Booking Holdings, Inc.'s (BKNG) CEO Glenn Fogel on Q4 2020 Results - Earnings Call Transcript

Feb. 24, 2021 11:48 PM ET | **Booking Holdings Inc. (BKNG)**

SA Transcripts
111.66K Followers | Bio

Q4: 2021-02-24 Earnings Summary

10-K

EPS of -$0.57 beats by $3.65 | Revenue of $1.24B (-62.92% Y/Y) beats by $76.86M

Booking Holdings, Inc. (NASDAQ:BKNG) Q4 2020 Results Earnings Conference Call February 24, 2021 4:30 PM ET

Company Participants

Glenn Fogel - President and CEO

David Goulden - Chief Financial Officer

Conference Call Participants

Lloyd Walmsley - Deutsche Bank

Justin Post - Bank of America

Kevin Kopelman - Cowen

Eric Sheridan - UBS

Doug Anmuth - JPMorgan

Naved Khan - Truist Securities

Stephen Ju - Credit Suisse

Mario Lu - Barclays

Jason Bazinet - Citi

Operator

Welcome to Booking Holdings Fourth Quarter 2020 Conference Call. Booking Holdings would like to remind everyone that this call may contain forward-looking statements, which are made pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995.

These forward-looking statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results may differ materially from those expressed, implied or forecasted in any such forward-looking statements. Expressions of future goals or expectations and similar expressions reflecting something other than historical facts are intended to identify forward-looking statements.

For a list of factors that could cause Booking Holdings' actual results to differ materially from those described in the forward-looking statements, please refer to the Safe Harbor statement at the end of the Booking Holdings' earnings press release, as well as Booking Holdings' most recent filings with the Securities and Exchange Commission.

Unless required by law, Booking Holdings undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. A copy of Booking Holdings' earnings press release together with an accompanying financial and statistical supplement is available in the For Investors section of Booking Holdings' website, www.bookingholdings.com.

And now, I would like to introduce Booking Holdings speakers for this afternoon, Glenn Fogel and David Goulden. Go ahead, gentlemen.

Glenn Fogel

Thank you. And welcome to Booking Holdings' fourth quarter conference call. I am joined this afternoon by our CFO, David Goulden. Despite a travel environment that continues to be very challenging, we closed out 2020 by delivering fourth quarter results that were a bit better than the expectations we talked about on our last earnings call.

David will provide the details on the fourth quarter results in his remarks. For my time, I will first briefly reflect on our execution during the extremely difficult year of 2020. Then I will share our thoughts and strategic priorities for 2021 and beyond.

Without a doubt 2020 presented the biggest disruption to modern global travel the world has ever seen and our results for full year 2020 were down substantially from 2019. However, travelers still book 355 million room nights through our platforms during 2020 and we remain profitable by generating approximately $880 million in adjusted EBITDA.

Delivering these results during this unprecedented and unpredictable year is a credit to our team's relentless efforts to provide the best value and service to our traveler customers and to our supply partners while all the time remaining incredibly focused on operating efficiently.

When we spoke to you on our earnings call in May of 2020, we outlined a series of plans that would help us navigate through the COVID-19 crisis. First, we said we would stabilize the business from the immediate shock of the crisis. Second, we said we would optimize the business for the expected decrease in travel demand over the next few years. And third, we said we would position the business to be able to capture travel demand when it returns. Based on our accomplishments in 2020, I can confidently say that we executed well against these plans.

In the beginning of the crisis, we successfully stabilized the business by taking several immediate steps including, quickly closing offices and smoothly transitioning to a distributed work environment to protect the health and safety of our employees, which was and continues to be a top priority, working closely with travelers and supply partners to process the unprecedented level of travel changes and cancellations, and bolstering liquidity and preserving cash by holding stock buybacks cutting non-essential costs and raising over $4 billion in capital through a debt offering.

And we began the process and have almost entirely completed our work to optimize the business for the decrease in travel demand through the restructuring actions we have taken at each of our brands across the company.

As a result of these actions, our 2020 year end headcount decreased approximately 23% versus 2019, primarily in volume-related position. We expect these reductions to result in annualized cost savings of about $370 million in personnel expenses with about $110 million of savings recognized in 2020.

All our work is never done in terms of finding opportunities for cost efficiencies. We believe the headcount reductions needed to optimize the business for the current demand environment are now generally behind us.

Finally, we believe we have positioned the business well for when travel demand returns. We continue to make progress against our key strategic priorities during 2020 and this progress has continued as we have moved into 2021.

We remain active in performance marketing channels, and are being agile and adapting our approach to this very uncertain environment, and we will leverage our learnings from the past year to continue to capture demand in these performance channels at appropriate ROIs.

capture demand in these performance channels at appropriate ROIs.

In addition, our marketing team has been working hard to develop campaigns and messaging that we will deploy when we believe the time is right to encourage people to travel once again and use our services.

As we think ahead about 2021, there is considerable uncertainty regarding the exact shape and timing of the recovery for travel. The rate of recovery will depend heavily on the rate of new COVID-19 cases, including new potentially more transmissible and more dangerous variants and on the timing of effective and broad based vaccine distribution, which we believe will be a key step in helping people feel safe to travel again.

