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TRVG.OQ - Q1 2025 Trivago NV Earnings Call

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Naved Khan *B. Riley Securities, Inc. - Analyst*

Tom White *D. A. Davidson & Co - Analyst*

PRESENTATION

Operator

Good day, ladies and gentlemen. Thank you for standing by and welcome to the trivago Q1 Earnings Call 2025. I must advise you the call is being recorded today, Wednesday, April 30, 2025.

We are pleased to be joined on the call today by Johannes Thomas, trivago's CEO and Managing Director; and Robin Harries, trivago's CFO and Managing Director. The following discussion, including a response to your questions reflects management's views as of Tuesday, April 29, 2025, only, unless expressly stated otherwise, in which case, it reflects management's views as of today, Wednesday, April 30, 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 Q1 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 this 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 and Management Board Member*

Good morning, everyone and thank you for joining us today. We are thrilled to announce that we have significantly accelerated our momentum in Q1 2025, surpassing expectations for both top and bottom line results. In light of this exceptional performance and our continued growth trajectory, we are pleased to announce that we are raising our full year revenue growth guidance to mid-teens percentage and foresee a better-than-expected adjusted EBITDA profitability.

These excellent results reflect the consistent and diligent execution of our strategic plan by our dedicated team over the past two years. Today I'm pleased to provide you with an update on each of our three strategic focus areas.

Our first strategic priority remains brand marketing through which we continue to elevate our globally recognized brand. We remain committed to increasing both the efficiency and overall impact of our brand investments. Our AI-powered Jürgen Klopp creatives along with our localized campaigns for Brazil and Japan are performing well, and we are successfully driving brand revenue growth across all segments.

We are also excited about our summer campaign which has already launched in the US and will gradually roll out globally throughout May. Our recent performance clearly demonstrates the compounding effects of our brand marketing investments, and we continue to observe the marketing

elasticity we had anticipated. This elasticity enables us to confidently scale our brand investments while maintaining a disciplined approach to our performance marketing channels.

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. Over the past quarter, our product teams have further increased their product testing velocity, delivering meaningful user experience enhancements and driving notable improvements in conversion rates.

We have also made considerable progress in increasing member signups by providing more exclusive deals and benefits for our logged in users. Further, we've improved our map functionality, employed new AI powered hotel filtering features and introduced numerous popular web functionalities into our app.

We have also expanded the coverage of AI-generated hotel highlights to more than 350,000 hotels and 11 languages. Most notably, we have leveraged advanced machine learning algorithms to deliver even more tailored hotel search results to our users. We are excited about the meaningful impact our investments in AI and machine learning are already having and the future potential to transform our hotel search experience.

Our third strategic priority is to empower our partners to maximize their potential on trivago. We are pleased with the evolution and overall health of our marketplace. Our partners increasingly recognize the high quality of leads provided, making trivago a more attractive marketing channel.

We have also made significant progress in expanding trivago Book & Go to additional partners, helping them increase their conversion rates. We are also particularly excited with the outcomes of our strengthened strategic partnership with Holisto. The collaboration is yielding promising results, and we warmly welcome Holisto as part of the broader trivago team.

Overall, our dedicated team has delivered another quarter of strong execution and accelerated learning. Our strategic direction continues to advance as our teams remain focused on key priorities designed to create value for our users and advertising partners. We are grateful for our team's diligence, commitment, and creativity which continue to propel trivago forward.

Thank you. And now, I would like to hand over to Robin for a more detailed review of our financial results.

Robin Harries - *trivago NV - Chief Financial Officer, Managing Director*

Thank you, Johannes, and good morning, everyone. We are thrilled to report that Q1 was an outstanding quarter for trivago, significantly exceeding our internal expectations, representing another strong quarter. We achieved a 22% year-over-year increase in total revenues.

In addition, April's performance continues to show strong double-digit revenue growth rates. Our impressive performance was primarily driven by strategic brand marketing investments and product enhancements. We recognize numerous attractive opportunities to further scale our brand marketing investments and expand our business.

We are optimistic that our strong operational performance will translate into significant benefits for shareholders as we continue to execute our strategy.

Now let's review our first quarter results and our 2025 outlook. Unless otherwise indicated, all comparisons for 2025 are on a year-over-year basis. In the first quarter, our total revenue reached EUR124.1 million, representing a 22% increase compared to the same period in 2024.

