those type players. So I think do we -- have we thought about it? Yes. Have we done it? No. And listen, never say never. As we look forward, we’re always interested in looking at interesting opportunities in the space.

Operator

Next, we’ll hear from Heath Terry with Goldman Sachs.

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

Wondering -- I know there’ve been a lot of questions along the lines of advertising efficiencies, but wondering if you can give us a little bit of a sense of sort of what your view of the competitive landscape is. Obviously, you guys have been able to do a really good job of maintaining the kind of bookings growth that you have and getting marketing efficiencies at the same time, whereas across the rest of the space, we’ve generally seen a more negative impact to bookings or revenue growth from these efficiency initiatives. Just kind of curious, to the extent that you can give us a sense of what you feel like is driving that and sort of what role the competitive landscape plays there? Would appreciate that. And then to the extent that -- the headlines in recent days about the growth in metasearch and the hotel direct channel sort of leveraging that, how you’re seeing your relationships with hotels, particularly, around things like, as we’ve asked about before, the loyalty rate programs and direct booking initiatives evolving, particularly, given Google’s continued push into travel?

Mark D. Okerstrom - Expedia Group, Inc. - President, CEO & Director

Thanks, Heath. I think with respect to ad efficiencies, there is one story that has been around for a while and remains consistent. And that is there is a large advertising channel in the space, which is Google, who on one side is an absolutely great partner of ours and we’re very happy with our work with them on international expansion. On the other side, they are a big player in the space. And they continue to do what you would expect, which is try to optimize their revenue over time. And that means that SEO is getting smaller, traditional, SEM is taking up more of the page and traditional SEM is being replaced with metasearch type product. And that has an impact essentially on the overall industry. For us, and I won’t comment on what others have done, our position is a bit unique, which is we have some incredibly strong brands and properties in certain parts of the world. And we can be very disciplined about our marketing spend in these performance marketing channels, and understand with pretty good levels of granularity, what is incremental and what is not, and just get much better at optimizing our marketing spend. You saw us do this last year and we continue to do it today. But on the flip side of that, we also have got a huge growth opportunity for us in that we just don’t have the property coverage that we could have across the globe. And as we’ve ramped up our property acquisition efforts and started to add more properties onto the platform and have been able to enter new auctions that we weren’t in before, we’re able to build this growth factor underneath that essentially fills the gap that you might otherwise be created by the marketing efficiency or optimization efforts. And then it’s not to say that
there hasn't been some impact to the top line, I think there certainly has. But it has been offset by just the underlying growth factor that we're driving with a lot of our locally relevant, globally themed push.

With respect to our relationship with the large chains, listen, I think it's a good. I think we've got -- and I would hope they would say the same thing, we've gotten to a point where I think we both realize that everyone brings something unique to the table. We think they do a lot of great things for the industry, they do a lot of great things for customer. And we do a lot of things that aren't in their wheelhouse. And so the conversation is really about how do we leverage each other's strengths and create shared value as opposed to some sort of tug-of-war fight. It's a conversation that we started a couple of years ago with our great chain partners, it continues today. And it's a conversation that we increasingly have been having with our airline and other partners as well. And we think it's absolutely the right way forward.

Operator

We'll hear from Eric Sheridan with UBS.

**Eric James Sheridan - UBS Investment Bank, Research Division - MD and Equity Research Internet Analyst**

Maybe 2, if I can. One, there's been a lot of talk in the industry about getting more exposure to local and experiences and increasing basket size and sort of evolving the shopping experience for people on your platform. Maybe just give us a check-in on where you are on the asset front there? How you're investing against that opportunity? And then I just want to make sure I understood some of the key messages. As you look at maybe starting to reap some of the rewards from some of the investments on the hotel side from Europe, where could we expect you might make other investments globally to think about increasing supply and with it 6, 12, 18 months later possibly and hopefully increasing efficiency?