We are tracking early signs of encouraging summer booking trends in Western Europe, primarily the U.K. and Germany, relative to what we are seeing globally. Although in each case, gross booking levels are still below where we were at the same point in time in 2019.

While seeing green shoots of a summer booking season positive, it’s uncertain whether these trends will continue and whether we will see this summer booking strength expand into other countries and regions, and of course, whether these advanced will turn into stayed room nights, or will be canceled.

What would be most helpful will be continued government action around the world to accelerate vaccine distribution, while providing direct and indirect support to the entire travel and hospitality industry.

Additionally, international travel remains extremely depressed and recovery will not be possible until government restrictions on international travel are lifted or modified to travelers who can show they are safe travelers are allowed to travel freely. As you know, our International business has been a great advantage for us historically and we expect it will be in the future, but we anticipate this to be a longer recovery.

We know that people have a very strong desire to travel. We saw this first hand in 2020 when we witnessed a strong improvement in our booking trends from the lows of April through the peak summer travel season, driven in part by pent-up demand as people came out of lockdowns. The travel that was booked last year was much more domestic-oriented than in prior years as many people adapted to the restricted travel environment and still found a way to take a trip.

With many travel restrictions now in place around the world, we believe there is once again a high level of pent-up demand for travel. But when this demand will be fully unlocked is of course difficult to predict and it will depend on vaccination rates and other factors.

While the trending of the pickup in travel demand is beyond our control, we are focused on things we can control, primarily better positioning our business by continuing to invest and execute against our key strategic priorities including, expanding the payment platform at Booking.com, building out our Connected Trip capabilities and growing our market share in the United States.

Our integrated payment platform at Booking.com provides payment options favored by both travelers and our supplier partners across hotels, alternative accommodations, cars, flight and attractions. It is strategically important as it enables merchandising capabilities that we haven't had access to historically at Booking.com, but we expect to utilize selectively in the future to help drive growth. In addition, this payment platform is foundational for enabling our Connected Trip strategy.

We continue to make progress expanding the payment platform with approximately 22% of Booking.com's gross bookings in 2020 processed on the platform. This was up from approximately 15% in 2019 and was less than 4% back in 2017. So this is a dramatic shift in our large-scale business.

We are optimistic about recent improvements in our Booking.com U.S. payment platform, which will enable increased utilization of payments in this critical market. We expect to see a higher percentage of Booking.com's gross bookings processed on the payment platform in 2021 as compared to 2020 and expect these increases to continue beyond 2021.

Our Connected Trip vision is a multi-parted offering including accommodations, flights, ground transportation and attractions in dining connected by our seamless payment network and ultimately supported by personalized intelligence to provide a frictionless experience for our bookers all the way from the initial booking to experiencing their trip.

We are building towards this vision, because we believe that Connected Trip will drive increased loyalty and frequency and will enhance the growth of our accommodation business to additional customer acquisition and merchandising opportunities.

Developing a robust flight product at Booking.com remains an important strategic component of the Connected Trip, as it gives us the ability to engage with flight bookers early in their travel journey and allows us an opportunity to cross-sell our accommodation and other products to those bookers. In the coming years, we expect flights will represent an increasing mix of our overall business, which will help drive incremental revenue and EBITDA dollars.

As mentioned in the past growing our share of the U.S. travel market remains a key strategic priority

As mentioned in the past growing our share of the U.S. travel market remains a key strategic priority for our company as the U.S. is one of the largest travel markets in the world and we have historically under indexed there.

We are taking several steps to increase our competitiveness in the U.S. market and are focused on making sure we are offering great value to our customers, improving our payments platform to enable bundling and merchandising opportunities, increasing overall consumer awareness of our Booking.com through marketing and expanding our alternative accommodation supply.

While we have built a large and competitive alternative accommodations business globally, we believe we have a significant opportunity for improvement in the United States, which will involved, product improvements, supply acquisition and raising consumer awareness of this type of inventory on Booking.com. The key to invest and execute against these three strategic priorities as when we capture demand as travel recovers will be our focus in 2021.

We believe successful implementation of these priorities is key to achieve higher growth rates, increasing market share and eventually building a larger business with higher earnings than we had prior to COVID. We expect this larger business to have a higher mix of merchant transactions and non-accommodation products, both of which will negatively impact our EBITDA margin rates. But we expect to continue to lead the travel industry in this metric.

Finally, I want to address the European Commission's initial proposal from the Digital Marketing Act and Digital Services Act released in December. The European Commission has proposed regulations and to keeping markets fair and open, which is an ambition that we support.

However, at the present time, it is not known for certain what the ultimate rules will be, how they might be applied or what the impact will be on us and other market participants. We are engaged with state service to work towards regulations to tackle the legitimate problems of the large gatekeepers in the digital community of which we believe we are not one. We will update you in the area during future calls.

In conclusion, there are still tough days ahead of us and everyone in the travel industry. COVID case counts remain high and the wider global distribution of vaccines is still too slow. However, I am more confident than ever in our long-term future and we will at some point see a strong recovery in travel demand. I firmly believe that our company is very well-positioned to capture this demand as it comes back.

In the meantime, we will focus on what we can control, namely investing in our business and executing against our strategic priorities to ensure we exit this crisis on a strong footage, which will enable us to build a larger and faster growing business over the long run.

