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TRVG.OQ - Q2 2025 Trivago NV Earnings Call

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Naved Khan *B. Riley Securities Holdings Inc - Equity Analyst*

Dae Lee *JPMorgan Chase & Co - Analyst*

PRESENTATION

Operator

Good day, ladies and gentlemen. Thank you for standing by and welcome to trivago's second quarter earnings call 2025. After the speaker's remarks, there will be a question and answer session.

(Operator Instructions)

I must advise you the call is being recorded today, Wednesday, August 6, 2025. We are pleased to be joined on the call today by Johannes Thomas, trivago's CEO and Managing Director; and Wolf Schmuhl, trivago's CFO and Managing Director.

The following discussion, including responses to your questions, reflects management's views as of Tuesday, August 5, 2025 only unless expressly stated otherwise, in which case it reflects management's views as of today, Wednesday, August 6, 2025 only. trivago does not undertake any obligation to update or revise this information.

As always, some of the statements made on today's call are forward-looking, typically preceded by words such as we expect, we believe, we anticipate or similar statements. Please refer to the Q2 2025 operating and financial review and trivago'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 reconciliations of non-GAAP measures to the most comparable GAAP measures discussed today in trivago's operating and financial review, which is posted on trivago's Investor Relations website at ir.trivago.com.

You are encouraged to periodically visit trivago's Investor Relations website for important content. Finally, unless otherwise stated, all comparisons on the call will be against results for the comparable period of 2024.

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

Johannes Thomas - *Trivago NV - Chief Executive Officer, Managing Director - Communication, Strategy, Partnerships and Talents and Culture, Member of the Management Board*

Thank you, everyone, for joining us on our Q2 2025 earnings call. I'm pleased to report strong financial performance with 17% revenue growth year-over-year, marking our third consecutive quarter of growth and second consecutive quarter of double-digit growth across all segments. Geographic performance was robust across all regions, with Rest of World leading at 32% year over year growth, followed by Developed Europe at 20% and Americas at 10%. We achieved this accelerated growth despite FX headwinds and while slightly improving adjusted EBITDA year-over-year.

These results demonstrate that our strategic initiatives are working, our brand marketing investments are driving returns, our product improvements are converting users, and our teams are executing diligently across the organization.

I'm pleased to provide you with an update on each of our three strategic focus areas. Please also have a look at our investor presentation, which illustrates the core topics I am highlighting. Our first strategic priority is Brand Marketing, through which we continue to elevate our globally recognized brand. We are committed to further expanding brand marketing investments and continuously improving its efficiency.

As we entered the summer travel season, our branded traffic remained a key driver for our growth in Q2. We experienced double-digit branded revenue growth across all geographic segments. This success was a result of our multi year investment strategy, continued optimization and the roll-out of our new brand marketing campaign in May 2025.

Our global AI-powered campaign features legendary soccer coach Jürgen Klopp, and our local campaigns in Japan, Brazil and Germany followed localized strategies to maximise impact. We expect this success to elevate our branded visitor baseline for the rest of the year and beyond, showcasing compounding effects of our brand marketing investments.

Our second strategic priority is to enhance our Core Hotel Search Experience. We empower travelers to book with confidence, saving them valuable time and money. Our teams demonstrated continued high levels of testing velocity on our platform. Our hundreds of product tests and enhancements have returned notable conversion rate improvements in Q2, which we expect to improve our marketing efficiency and user satisfaction.

We have focused our product development efforts on improving our core search functionalities. Filters are now more visible on top of our search results, and we released AI smart filters, where users can refine their search results through free text filtering. We're particularly thrilled about the launch of our new AI-powered review summaries for more than 230.000 hotels and in 11 languages.

They transform thousands of guest reviews and further content into digestible, yet comprehensive insights. Unlike our AI highlights that showcase hotel USPs crisp and at a glance, these summaries dive deeper into travelers' experiences with hotel's facilities, amenities, rooms and service. Perfect for travelers that value thorough research and authentic guest perspectives.

At the end of 2024, we announced our first-of-its-kind AI Smart Search. After several iterations, we integrated this natural language search functionality into our core hotel search experience, substantially elevating its usage. We believe that this will further accelerate user adoption and our pace of learning in the space of AI.

I would also like to highlight our continued commitment to increasing retention among our core user base. We aim to make price savvy travellers loyal to our platform which allows us to further personalise their experience on trivago. Leveraging advanced machine learning, we have launched our 5th generation of personalised ranking which continued driving conversion rates tangibly.

In the last two years, we have almost doubled the amount of revenue that stems from our members. In Q2 2025, we achieved the important milestone of generating 20% of our referral revenue from logged-in users. This is a result of an improved member value proposition that offers features such as price alerts and exclusive deals. We remain focused on expanding our member proposition and enhancing our offering.