**Mark D. Okerstrom - Expedia Group, Inc. - President, CEO & Director**

Thanks, Eric. With respect to experiences, just as a reminder, I think the last time we disclosed a number, we were north of $0.5 billion in bookings in terms of activities. The team, over the course of the last year or so, has really done a great job just reimagining the strategy there, building capabilities and starting to put us in a position where we can start to really ramp this up in a more effective way, and ramp it up in a way where we're adding more providers essentially to the platform at a faster pace. And on the other side of the platform, we're more intelligent about how we're offering it to people that have made bookings across the Expedia Group host of brands. So I think we got a big business. I think it can be a lot bigger. Very happy with the strategy we've seen in place from the team. And I think it's a great opportunity for us. And again, this is one of these products that just has a lot of potential, but in a big business like ours, where lodging ends up really in the roof, sometimes these things get underfunded. We are putting more capital into it right now and we're optimistic that it can be a bigger driver going forward. In terms of where else we can make investment to increase supply, listen, I think as we said on the last quarter or the quarter before, this whole locally relevant globally thing supply push, it has become business as usual. So the answer to your question is kind of everywhere. And we do have a road map in terms of where we want to go next. It's dictated by size of the untapped opportunity, ease of going after it, network effects between from country to country. And we're executing a pretty clear playbook here. And we think there is lots of opportunity in pockets all over the globe.

Operator

Our next question comes from Lloyd Walmsley with Deutsche Bank.

**Christopher Louis Kuntarich - Deutsche Bank AG, Research Division - Research Associate**

This is Chris on for Llyod. Maybe going back to market said about your mix moving more towards international, as you guys start to get some of the traction with your supply acquisition efforts. Some of those markets are skewed more towards performance versus direct bookings. So maybe how should we be thinking about the growth at direct versus performance bookings on a global basis over the next 12 to 24 months?
Mark D. Okerstrom - Expedia Group, Inc. - President, CEO & Director

Sure. Well, I think direct is a channel where it does continue to get stronger in our mature market. It’s also something that gets -- it gets stronger in every market in which we focus on. And the only issue, if you can call it an issue, is that when you’re going into these new markets, you’re building brand presence, you’re introducing yourself to customers, and then they have a great experience, and you deposit them into your direct channel going forward. Our app transactions, the last time we disclosed it, Hotels.com and Expedia were growing at 50% year-over-year last year. So it’s working. But you do see essentially as you drive into these international markets, even though the spend that you’re making most cases is basically profitable on a unit basis, is not as profitable as the base business. So when those international markets are growing faster than domestic, it just takes a while to get the overall international picture to look more like the domestic period. I mean, it takes multiple, multiple, multiple years. So we could see again, as we start to get traction, sales and marketing deleverage. But again, remember that in each individual country we’re going after, the goal is to make sales and marketing get more and more efficient over time.

Operator

We’ll hear from Brent Thill with Jefferies.

Mark D. Okerstrom - Expedia Group, Inc. - President, CEO & Director

You there, Brent?

Brent John Thill - Jefferies LLC, Research Division - Equity Analyst

Yes, sorry about that. Just on the comment about leaning into the share repurchase a little harder, can you just remind us what you have left on the plan? Where you’re at it? I think that is the (inaudible). Can you just give us the recap of where you’re at right now?

Alan R. Pickerill - Expedia Group, Inc. - Executive VP, CFO & Treasurer

Yes. I think there’s a -- we’ve got an existing authorization of 12.2 million shares outstanding. So -- and I think the authorization is discussed periodically at the Board level. So it’s not necessarily a gating factor in any event.

Operator

Ron Josey with JP Securities has our next question.

Andrew M. Boone - JMP Securities LLC, Research Division - Former VP & Research Analyst

It’s Andrew Boone on for Ron. I think Expedia transitioned Air to the cloud in 2019. Can you provide an update there whether you’re seeing any additional benefits of cross-selling or conversion? And then secondly, I think you talked about car rentals now cross-selling on Vrbo. Could you just add any additional color on conversion or anything else you’re seeing with kind of cross-selling on Vrbo?