I will now turn the call over to our CFO, David Goulden.

David Goulden

Thank you, Glenn, and good afternoon. I will review our operating results for the fourth quarter, provide some color on the trends we have seen so far in the first quarter and then discuss our expectations for 2021 and our longer term operating model.

To avoid the comparison to the initial spread the pandemic in 2020, all growth rates for 2020 and 2021 are relative to comparable period in 2019 unless otherwise indicated. Information regarding reconciliation of non-GAAP results to GAAP results can be found in our earnings release.

Now onto the results for the fourth quarter. On our November earnings call, we discussed the trends we saw throughout the third quarter and into early November, including the year-on-year decline in reported room nights worsening from about 43% in the third quarter to about 58% in October and then further deteriorating to about 70% over the seven-day leading up to our November earnings call, driven by rising COVID case counts, and many European countries and governments beginning to respond with imposition of travel restrictions. As a reminder, reported room nights include the impact of cancellations.

The worsening trends we saw in early November, improved a little resulting in our reported room nights declining 60% for the full quarter. November proved to be the low point for the quarter. The decline in room night growth rates versus Q3 were driven by Europe, where growth rate declined quite considerably.

Looking across the other regions North America were similar to Q3 and Asia and the rest of world both improved compared to Q3. North America was the strongest region in Q4 with significantly lower year-on-year earlier decline in room nights than the other regions.

Mobile bookings, particularly through our apps continued to gain share in the fourth quarter and represented over two-thirds of our total room nights in Q4 and about two-thirds of 2020. We continue to see -- we also continue to see growth in 50% of our total room nights come to us through the direct channel.

Domestic room nights represented about 85% of our reported room nights in Q4, up significantly versus 2019, which was just below 50%. Our cancellation rates continue to be up year-over-year in the fourth quarter and also increased versus Q3.

We continue to monitor other changes in Booking.com customer booking behavior. The mix of

We continue to monitor other changes in Booking.com customer booking behavior. The mix of customers booking alternative accommodations in Q4 was slightly lower than Q4 2019, while the full year was up slightly versus 2019.

The slight decline in the overall mix of alternative accommodations in Q4 was due to the underperformance of the European region, which is where we have our highest mix of alternative accommodations. The mix of alternative accommodations continued to increase year-over-year within Europe in Q4. Booking.com's alternative accommodations represented about 30% of its reported room nights for the full year 2020.

The booking with the contracted versus 2019 in the fourth quarter are about the same rate as we saw in the third quarter as customers continue to focus mainly on the short-term travel needs. Gross bookings declined 65% in Q4, which is a great decline in reported room nights, due to the average daily rates for accommodations decreasing about 15% year-over-year on a constant currency basis.

Consolidated revenue for the fourth quarter of $1.2 billion and decreased 63% year-over-year. As we expected, revenue in the quarter was less negatively impact than gross bookings due to the fact that revenue benefited from check-ins in Q4 from bookings received in the relatively strong third quarter.

Our full year revenue was also significantly less impacted than our gross bookings driven by the differences in the timing between fees and revenue, which is recognized as check-in primarily related to 2019 bookings that check-in, in Q1 2020.

As a result of these coming factors, our full year revenue as a percentage of gross bookings was 19.2%, which is significantly higher than the 15.6% in 2019 and 2018. If our revenue as a percentage of gross bookings in 2020 been in line with 2019, revenue would have been more than $1 billion lower for the full year. The difference between 15.6% and 19.2% is almost entirely explained by this timing difference.

The 63% reduction in revenue resulted in adjusted EBITDA loss of $38 million in the fourth quarter. While we significantly reduced our variable expense lines like marketing, sales and other, our more fixed expenses decreased to a lesser extent in Q4.

As Glenn mentioned, we have almost entirely completed our restructuring actions, reduced personnel expenses to align our cost structure with the new demand environments. The savings recognized in our personnel expense line related to these actions was about $70 million in Q4 and about $110 million for the full year. We recorded charges of $74 million and $149 million related to these actions in the restructuring and other exit cost line for Q4 and the full year respectively.

Marketing expense, which is a highly variable expense line decreased 61% year-over-year as we saw a significant reduction in demand in the paid channels. In addition, we substantially reduced our brand marketing spend in response to the diminished travel demand environments.

Sales and other expenses decreased 45% year-over-year, primarily due to a reduction in expenses associated with payments transactions, partially offset by a mix shift in customer service to outsourced associated with payments transactions, partially offset by a mix shift in customer service to outsourced call centers.

Personnel expenses decreased 13% year-over-year, primarily due to restructuring actions I mentioned previously. G&A expenses decreased 36% year-over-year, largely driven by reduced discretionary expense in such areas as T&E, lower indirect taxes and lower office expenses due to employees working remotely. Information technology expenses were up 1% year-over-year in the fourth quarter due to investments in software license fees related to cyber security and privacy software. Finally, we have broken out restructuring charges separately in operating expenses in the P&L and I note that these restructuring charges are included in our non-GAAP results.

We recorded a non-GAAP net loss of $23 million in the quarter. Our full year non-GAAP tax rate of 42% was meaningfully higher than our 2019 tax rate of 19% due to the greater impact of non-tax deductible expenses on a lower base of earnings, as well as the geographical distribution of earnings and losses. Our Q4 non-GAAP tax rate was driven by change in our full year tax provision following better than expected pretax results in the fourth quarter.