Further, we completed Project Trinity, which aimed to rethink the way we display prices to our users. We have simplified the price comparison experience on trivago by preferably displaying direct rates, a great deal and a popular site right next to each other visibly in our search results.

This has tangibly improved our comparison functionality, enabling users to intuitively grasp our value proposition from their very first visit. Importantly, this new price display also creates the foundation needed to bring our 'trivago Book & Go' vision to the forefront. Our third strategic priority is to empower our partners to maximize their potential on trivago.

In the past two years, we onboarded dozens of partners to our smart bidding and transaction-based model. By today we have more than 100 partners on this model and doubled its share of revenue in our marketplace since 2023.

Historically trivago offered a CPC based model to all advertising partners. In the recent years we emphasized our focus on the transaction-based model. Partners pay a fixed commission percentage for a booking while we optimise their exposure on trivago. This model has simplified our

platform for small and medium sized partners and enhances their competitiveness in our marketplace. For trivago, it offers a chance to reduce volatility in our auction.

I am also thrilled to share that at the end of July 2025, we completed the acquisition of Holisto by acquiring all remaining equity interests. Holisto is an AI-driven travel technology company that serves as a hotel rate aggregator and white-label booking engine provider. Together with Holisto, we successfully launched trivago Book & Go with pilot partners, who have achieved substantial conversion improvements and increased their market share on our platform. We will continue to execute on this strategic direction and aim to onboard more partners throughout the year.

Once again, our exceptional team has demonstrated strong operational excellence and rapid progress in our strategic initiatives. Our teams are maintaining sharp focus on the critical priorities that drive value for both our users and advertising partners. We recognize that our progress is only possible thanks to the collective efforts and commitment of everyone on our team. Thanks a lot for your hard work and dedication.

Now, I'm pleased to pass the call to Wolf, our new CFO since June, for a detailed financial review.

Wolf Schmuhl - Trivago NV - Chief Financial Officer

Thank you, Johannes, and good morning, everyone. We are thrilled to report that the second quarter of 2025 was a successful one for trivago, and marks yet another strong performance. We achieved a 17% year-over-year increase in total revenue and an 18% increase in Referral Revenue, which was driven by sustained branded traffic growth, while maintaining a stable Return on Advertising Spend. This reaffirms the effectiveness of our marketing strategy.

Despite economic uncertainties and foreign exchange related headwinds, we remain confident about our outlook. Therefore, continue to expect mid-teens percentage revenue growth for the full year of 2025 and a positive adjusted EBITDA, similar to last year's levels. We identify numerous attractive opportunities to further scale our brand marketing investments and expand our business. We are excited to have reached 20% of Referral Revenue from logged-in users underscoring our progress in fostering user loyalty and engagement.

Now, let's review our second quarter results and our 2025 outlook. Unless otherwise indicated, all comparisons for 2025 are on a year-over-year basis. In the second quarter, our total revenue reached EUR139.3 million, representing a 17% increase compared to the same period in 2024. We are pleased to note this marks our third consecutive quarter of growth.

We experienced yet another quarter of strong year-over-year double-digit growth across all three reporting segments with Referral Revenues growing 32% in Rest of World, 20% in Developed Europe, and 10% in Americas. This growth was primarily driven by increased branded channel traffic in response to our ongoing brand marketing investments as well as product improvements enhancing our booking conversion.

During the second quarter, we reported a net loss of EUR6.5 million. We achieved a better than expected Adjusted EBITDA loss of EUR5.1 million. Similar to our 2024 performance, we saw negative Adjusted EBITDA in the first and second quarter of the year and anticipate positive Adjusted EBITDA in the third and fourth quarter of the year.

Operational expenses increased by EUR19.9 million, totalling EUR147.3 million for the second quarter. This was mainly due to a EUR21.8 million increase in Selling and Marketing resulting from higher brand marketing investments made over the course of the quarter. Advertising Spend increased by EUR9.5 million, or 26% in Developed Europe, EUR5.9 million or 31% in Rest of World, and EUR5.5 million, or 14% in the Americas, driven largely by brand marketing investments in all segments.

The overall increase in operating expense was partly offset by a EUR1.5 million reduction in General and Administrative expenses and a EUR0.3 million reduction in Technology and Content expenses during the quarter.

Despite the significant scaling of our marketing investments, we maintained a solid global ROAS at 119.0% for Q2 compared to 122.7% in the prior year. We observed a slight ROAS improvement in Rest of World, increasing from 115.7% in Q2 2024 to 117.1% in Q2 2025, while we observed reductions in the Americas from 120.7% to 116.9% and in Developed Europe from 128.5% to 122.1%.