We are pleased to note this marks our second consecutive quarter of growth. We experienced strong year over year double digit growth across all three reporting segments with referral revenues growing 44% in the Rest of the World, 19% in Developed Europe, and 18% in Americas.

This growth was primarily driven by increased branded channel traffic in response to our ongoing brand marketing investments, improvements to our booking conversion and higher traffic volumes. We also continue to observe healthy bidding dynamics on our platform when compared to the same period in 2024.

During the first quarter, we reported a net loss of EUR7.8 million and achieved an adjusted EBITDA loss of EUR6.5 million, which was better than our internal expectations. Similar to our 2024 performance, we expect 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 EUR20.7 million, totaling EUR133.7 million for the first quarter. This was mainly due to a EUR21.4 million increase in selling and marketing resulting from higher brand marketing investments made over the course of the quarter.

Advertising spend increased by EUR10.4 million or 31% in Americas, EUR7.3 million or 50% in the Rest of World, and by EUR2.7 million or 7% in Developed Europe, driven largely by brand marketing investments in all segments.

The overall increase in operating expense was partly offset by a EUR1.3 million reduction in general and administrative expenses during the quarter. Despite the significant scaling of our marketing investments, our ROAS remained globally stable at 118.1% for Q1 compared to 119.2% in the prior year.

We observed a significant ROAS improvement in Developed Europe, increasing from 121% in Q1 2024 to 134% in Q1 2025. While we observed reductions in the Americas from 114.5% to 102.7% and in Rest of World from 125.1% to 120.3%. As of the end of Q1 2025, we held EUR118.6 million in cash and cash equivalents and no long-term debt, continuing to maintain our strong financial position.

We feel confident about the future as our product caters to cost-conscious consumers. We are optimistic about our outlook and therefore raising our full year 2025 guidance to mid-teens percentage revenue growth and positive adjusted EBITDA similar to last year's levels.

Looking further ahead, we believe significant potential remains to further scale our brand marketing investments, which we expect will positively impact our overall revenues as we steer towards regaining pre-COVID revenue levels in the future.

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, Inc.

Naved Khan - B. Riley Securities, Inc. - Analyst

Great. Thank you very much. I think this is really a good performance. I have a question on maybe the regional performance, you do talk about April being strong. But if I have to look at the US versus other markets, is there any particular trend to call out maybe weaker consumer or just curious about what you're seeing across these regions? And what kind of influences your overall guidance? And also, maybe just talk about trends like consumer price sensitivity and booking conversions and things like that in the US? Thank you.

Robin Harries - trivago NV - Chief Financial Officer, Managing Director

Hi, Naved. It's Robin. Thanks for the question. Regarding the most recent performance in the market, and we said April is still strong double-digit growth. We see it in all regions very strong as Q1. And in terms of trends, let me provide a little bit more color on ADRs and search interest, so what we see.

So we saw in our internal data for Q1 that ADRs were up in all three segments. Length of stay was slightly up in Americas and developed Europe, Rest of the World was stable, and ABV was also up in all three segments in Q1.

So when we look into Q2, clicked prices and ABV on a global level in Q2 was slightly up and length of stay was rather stable. And when we look into the regions, so Developed Europe and Rest of the World positive, Americas slightly negative. But overall, it looks healthy on a global level.

So we are optimistic about the outlook for trivago because, as I said, April is very strong again. We have enough room for further scale brand marketing investments and have the right product for price savvy users. And we believe that this will lead to further growth for trivago.

When we relate it to search interest on our platforms, we saw strong demand on our platforms across all our segments in Q1 and are still seeing it in April. There are geo shifts. But one strength of trivago is that we are a global business and operate on over 50 localized websites and apps.

And for example, there was less traffic from Canada and Mexico into the US. But on the other hand, there was a strong domestic US demand. And overall, we are seeing strong demand on a global level on our platforms.

So we are confident that we can outgrow short-term volatility because we have diversity in our countries. And maybe to the search interest for four and five star hotels, this remains slightly below prior years in all 3 segments. Clicked days to stay was a little bit higher in three segments. Average travel distance clicked during Q1 in '25 was slightly up. So that's it regarding the travel trends what we see on trivago.

Naved Khan - *B. Riley Securities, Inc. - Analyst*

Great. And then maybe just a quick follow up on Holisto. Has the team joined trivago and maybe any kind of color commentary on that front?

Johannes Thomas - *trivago NV - Chief Executive Officer and Management Board Member*

Yeah. Maybe I can elaborate on the strategic context that we exercised our call today. So we're excited to acquire the remaining 70% of Holisto. And the strategic rationale we outlined mid of last year, there's an extensive post that you might want to look into.