Mark D. Okerstrom - Expedia Group, Inc. - President, CEO & Director

Sure. So this year, we are putting ourselves in a position to essentially be capable of putting our entire lodging business essentially end-to-end and our Air business into the cloud. We’re ramping up volume both on lodging and Air as we speak, and we’re going to continue to do that through the back half of the year. I would say moving to the cloud on Air has the similar benefits that it does across the business, which is better resiliency,
less downtime, higher speeds and then also it just unleashes a whole bunch of capabilities around AI and other things that ultimately need more elastic compute capability than is generally efficient to do within your own data centers that have fixed capacity. So again, it’s -- we’re in the process of rolling out the Air platform. We’re putting traffic into the cloud. But we expect there to be a good positive story there as we have seen in the other parts of the business.

With respect to cross-selling on Vrbo, what we’ve done is essentially as customers go and book their vacation homes on a Vrbo, they are presented with the opportunity to book a rental car or a flight or any of the other product or activity, any other products that Brand Expedia offers basically right there on the side. And it’s branded Brand Expedia. And we’ve seen a good uptake of it. It’s just makes things easier. Obviously, Expedia is a very trusted brand. And again, it’s really -- it’s a great example of what we can do. But it’s encouraging.

Operator

Next, we’ll hear from Tom White with D.A. Davidson.

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

I just wanted to dig into the international room night growth pick up a bit. I feel like maybe a couple of quarters ago, you sort of tried to maybe disavow a little bit of the notion that because some of these priority markets were smaller that we shouldn’t expect that they were necessarily going to have a big impact on kind of consolidated room night growth. Is that -- is your view of that changing for some reason? Or is there kind of something else maybe helping out international as well? I guess, specifically I’m wondering maybe you guys benefiting from sort of moderating competitive intensity on some of the variable marketing platforms from some of your competitors.

Mark D. Okerstrom - Expedia Group, Inc. - President, CEO & Director

Right. Well, the 2 major dynamics that have been happening in international room night growth over the last couple of years, put Easter aside, all these quarter-to-quarter movements, is that we have been adding incremental supply, lodging supply. That has really fueled incremental room night growth for the business. But the international markets that we’re going into are markets where the metasearch channel is also pretty significant. So you’ve got basically a headwind on room night growth, which has been driven by what’s been happening with the big metasearch platforms slowing down that again has been masking, if you will, the growth that we see underneath from us adding new inventory and executing on the locally relevant playbook. So as we move through the back half of the year, the trivago comps get a little bit better, And you started to see a little bit of that this quarter as well, not a ton. But in any event, those are the 2 factors. And once the trivago and another metasearch channel comps ease, we should be in clear skies.

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

Okay. Great. And actually one quick follow-up, if I may, just on the guidance. So if my arithmetic is right, it looks like kind of the implied second half growth rate of EBITDA is a bit of an acceleration versus the first half. But it seems like you guys have a bunch of sort of tailwinds that would be kind of helping you guys in the back half of the year. Alan, maybe could you just walk us through kind of the moving pieces to the guidance, and maybe what’s changed as far as how you’re going to do this...?

Alan R. Pickerill - Expedia Group, Inc. - Executive VP, CFO & Treasurer

Yes. Tom, if you are looking at Expedia Group in total, including all of the businesses and trivago too, which is the way we guide, then, the all-in guide assumes much faster growth in the first half than you would see in the back half. Now that is coming entirely -- almost entirely from the comps for trivago and just how their year is developing. So they’re delivering healthy profits throughout the year. But they are delivering it on a comp of loss-making EBITDA in the first half of ‘18 compared to profits in the second half of ‘18. So that’s the biggest difference. If you look at it
excluding that, then you would see that the growth rates are in and around similar ranges first half to second half. Some puts and takes obviously in there, but not any real start differences.

Operator

Next we’ll hear from Lee Horowitz with Evercore ISI.

Lee Horowitz - Evercore ISI Institutional Equities, Research Division - Co-Head of Internet Research

Two, if I could. I guess, on domestic, you’ve seen kind of steady room night growth, 8%, 9% over a number of quarters now. I guess, to what do you owe the stability of room night growth in your core U.S. market? And then one on international, if I could. Take rates have come under pressure a bit over the last couple of quarters, perhaps, as you’ve expanded into your focus markets. I guess how you’re thinking about how take rates should evolve as you take share in some of these focus markets?