As of the end of Q2 2025, we held EUR111.2 million in cash and cash equivalents and no long-term debt, continuing to maintain our strong financial position. We are excited to announce that on July 31, we successfully completed the acquisition of Holisto. The promising results from our joint initiatives gave us confidence to exercise our call option at the end of April 2025 already.

For the remaining five months of this year, we anticipate Holisto will generate low double-digit million euros in revenue for trivago's consolidated group results, while continuing to operate at near breakeven levels. Holisto plays a pivotal role in enhancing the user experience by expanding our trivago-branded booking funnel which will help us drive conversion rates.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Naved Khan, B. Riley Securities.

Naved Khan - B. Riley Securities Holdings Inc - Equity Analyst

Great. Thank you very much. Maybe a couple of questions from me. Just maybe on the currency since you guys report in euros. Can you quantify for us how much of a headwind currency was for the second quarter results? And in your guidance, what's the effect of FX?

And then the second question I have is around the branded investments that you're making. How much of a growth runway do you see here to continue to increase your brand investments to drive branded traffic?

Wolf Schmuhl - Trivago NV - Chief Financial Officer

Naved, thanks for your questions. So first, on the FX-related topic. For the second quarter, the FX effect was a strong headwind for us, affecting our top line by approximately minus 3%. Regarding our segment Americas, the headwind was even stronger there. We received a headwind of around minus 7%. That's on the FX effect.

Related to your question on brand investments. So at the moment, we see in our numbers, a 22% spend increase year-on-year and an 18% referral revenue increase [but only a slight decrease](corrected by company after the call) in ROAS, which means that our brand strategy already works effectively. And if you consider that we have increased our brand spend also in this quarter very significantly, then it makes sure how effective it already works and how compounding effects already kicked in.

And in our last earnings call, we already highlighted that in 2024, we only invested 50% of the brand marketing that we invested in 2019. And this gives further strong indication on the upside potential we see in all regions. Hope this answers the question.

Naved Khan - B. Riley Securities Holdings Inc - Equity Analyst

Great. And then maybe just going back to the FX, what's the impact of FX for the full year? Do you have that?

Wolf Schmuhl - *Trivago NV - Chief Financial Officer*

So this question is tough to answer. We haven't currently factored it in but we remain with our guidance. So we stay with mid-teens double-digit growth.

Naved Khan - *B. Riley Securities Holdings Inc - Equity Analyst*

Got it. Great. I'll get back in the queue. Thank you.

Johannes Thomas - *Trivago NV - Chief Executive Officer, Managing Director - Communication, Strategy, Partnerships and Talents and Culture, Member of the Management Board*

Thanks.

Operator

Douglas Anmuth, JPMorgan.

Dae Lee - *JPMorgan Chase & Co - Analyst*

Great. This is Dae Lee on for Doug. I have two. First one on logged in users. Wondering what kind of differences you see in them versus logged out users? And how are you encouraging more users to log in?

And then with regards to your 3Q guide, I wanted to get some clarity around like what's giving you confidence that revenue growth will accelerate from single-digit percent that you saw in July for the quarter to grow double-digit percent.

Johannes Thomas - *Trivago NV - Chief Executive Officer, Managing Director - Communication, Strategy, Partnerships and Talents and Culture, Member of the Management Board*

Okay. Thank you for your question. I think on the member side, so it was a strong focus for the last two years. Particularly last year, we've put more focus on it. So on the one side, we offer features like sharing functionalities with friends or price alerts. And on the other hand, we work with partners to deliver us unique deals that are exclusively available to our members, which is a key driver.

If you go to the investor presentation, you will find a slide where we demonstrate that. We have basically call to actions on our website where you can see how we are doing that in particular. Often, we show a rate that's exclusive. You cannot click on it unless you log in. That has been quite effective. And then generally, messaging, if you log in, you get better deals, has worked pretty well.

We wanted to achieve 20% that's super substantial where we have our core user base, which we think it's between 20% and 40% of users that we really want to build a stronger connection to. And we see with those 20% that conversion rates are 25% up. This shows you they are more qualified and they are more savvy on trivago, how to use trivago and convert much better.

So we will continue with that effort. I think it's important that we keep people on our side and make them loyal through ways that make them more excited about trivago. And so far, it has worked pretty well. We continue seeing a positive trajectory on that, and we'll emphasize our efforts on that.

And then the July, I think very good question. Overall, there's FX effects that also hit July. That's probably important to say. But overall, we still are confident that we can achieve double-digit growth as expected below Q2. Full year, we expect mid-teens and then growth numbers from Q1 at 20% would come down.