I think overall, the goal is to simplify trivago. There is the popular brands, everybody knows on trivago. There is the direct website on trivago. And then there's a lot of brands that have great deals but not much brand strength, which comes with a downside on trust and conversion rates.

And by us, offering the Book & Go product that Holisto has built exclusively for Holisto, taking that product and offering it to all our partners, we think can lift conversion rates and the user experience on our platform. And we are very excited to have the team back on board.

We had OKRs in place, goals that we wanted to achieve. The team has executed internally and the Holisto team as well, very well on those projects, exceeding some project expectations, delivering on others. And we are very happy working closer together with them because we can intensify and rely on the strategic direction of building a more seamless experience for travelers. So that's great.

The company will continue to operate standalone. Certainly, it's a fully owned subsidiary. We will get a bit closer on what we operationally execute and align strategic objectives. And that's a great advantage now with the full ownership that we have interests aligned among both companies.

And we expect this to have an impact in the medium term, higher conversion rates, higher retention from a better user experience can propel results in the near-term, mid-term and long-term. And maybe, Robin, do you want to elaborate on the details of the deal?

Robin Harries - *trivago NV - Chief Financial Officer, Managing Director*

Yeah. Sure. So yesterday, we executed the call and we will probably close the deal in the middle of the year. Impacts of the full acquisition are not reflected in our adjusted guidance yet. So we increased the guidance to mid-teens revenue growth and adjusted EBITDA similar to last year level.

But the impact of the acquisition that is not reflected in here. We will provide more color on this after the closing, but the deal will have a further positive impact on our topline, and we don't expect a negative impact on our bottom line.

Operator

Tom White, D.A. Davidson.

Tom White - *D. A. Davidson & Co - Analyst*

Great. Good morning. Thanks for taking my question. A couple on AI, if I could. Could you talk about how you sort of think about the potential risks posed by the AI hyperscalers as it relates to changing how travelers may search and book travel versus the opportunities that maybe AI technology creates for your own business and then I had a follow-up.

Johannes Thomas - *trivago NV - Chief Executive Officer and Management Board Member*

Yeah. I think if you look at the general Gen AI products, I think they certainly on the upper funnel on the research layer. They can support travelers in their research and the resonance with that is decent, travelers use it are decently satisfied.

But if it comes to vertical transaction, picking a hotel, that a user experience of a chat-based and user experience that this is kind of the winning formula in terms of user experience and finding the hotel is, I think, is to be decided if we look at being -- is there a use case or not, yes, there is a use case.

For instance, if you know the three hotels you usually go when you go to New York and you're savvy on that, and you tell the AI, book the best one with this and this in room. And you basically have a very narrow use case. AI can probably deliver on that.

How we generally see it, it is that other search engine, let's say, Google, they didn't take over travel, although building a hotel product. We're probably an additional segment of how travelers use sites. As we know, travelers use dozens of sites in their travel research. We think this will not fundamentally change.

It's a high stake product. People don't want to make mistakes. So they really invest time into comparing using different tools. I also think this wouldn't change. And we have a mega brand. So everything around our brand investment is the best hedge we can do against the risk of AI taking a bigger stake, which is not the case yet, and I think it will take time as well.

I think we have a chance, we are in the process. AI is, being it our search results, being it our hotel highlights that every hotel has these days, being it our AI search experience that you can use trivago in a free text search experience. So these things we are very excited about because they are born today, they're in front of users and we see that they have an impact on conversion and user experience.

So we're excited about the opportunities, and the question is which brand brings these features in front of users faster and position themselves as having these features available. And we think we are on top of that and happy with where we are today and continue to invest into it.

Tom White - *D. A. Davidson & Co - Analyst*

Great. Appreciate that. Just a follow-up on the brand investments. I think you referenced sort of the compounding benefits. And I guess I'm curious whether that includes maybe like a halo effect or uplift in efficiencies in non-branded channels like search or social. Just curious whether you're seeing a palpable benefit there and whether that could further compound here over time? Thanks.

Johannes Thomas - *trivago NV - Chief Executive Officer and Management Board Member*

Yeah. I think that's a very good perspective, and I would second that to some degree. And if you have brand investment, if you are more top of mind of travelers, if they see your brand then in social, if they see your brand on Google, we can see that there is an impact on click-through rates in other formats.