On a GAAP basis, we had an operating loss of $153 million in Q4. We recorded a GAAP net loss of $165 million in the quarter, as the benefit from an unrealized $553 million pretax gain on our equity investments, primarily related to our investment in Meituan was offset by income tax expenses of $410 million, $98 million of interest expense and $61 million of FX re-measurement losses on our euro bond. We excluded the unrealized gains and the re-measurement losses from our non-GAAP results.

The $410 million of income tax expenses is primarily due to the discrete tax expense related to the Meituan unrealized gain and the change in our full year tax provision, following better than expected

results in the fourth quarter.

Our full year GAAP tax rate of 90% was meaningfully higher than our 2019 tax rate of 18% due to the reasons mentioned from non-GAAP tax rate with the non-deductible goodwill impairment charge, driving an additional significant impact.

Now onto our cash and liquidity position. Our Q4 ending cash and investment balance decreased to $14.8 billion from our September ending balance of $14.9 billion due to an operating cash outflow largely offset by the unrealized gains on our long-term investments.

We had a $557 million operating cash outflow in the quarter driven primarily by changes in working capital, which represented a use of cash of about $400 million in the quarter, as well as a net loss recorded in the quarter. The change in working capital driven by seasonal effects were amplified by the slowdown in bookings from Q3.

We will continue to focus on maintaining a strong liquidity position given the high level of uncertainty created by the COVID pandemic and consistent with our comments last quarter, we have halted repurchases of our stock and will not initiate repurchase until we have better visibility into the shape and timing of a recovery.

and timing of a recovery.

Now on to our thoughts for the first quarter and to remind you we will make comparisons with 2019 unless otherwise indicated. There continues to be considerable uncertainty about the shape and timing of the recovery for travel, which means we are unable to provide detailed guidance at this time.

January room night declines were slightly worse in Q4, driven by the increasing spread of COVID-19, including the new strains with associated additional travel restrictions. However, starting in middle of January, we saw an improvement in room night declines driven by domestic travel bookings in most part of the world and we have seen this improvement continue into February. In recent weeks, some regions have improved back to positive domestic room night growth.

While difficult to predict with accuracy, if the domestic room night trends continued to improve, Q1 room night declines could be a few percentage points better than Q4. To give you a snapshot of what we are seeing recently room night declines of last seven days were about 50%,

In Q1, the overall booking window is contracted versus 2019, although to a lesser extent that we saw in the fourth quarter. In Western Europe in January, we saw an expansion of the booking window versus 2019 and we have seen this expansion continue into February as the share of further out bookings including those for summer travel has increased.

As Glenn noted in Western Europe, particularly in the U.K. and Germany we have recently seen stronger summer booking trends relative to what we are seeing globally and in these countries gross bookings for the summer period are 25% of where they were at the same time in 2019.

These stronger booking trends in Western Europe are currently being offset by weaker near-term booking trends in the region due to extensive travel restrictions and we remind you that the significant majority of the summer bookings are cancellable.

We are also encouraged to see that some countries are making notable progress in vaccinations including Israel, UAE and the U.K. We are confident that when vaccinations are broadly available and when travel restrictions are lifted people will return to travel.

We saw this happen recently in Israel where vaccination rates are the highest in the world and after the national lockdown within Israel was eased on February 7th, we quickly saw domestic bookings return to solid double-digit growth versus the same period in 2019.

Turning to the income statement, as I said, we expect Q1 room nights declines could be a few percentage points better than Q4. We expect Q1 gross bookings to decline a few percentage points more than room nights due to continued pressure on local currency ADRs. We expect Q1 revenue to decline slightly more than gross bookings assuming bookings continue to improve for the rest of the quarter.

We expect marketing expense in Q1 will decline at the same level as gross bookings. We expect sales

We expect marketing expense in Q1 will decline at the same level as gross bookings. We expect sales and other expenses in Q1 will be similar to what they were in Q4 on a dollar basis with some variability based upon where Q1 volumes land.

We expect personnel expenses in Q1 where we saw higher than they were in Q4 on a dollar basis, primarily due to increased SBC expenses and seasonal increase in benefit costs, partially offset by a higher amount of savings in Q1 related to the restructuring actions we have taken. We expect that almost a full run rate from our personnel restructurings will be realized in Q1.

We expect G&A expenses in Q1 will be about the same as it were in Q4 on a dollar basis. We expect that IT expenses will be higher than they were in Q4 on a dollar basis, primarily due to increased investments in security, data privacy and some operational system enhancements.

We currently estimate the remaining restructuring charge related to actions of Booking.com will be about $40 million and we expect to record more than half of these remaining charges in the first quarter. About half of the $40 million related to personnel related actions and the other half relates to real estate.

Given what we just explained and to remind you that Q1 is our seasonally lowest revenue quarter, we expect to report a greater EBITDA loss in Q1 than in Q4.

For full year 2021, I want to briefly walk you through some factors that we expect will impact our topline operating margins for the year. We expect the environment of travel to improve during 2021, but the shape and timing of that recovery remains uncertain.