What's the expectation? There's one effect that's maybe important to explain and also gives you a feeling for how the quarter will evolve. We had a temporary effect in June and July, where last year, major players have leaned into summer, which has lifted our marketplace for June and July. And this has not happened this year. And therefore, there was a temporary headwind in June and July. Most of this transitory effect has ceased already, and we anticipate comps to improve throughout the quarter, which makes us even more confident that we can achieve double digit.

And then what's important maybe to give you a bit more color here why we continue to be bullish on our strategy and why we think it's working, even if it's revenue single digit in July, we had strong double-digit traffic, branded traffic growth in July and in August. So our marketing has really returned and new users, branded users that came directly to us which delivered strong double-digit traffic growth.

We have also seen double-digit branded revenue growth in July. So what's most important, branded growth has worked very well and is our proxy because that delivers compounding effects and profitability down the line. And I think that dynamic is important to understand to validate our strategy.

Dae Lee - *JPMorgan Chase & Co - Analyst*

Thank you.

Operator

(Operator Instructions)

Ron Josey, Citi.

Unidentified Participant

This is Robert on for Ron. My first one is on Book & Go. You mentioned that it's already driving a substantial improvement in conversion rates for some of these pilot partners. But can you maybe elaborate on the early learnings from those partnerships and then talk to the steps required to continue growing this product over the next few quarters here?

Johannes Thomas - *Trivago NV - Chief Executive Officer, Managing Director - Communication, Strategy, Partnerships and Talents and Culture, Member of the Management Board*

Yeah. Thank you, Robert for asking the question. I think for us, it was a main reason why we called the option we had on Holisto half a year earlier than anticipated was that the partnership has gone pretty well. They have put the technology in place to not only operate Book & Go for their own brands, but allow other partners to join this. And we have started partnerships in the last four months, expanded them, and we see very significant double-digit conversion improvements for those partners who are joining that product that makes them more competitive on our marketplace because if conversion rate is up, you can bid more aggressively in our marketplace. That is working out with several partners, and we were excited to see that.

And that was a base hypothesis we wanted to validate before calling the option. That has been reconfirmed in the course of the quarter, and we have expanded Book & Go's visibility through Project Trinity on the platform as well. So you can see now Book & Go is highlighted with a logo and with more partners, which we expect to onboard.

All major partners that you can think about non-branded players, people, partners, booking sites that don't have a brand in a certain market. Those we highly recommend to join Book & Go because conversion rates are higher if you basically leverage our brand. And that's what we have seen working and we'll continue to execute on.

We have pretty broad consensus. Partners want to join. We are just having lots of partners in the pipeline, and we'll work on one after the other and expect good traction in the product in the course of the year.

Unidentified Participant

Got it. That's helpful. Thank you. And then it was great to see continued impressive results from the Rest of World segment and positive returns from brand investments. But can you maybe double-click on what's driving the outsized growth here? And what the main drivers are beyond branded channel traffic?

Johannes Thomas - Trivago NV - Chief Executive Officer, Managing Director - Communication, Strategy, Partnerships and Talents and Culture, Member of the Management Board

You mean in Rest of the World?

Unidentified Participant

Correct. Yeah, Rest of the World.

Johannes Thomas - Trivago NV - Chief Executive Officer, Managing Director - Communication, Strategy, Partnerships and Talents and Culture, Member of the Management Board

The Rest of the World, I think overall, what you can see markets like Japan and Turkey are working very well for us. And mostly it's a branded game where we just have low brand awareness, where it's quite a greenfield, and we have a strong value proposition. In those markets, there's less, let's say, concentration in terms of how many booking sites are active on these markets.

So the reasons why you would compare are even stronger in those markets. And I think that resonates with users along with there's just a lot of potential to grow our user base because there's lots of people that don't know us yet. And that has since two years now, delivered strong growth rates. And I mean, at some point, these growth rates will come down, but we still see plenty of room to grow in these markets.

Unidentified Participant

Great, thank you.

Operator

And with no further questions in queue, I will now turn the call back to Johannes for closing remarks.

Johannes Thomas - Trivago NV - Chief Executive Officer, Managing Director - Communication, Strategy, Partnerships and Talents and Culture, Member of the Management Board

Last quarter marks another milestone on our turnaround journey. Our strong financial performance validates our strategic focus on brand marketing, product innovation and partner empowerment. With the successful acquisition of Holisto and the expansion of trivago Book & Go, we are laying an important foundation for future growth. And thank you for your continued trust and support. We look forward to updating you on our progress in the coming quarters.

Operator

Thank you again for joining us today. This does conclude today's conference call. You may now disconnect.

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