So that has been something we have seen historically and in markets where we have leaned in, that has collateral effects on that as well. I think most powerful is a compounding effect over time that we are stacking up branded visitor baseline year-over-year that is landing into the different segments. And we are seeing that materializing today because we now have done it for two years. And that's why we believe there's sustainable growth ahead.

Operator

Ron, Josey, Citi.

Unidentified Participant

Hi. This is Robert on for Ron. Thanks for taking the question. We would love to just double-click on hotel search performance here. It was great to see AI generated highlights now covering 350,000 hotels and increased conversion rates. But can you talk to maybe some of the initial earnings on this product and then perhaps expand on your plans for AI Smart Search?

Johannes Thomas - *trivago NV - Chief Executive Officer and Management Board Member*

Yeah. Let me elaborate on that. I think what you can see the AI highlights today for 350,000 hotels, we added, I think, four languages last quarter as well. So we're expanding languages where it's available. We are trying different models powering these AI highlights. We had started out with using Google. We're trying other models comparing them in order to get out uniqueness.

And what you can see, if you go to other websites, you might see something like the hotel has a gym or the hotel has a nice breakfast or so. What you see in our AI highlights is really the differentiation. And there's a test out there where we show you one very unique thing with an image, it might be a rooftop bar, it might be an amazing spa, it might be a Michelin Star restaurant, which we try to point out and give you this very much uniqueness about their hotel.

So these days, you scroll through a search result and you're mostly anchored on the image. And we see our users not just looking at images anymore but also at the hotel highlights as a second factor for efficiently comparing hotels. And our (inaudible) is, less information is more. So we are not putting a lot of content on users, but rather little and distinct content, and that's what AI has made possible here.

So we are testing different models, different sortings. If you would use a filter, we're adapting the hotel highlights. If you use the map and click on a hotel in the map, we'd adapt the hotel highlights. So you see a hotel highlight that's related to the location. We are working with dynamic content.

So depending on what you're searching, you see dynamic content being produced in there. That relates to our AI search experience where we have brought this into our core experience before you had to go to ai.trivago.com. Now you see it featured in our search box that you can type whatever you want. And we have made that available to a broad user base, and we basically push more users into it.

We are not dogmatic about users should use this. It's more complementing our search and making new ways of searching available. You have no platform where you could basically search. I want to a hotel with a pool next to Route 66, which is a semantically quite complicated thing to understand for a machine. And usually, you have cities or regions that you refer to when populating your list.

So that's really cool that you have new ways of searching and that's possible. We are working on making the list even more relevant, then it's a question of how do you commercialize the list. Do you show only relevant hotels? How do you mix in commercialization into that list? And we are progressing gradually on it.

Unidentified Participant

Got it. That's great. And then just one follow-up. You called out localized marketing campaigns in Brazil and Japan specifically in the prepared remarks. So as you continue to roll these campaigns out, what can you tell us about the performance there so far? And then what are you seeing in terms of incremental traffic or ROAS in each of those regions?

Johannes Thomas - *trivago NV - Chief Executive Officer and Management Board Member*

Yeah. Maybe I can explain here. So overall, we are happy with the global campaign that's featured with Jürgen Klopp. And then we sometimes have local campaigns with certain objectives. Without going too much into details, we don't want to unveil too much, but Japan is a nice case.

We have launched a campaign very recently, and we say in this spot 5 or 6 times trivago. The term trivago is not as easily spelled for Japanese speakers. So we are bringing with this campaign the term trivago more tangibly to users and have the goal to increase brand awareness and not activation.

Where you have a strong brand, you want to activate users and convert them into visiting you. And then in some markets, we want to proel the brand more top of mind in terms of awareness. Certainly, that activates as well, but then just getting the brand in people's mind.

And that was the objective in Japan. It has worked fantastically from what we see so far. And wherever we see there's value in doing that, we would continue to do that. And we are overall very happy with the incremental ROAS we are seeing. I commented on that before.

We see elasticity across all segments. And that's why we are confident that we have room to invest more. So on top of compounding effects, we have incremental investment that we can scale in all regions, and that's what we will continue to do.

Operator

Doug Anmuth, JPMorgan.

Unidentified Participant

Great. this is Dae on for Doug. Thanks for taking our questions. I just wanted to revisit your full year guide for a bit. So could you explain where you're seeing (inaudible) relative to what you guided to about three months ago? Is it more on the volume side or is it on the monetization side?