We expect occupancy rates to remain below where they were pre-COVID putting continued negative pressure on ADRs, which will result in our gross bookings being lower than our room nights.

As I alluded earlier, our revenue was less negatively impacted than our gross bookings in 2020 due to timing factors, which benefited our 2020 revenue by more $1 billion. The opposite dynamic will happen when we experience acceleration in bookings, which will lead to our gross bookings recovering faster than revenue.

Said another way, if we see this acceleration in 2021 there will be more bookings made in 2021 that will check-in in 2022 than there were bookings made in 2020 that check-in in 2021. This timing factor could have a meaningfully negative impact on our revenue as a percentage of gross bookings, but exactly how meaningful this impact will be depends upon how quickly our room nights and gross bookings accelerate in 2021.

Due to these differences and the timing of bookings versus check-in, we also expect deleverage in our marketing expenses in 2021 as we incur the majority of our marketing expenses at the time of booking. The most significant expense items in sales and other are payment processing costs and outsourced customer service expenses. We expect sales and other to be lower in 2021 than in 2019. The reduction will be smaller than the reduction in revenue.

A few comments to help you think about our less variable expenses to 2021 and how they will most likely compare with 2019. We expect G&A to be down double digits versus 2019 driven by T&E, office and occupancy expenses, with some variability from GST taxes if new ones are enacted during the year.

Personnel expenses are likely to be quite similar to 2019 on a dollar basis. To help you understand this better, there are a few factors that contribute towards this. Our personnel expense run rate immediately before COVID hit was about $200 million higher than 2019 actual personnel expenses. Less than half of this was the annualization of people expense we added during 2019 and the rest was from people expense added to the business in the first quarter of 2020. Our restructuring actions will reduce headcount expenses by approximately $370 million. So an impact of these two together will be to reduce personnel expenses by $170 million versus 2019.

As we continue to invest in the business, we expect 2021 year-end headcount to be a little higher than at the end of 2020 with a mix shift towards product and technical positions. This will add about $100 million in personnel expenses in 2021.

And finally SBC is expected to be higher than 2019 due to due to a few factors including the modification of some stock awards in Q1 2021 and the issuance of stock options in 2020. Finally, IT expenses in 2021 will be higher than in 2019 due to investments in security, privacy and operational system enhancements as reported to our Connected Trip strategy.

As we think beyond 2021, we are looking forward to being a larger business with more diverse offerings and with more earnings that we had prior to COVID. We will also focus on the potential for higher growth and market share.

We continue to believe it will be years and not quarters before travel returns to pre-COVID-19 levels. And when considering the shape of the business at that time, I'd like to draw your attention to two factors.

The first is a mix shift within the business. The continued growth of payments and the growth of flights and other connected verticals will add revenue and EBITDA but at much lower margin rates than traditional accommodations.

Payments will add to revenue with offsetting expenses in sales and other plus some additional personnel and other expenses. Flights and other connected verticals will add to bookings and revenue but at lower take rates on accommodations and will also require added personnel and other expenses as these business scales.

The second is personnel. The restructuring actions we took in 2020 were mainly in volume related functions including customer service and credit collection. This means that as volumes grow beyond functions including customer service and credit collection. This means that as volumes grow beyond the levels we expect in 2021, we will need to add expenses back to business. As we mentioned before, we look to do this in cost efficient ways but the work will come back.

We think it's important to include this consideration when thinking about the future shape of the business. As Glenn said, we expect to continue to have industry leading EBITDA margin rates, albeit most likely at levels below those in 2019.

In conclusion, we remain focused on what we can control and continue to execute against our strategic priorities. We are now more confident than ever that through these actions we will emerge from this crisis in a stronger position.

We will now take your questions, and Grace, I will turn it over to you to open the line for questions.

Question-and-Answer Session

Operator

Thank you. [Operator Instructions] Your first question comes from the line of Lloyd Walmsley from Deutsche Bank. Your line is open.

Lloyd Walmsley

Thanks for the questions. I guess a couple, first, just following up on those last comments you made, David on margins. I guess, obviously, a lot of the reductions you have seen as you said, been kind of variable related to business. Are there -- is there anything that you are kind of just learning to do better or more efficiently that might result in kind of better cost line items as a percent of revenue coming out of this on the other side? And then, I guess, the second one, curious if you guys expect any impact to your performance marketing spend efficacy from kind of upcoming changes in Apple's iOS 14 that may impact retargeting, anything you guys expect there? Thanks.

David Goulden

Yeah. Why don't I take the first one and then Glenn will -- see if you want to take a start on the second one. So, on the efficiency side, we are always looking for ways to become more efficient within the business.

As I mentioned, we have reduced these variable cost to the tune of about $370 million. As they come back, we will look at more efficient ways of getting that work done. The work will come back. It won't come back this year.

We basically right-sized ourselves to what we think will be through 2021, but as volumes extend beyond what we think 2021 is likely to bring those costs will come back. So we will look more efficient ways to do some of those variable activities in terms of location, technology, where we do them inside or where we deploy more partner resources, et cetera.

And we also Lloyd, continue to look at how we can drive efficiencies in our fixed cost part of the business. That's not been the major focus for the last 12 months. The major focus being surviving COVID, I think, we have done a good job with that.