Mark D. Okerstrom - Expedia Group, Inc. - President, CEO & Director

Thanks, Lee. Listen, the domestic story is essentially us just -- honestly, it’s just executing on the playbook in the U.S. that we’ve had for a very long time. And that playbook results in share gains. It is us putting money behind our big brands and we have many big brands that are very relevant in the U.S. It’s us continuing to innovate on product features and functionality as we have been doing. You can see the Brand Expedia app, for example, now versus what it was 3 or 4 years ago. It’s just phenomenally improved. It’s us continuing to add incremental lodging inventory, both just inventory that is traditional conventional lodging and there is -- there continues to be some of that, that we don’t have and then also alternative accommodations. And it’s us particularly on our multiproduct or multiline of business brands such as Brand Expedia getting much better at essentially cross-selling and bundling activity through features like the quasi-shopping cart type functionality that we’ve introduced over the course of last couple of years. So it really is the playbook for us and it enables us to grow faster than the market and we -- our goal is to -- for that to continue to be the case for a long time to come.

Alan R. Pickerill - Expedia Group, Inc. - Executive VP, CFO & Treasurer

Yes. Lee, and then your second question about our international revenue margins. I don’t think there’s any big story there. You’re right that they have been kind of inching down over time. I think there is a couple of factors that play year. Overall product mix in international markets plays a role. I think mix between countries obviously can play a role because we don’t have the same exact margins in every country. And in certain countries and areas, we do continue to make some minor adjustments here and there to our overall take rates with our hotel partners as we add the supply, making sure that we’re going into those countries at market levels. But nothing major going on there.

Operator

We have a question with Mark May with Citi

Unidentified Analyst

This is Zach on for Mark. I believe Google recently made some algo changes in the May or June time frame so just curious what kind of impact you’re seeing in your share traffic, if any, for both your Core OTA and Vrbo segments. And second, raising the low end of your EBITDA guidance, just curious if we look at any of the major expense items whether it be cloud migration or marketing. Have there been any significant changes relative to your initial plan you set out in the beginning of the year?
Thanks, Zach. With respect to the Google algo changes, this is just business as usual for Google and it's kind of business as usual for a large internet player. So there's nothing specific that I would call out from that. And then Alan, do you want to take the second one?

Alan R. Pickerill - Expedia Group, Inc. - Executive VP, CFO & Treasurer

Yes, I think the primary factors there is really around the fact that we've just had a strong start to the year. And we started the year with a wide range of 10% to 15%. Given what we've seen in the first half of the year, we're comfortable going to a tighter range and kind of taking the low end off the table. There are some factors that are at play here that can go either direction. Clearly, trivago's year is panning out as they had -- as they -- largely as they had expected and described at the beginning of the year. But it is still relatively new territory for them, so some variability there. FX and macro obviously can work for us or against us. There's this new digital services tax in France that when enacted is going to be actually a headwind for us in the back half of the year. And then lastly, we just -- in terms of our guidance, we like to maintain some of flexibility to make some additional decisions as we move through the year to make investments where we think are appropriate. And so we kind of consider all of that as we put the range together. But overall, I'd say we're really executing -- we feel like the teams are executing well, and we're pleased with the momentum that we've seen so far in the year.

That will conclude today's question-and-answer session. At this time, I'd like to turn the conference over to Mark Okerstrom, CEO, for any additional or closing remarks.

Mark D. Okerstrom - Expedia Group, Inc. - President, CEO & Director

Great. Well, I'd just like to say again thank you for joining the call, and a huge thanks to all the Expedia Group employs around the world just for your continued dedication and hard work as we press forward on our transformation efforts. We've made huge progress. But I'm incredibly excited about the opportunity in front of us. With that, I'll turn it back over to the operator.

Thank you. That does conclude today's conference call. Thank you for your participation.