And secondly, since it seems like you guys are assuming macro environment to hold steady in your full year guide. Just wanted to hear your thoughts on how a macro slowdown or recession could affect your guide and how you will approach advertising in a potentially slower environment? Thank you.

Robin Harries - *trivago NV - Chief Financial Officer, Managing Director*

Yeah. This is Robin. Thanks for the question. So regarding the guidance, we see a huge potential in scaling our brand marketing investments. We have been doing this now for a couple of months. And as Johannes said, Q1 was super strong. We had 22% total revenue growth and the ROAS were stable.

So we increased the ad spend 24%, but ROAS was just 1% below previous year Q1. So this is, I think, a strong indication that we see really good impact of our brand marketing campaigns. And moving forward, for the rest of the year, we will further increase and scale our brand marketing investments.

Last quarter, we also uploaded an investor presentation where we highlighted that in '24, we only invested 50% of the brand marketing that we invested in 2019, and we sometimes mention that it's one objective to come back to pre-COVID levels where we say this is around 2019.

And therefore, it's important to scale brand marketing investments again. And that's what we are doing, and we see that this is successful. And we will do this in all three segments. So rest of the world, very strong growth in Q1. We believe that we can further scale investments there.

We expect nice growth throughout the year but same applies to Europe and to Americas. We really scale investments in markets where we are already in, then we might add new markets. So overall, this is clearly the driver.

And then you asked about the demand. So for us, when we look at our platform, I mean, with 22% in this market revenue growth, so we see really strong demand. And as I said, we see some differences in regional traffic. For example, there are less Canadians and Mexicans going into the US.

But on the other hand, we see strong domestic travel in the US and when we look into April, and we still see strong double-digit growth in all three segments. So yes, uncertainty is not good for travel. However, we see that it's solid that the market is strong, that our growth rates are strong.

And especially because we have a product that is built for price savvy users and we are very optimistic, and we have a lot of room to further scale our brand marketing investments, and we believe that this will lead to nice growth for the full year.

Johannes Thomas - *trivago NV - Chief Executive Officer and Management Board Member*

Yeah. And maybe you asked what we do in terms of if there is volatility, what we do with our advertisement. I think we have shown during the pandemic and historically many times, that we are able to cut investment very quickly. Just look back into Q3 last year. We have seen that due to mega events, I think it was Olympics, was the World Cup, was elections, we have seen that elasticity has come down, performance has worsened, and we immediately cut substantial amount of spend.

So we are very responsive on that. We also don't do long-term commitments usually with our brand investments, and I think that will keep us flexible. I would like to call out one more driver. I think Robin has talked about brand. I think the other substantial one that we shared in our investor presentation in February, a slide where we showed the increase in conversion rate.

I think it was around -- we showed an index. We showed an index of increasing of around 35%, and that has a substantial impact on any marketing initiative. And that's why we talk so often about conversion rate. If we are increasing our conversion, let's say, by 10%, this has a big impact on marketing efficiency.

And we are disciplined of not spending this on performance marketing. We are very much focused on investing the incremental returns we have into our brand marketing initiatives. It is TV, but it's also social. It is also many other initiatives we are having around brand marketing.

So the conversion rate is really an important one, and that's where our teams do a great job in accelerating the pace of increasing our conversion rate, and we still have a lot of pockets to increase conversion rates further.

I talked about some AI features that have contributed to that, but we do hundreds of tests continuously and that adds up and has other compounding effects and user satisfaction, user retention and so on, which is very exciting to see.

Operator

That concludes our Q&A session. I will now turn the call back over to the management for closing remarks.

Johannes Thomas - *trivago NV - Chief Executive Officer and Management Board Member*

Thank you. Before we conclude the call today, I would like to extend a special thank you to our CFO, Robin Harries, who will be leaving trivago. We sincerely appreciate his hard work, dedication and leadership, and we wish him all the best for his next endeavor.

At the same time, we are thrilled to welcome Dr. Wolf Schmuhl as our new CFO. Wolf has consistently proven himself during his tenure at trivago and is a natural fit for the role, bringing a wealth of experience in finance and strategic development. As a leadership team, we are very excited to build on the momentum and transform the company together with them.

And with that, I want to say thank you for joining the call today. We are well positioned for sustainable growth. We remain focused on executing on our strategy and look forward to sharing our progress during the next quarterly call. Thanks a lot and have a great day.

Operator

Ladies and gentlemen, that concludes today's call. Thank you all for joining. You may now disconnect.

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