But we do continue to kind of look at our costs across our personnel base, across our real estate, across our technology portfolios, across things like procurement, where we can continue to drive efficiencies within the business. So when we get to a more normalized environment that's something else we can also take a look at driving as well.

Glenn Fogel

And Lloyd.

Lloyd Walmsley

Thanks a lot.

Glenn Fogel

Your question is good one because we continue to see changes not only by companies like Apple making changes, you just mentioned, but Google doing differences and government certainly talking about laws and regulations about cookies and all sorts of things that impact different ways that people do marketing, in particular performance marketing and different things and that can impact companies, certainly in the short-term and we are all just looking and trying to evaluate what do we think this will mean for any one of these things.

But the thing I am really focused on is that change can also be good. We believe that we have some of the best marketing people in the world in terms of digital marketing. So when changes happen we can make adjustments, we can make changes, we can do things faster and better and we have so much data to test with that we believe we can actually come out of these things sometimes better off than we were in the past.

So right now, there is nothing I can say in terms of impact or not. It took us so far as to say we have been adapting and changing as the world of digital marketing has been changing for 20 years and we have kept on top of it and so I am so confident that we will be able to make any adjustments we need to make for the future.

Lloyd Walmsley

All right. Thank you.

Operator

Thank you. And your next question comes from the line of Justin Post from Bank of America. Your line is open.

Justin Post

Great. Thank you. A couple of questions, first, Airbnb success has been hard to miss, but just wondering how you think about your market share within Europe and your position with a larger host maybe than smaller individual host and what that means in a recovery? And then, secondly, Glenn, would love to hear about your thoughts on suppliers, obviously, a lot of pain in the travel industry. How can you help suppliers in the recovery and do you think you will be getting more promotional activity from suppliers, maybe better take rates, anything we could think about on that front? Thank you.

Glenn Fogel

Sure. So in regards to the whole alternative accommodations, we would like to call it in Europe. I don't think we talk much about regional exact share and I am not going to here. But I certainly, we talked a little bit how Europe is our stronghold in that area. We are better there in the home area, other areas.

But throughout the world I think I can say to you that we are better in things that are less single property. We always want to increase the single property, because we know that's an area where we can improve upon.

So that is an issue right now and with the pandemic there certainly was a bit of a shift for some people that they wanted to be isolated away from other people. So certainly, there was more demand than the past for the single home area. That showed much more in the U.S. for us than Europe because Europe we do have a greater amount of our home supply is single property than say in the U.S.

Look, it's an area where we to continue to focus on and I do believe right now in the environment there is, that is a great product to have up on the shelf. That being said, in the future, we will see how much that maintains or things go back more towards they used to be where there is a different split between homes and hotels.

In regard to your second question about relationship with hotel suppliers, obviously, we are doing everything we can to help our partners. The next come up with new ways to come up with promotions that they want to do, telling them what we think their spots of demand that they can come up with give and take a closed user group prices they can help get the more demand, coming out with ways they can put together things in content in terms of safety and health so that a traveler who looks on our sites, sees their hotel and sees that is a safe place to go, do all different things with them to try and improve their business.

It's very difficult right now, as you know because let's face it, unless we see a demand, if you can have the greatest content in the world where people don't trying to travel, they are not going to travel. But we are going to continue to do that.

I do believe in terms of relationships, certainly, as a distributor, when there is less demand we are more valuable as a partner to them. And the time when there is very, very high occupancy rates, any hotels I don't need the distributor nearly as much, but when they don't have as much occupancy rate then they start looking for demand and we have the benefit of being the largest platform for hotel demand in the world. So we are in a place for them to come and get some more of that incremental demand and we are continuing to work with them to make sure they do their best to get it.

Justin Post

Great. Thank you.

Operator

Thank you. And your next question comes from the line of Kevin Kopelman from Cowen. Your line is open.

Kevin Kopelman

Great. Thanks a lot. I just had some follow-ups on your comments about gaining market share in the U.S. Can you talk more about your focus there? Do you consider it an increasing priority for the company compared to the past year or two and on the marketing side of that that you mentioned do you anticipate being focused more on brand or performance marketing?

Glenn Fogel

Well, let me start with the first one, Kevin. We absolutely have begun to focus more on the U.S. It's always been a priority. So don't get me wrong in that area. But certainly we have made a couple of changes. We are focusing more specifically in the U.S.
As we scale the company over many, many years we had a very global presence and we try not to make changes solely for any particular market, really believing that scaling the business we have it and the same was the best way to achieve a very, very large global share of the business.

That being said, we have come to a state where we recognize that we continue to be under indexed in the U.S. and maybe we need to make some changes there, which we are doing and I think that we will make some progress in that.

In terms of whether we are going to do a brand or in terms of performance marketing, I am not going to give away the playbook here. I will say though, we are absolutely doing the things I talked about in my prepared remarks in terms of obviously we do want to increase awareness, we obviously want to increase the total amount of supply, increase our alternative accommodation, doing all the things that are necessary to make sure we are getting the share of the business that we believe we should be getting.

Kevin Kopelman

Got it. That's great. And then just a quick clarification on the statistic you gave about the past week being down 50%. Is that a year-over-year numbers and if you are looking at 2020 were those numbers being down 50%. Is that a year-over-year numbers and if you are looking at 2020 were those numbers affected by the initial COVID waves at all?

David Goulden

Kevin, as I said, everything is over two years number. We do…

Kevin Kopelman

Okay. Perfect.

David Goulden

… everything I gave you because that way you can you make a direct comparison with how things are doing relative to how they are doing in Q4 continues with this trend line. You can do the math yourself to figure what you meant on a year-on-year basis…

Kevin Kopelman

Okay.

David Goulden

… your number.

Kevin Kopelman

Perfect. And the regional numbers that you gave was that based on where the accommodation is located or where the customer is located?

David Goulden

We gave you regional flavor not color. That is typically based upon where the customer is located. It's a book region view.

Kevin Kopelman

Perfect. Okay. Thank you so much.

Operator

Thank you. Next up we have Eric Sheridan from UBS. Your line is open.

Eric Sheridan

Thank you so much. Maybe two if I can. Following up on the comments you have made around brand and maybe some of the changes we will see in digital advertising, whether it be first-party data or third-party data. How important do you see the concept of sort of aligning your brand with consumer maybe even build greater depth and loyalty and rewards programs going forward, especially if you are aiming again sort of a wider revenue pool and a wider product set, love to get your thoughts there Glenn? And where the world has begun to open up a little bit where you have some exposure. Can you give us a little bit of sense of how you sort of the pace of leaning back in to marketing channels and that deleverage that maybe you guys are calling out as things get better. Just so we can better understand a little bit of a timing mismatch there? Thanks so much.

Glenn Fogel

Yeah. So, Eric, loyalty is an important thing because it really talks about something that we talk about a lot is bringing people home direct to us and we have talked about this numerous times of how we believe getting people to come back to us directly is a critical part of the strategy going forward.

And certainly one of the ways we do that is by providing our loyalty version, which is our genius plan at Booking.com which really does we believe give some real value to consumers and that's something that we are going to continue on.

Because in the end it costs an awful lot of money as we hope to get a new customer. It's cheaper to keep them. So we are going to keep on doing all the things we can to keep people coming back direct.

And you are right about first-party, it could be third-party and all these different ways that we worry about how we are going to get through to the come in the future, certainly important to get new customers, but also real important to keep them coming back.

In regards to your second question, one of the things I mentioned how uncertain the world is right now and one of the things you are trying always to do is make sure you are spending money that that could create revenue.

The only issue is you pay the money upfront, person books, but because so much of the business nowadays is being done on things that are cancellable. You don't know when change happens all of a sudden money you spent it doesn't end up in the increased revenue you thought it was and your ROI is very different. So we have to look at this very carefully and we are approaching it in a cautious way.

But on the other hand, we don't want to be slow to the increase in demand. That why we look at all the data very, very closely and that's about the best I can say is that, that's how we are handling it right now. We can't say anything more than because we don't know what the future is going to be quite yet.

David Goulden

And then, Glenn, just to build on that…

Eric Sheridan

Okay.

David Goulden

Eric, just to give you a little bit more color to the answer. The deleverage you mentioned in 2021 on performance marketing is not us calling ROIs per se. It's to do with the timing that I talked about or the fact we expect to basically spend money in 2021 for lower revenue that will revenue in 2022 and that's normal is what will drive the deleverage in 2021 we talked about for performance marketing just to clarify.

Eric Sheridan

Yeah. Understood. Thanks. Thanks for all the color.

Operator

Thank you. Next up we have Doug Anmuth from JPMorgan. Your line is open.

Doug Anmuth

Great. Thanks for taking the questions. Glenn, just as travelers are coming back to the platform and some of them for the first time perhaps in several months or a year. I am just curious what you think you will see that's most significant in terms of how the product has changed or the experience has changed, is it Connected Trip or something else? And then, secondly, just wanted to get your view on some of the subscription-based programs that we are seeing across the space for travelers? Thanks.

Glenn Fogel

Sure. So one of things that somebody may not have seen before and we talked about last quarter is Booking.com selling flights, for example. That's a great thing in the past we did do, now they have come back and look, they sell flights, which is a great thing.

Another thing that we continue to build out our attractions area, now our people are actually buying attractions right now. We haven't stopped creating more and more places and more and more content so that when people do come back we will have attraction they can buy from us. And what they obviously would see the way we are combining things and putting things together in the way we are trying to create value for our consumers.

So I think that's part of it and we are really still in the very, very early parts of this journey. But it's something that is pretty excited to be. We are going see it build out and seeing those people are buying flights and such.

In regards to the subscriptions model that people are still beginning to explore as such. I don't really have a lot of comments on that. It's something that different people are doing. We will see how it plays out. David, do you, if you want to say on that?

David Goulden

No. No. No further comments. We will see how they play out. I think our model the way we have it is that, is a model we think is certainly very attractive and has been successful for us, and as you say, well watch what happens in these other spaces.

well watch what happens in these other spaces.

Doug Anmuth

Okay. Thank you.

Operator

Thank you. Next up we have Naved Khan from Truist Securities. Your line is open.

Naved Khan

Yeah. Hi. Thanks a lot. I just wanted to ask a question on air booking. So your air tickets sold number was positive and that in this kind of environment I think it's pretty impressive. Maybe are there any insights you can share with in terms of the early results you might be seeing on integrating air tickets on your booking account side in Europe? And then the other question I had is just on the attractions and experiences. With the increases in selection that you are driving, is it mostly through partnerships or are you signing up your own direct relationships? How should we think about that?

Glenn Fogel

So, in terms of air bookings and question on lower model at the end, so I don't cover completely. David you heard it better and fill out there. But, yes, we were pleased to see that cause number there. One of the things to point out is I just talked about little bit though in the past we didn't have air tickets coming from Booking.com and from — and also by the way our Agoda brand also sells air tickets too. KAYAK of course has been selling air ticket since the start of the company more than two decades ago.

So it's easier when you add two more of our brands selling air tickets hadn't done it in the past, have a positive number. And I want to point out this is very early and these are very, very, very small numbers. So it's pleasant to see, but I wouldn't take too much except that we are on our journey.

In regards to attractions for Booking.com, yes, these are coming from third-party suppliers. We are partnering with them. They give us the inventory. So we sell it. We have a commercial relationship. We are pleased that's the way to go forward.

Again, one can be anything or scale and you decide which ones you want to do first, but it's a lot, you can't be everything. So it's a lot easier when you want to do a lot more things to partner with other people for things for people already set up the things you need to get. So, I am pretty pleased about that. Again, I will be more pleased when people actually are back to traveling and start buying attractions. David, I don't know if I missed anything on the air ticket [inaudible].

David Goulden

I think you got it, Glenn.

Naved Khan

Thank you.

Operator

Thank you. Next up we have Stephen Ju from Credit Suisse. Your line is open.

Stephen Ju

Okay. Thank you. So, Glenn, 20% of bookings running through your own payment rails suggests that is now 70% of your merchant bookings, so it seems like you are pretty close to full adoption there. So is this primarily for alternative accommodations or flights or are you seeing that higher platform usage because of other use cases whether it’s non-credit card users or otherwise? And I guess, over the coming months as you start more formally entering a recovery phase, it -- how we are going to feel like you are working at a hyper growth start up. So with that in mind, I mean you spent the last year restructuring and reducing headcount. So I wanted to get your latest thinking on whether you feel like you are properly resourced at this time or do you feel like you can spin up hiring and bump resources very quickly? Thanks.

Glenn Fogel

So let me start with the second one and I will turn it over to David in terms of payments in case you want to add anything more related to that. In terms of people and we talked about this, we have been through restructuring and I think we both said in our prepared remarks how we are satisfied from where we are right now.

But we also made the very important point, how much of the restructuring dealt with jobs that related to volume and that as volume comes back, we need to bring people into help cover the hopefully in a much more efficient way over time.

So in terms of being a hyper start up, yeah, we -- look, we are always going incredibly hard in trying to get as much progress we count on our strategic vision, because we know that the travelers are going to come back and we want to get ahead of it as fast as we can so we can give the greatest value, the greatest -- different types of way to travel as soon as we can.

I don’t see any major change in 2021, but we will see how fast business comes back and we will see what happens in 2022 and we will see the rate of progress in all our strategic different things we are working on. And I will let David talk about the payments platform.

David Goulden

Yeah. Payments, let me clarify, because I wasn’t quite sure what you said. But let me try and clarify where we are in payments in the evolution of our payment at Booking.com. So as we said in prepared remarks, the percentage of our gross bookings process on the payment platform at Booking.com was 23% last year. That’s up meaningfully from the 15% in 2019. That will mean that the vast majority of

23% last year. That's up meaningfully from the 15% in 2019. That will mean that the vast majority of our bookings are not being processed via our payment transaction. They are still in the agency model. So we expect that payment adoption to continue to increase above the 22% this year and beyond.

Payments is really super important for us for a number of reasons, because we think we can deliver benefits to our customers and our partners across all the different channels, hotels accommodations flights attractions, et cetera. It's also very important to enable merchandise usually use select honest like based in certain markets and it's also fundamental to enabling the Connected Trip where we want to have everything be able to be paid in one place.

I think an update on where we all from an income statement point of view relative to the evolution of payments. I am pleased to say that the payment of Booking.com was approximately breakeven in 2020. We said in prior years we are still making some of the investment in the platform and we are focused upon still scale it out, but expect to stay in that breakeven level as we scale out and grow the payments platform from here. Obviously, with some potential minor differences year-in, year-out, we are now our breakeven situation on our payment platform should update from where we were before.

Stephen Ju

Thank you.

Operator

Thank you. Your next question comes from the line of Mario Lu from Barclays. Your line is open.

Mario Lu

Great. Thanks for taking the questions. I have two on alternate accommodations. So I believe you mentioned the segment had a healthy profit margin throughout 2019. So as we look forward to 2021 and beyond, how should we think about how quickly you can close the gap between the alternative accommodation margins compared to hotels? And secondly, you guys that you are trying to pick the single home supply in the U.S. How would you describe the strategy there, mostly investing kind of your own sales force or is it through acquisitions? Thanks.

Glenn Fogel

So they actually go a little together those two questions, because one of the things I believe why we didn't have a healthy profit as you pointed out, was perhaps because we didn't have as much of it makes of the single home property, because single home does cost more for the company because you do end up with more contacts. It is just by nature. It is not as professionally run and you end up with more costs.

So we do though, now that it is a product that people want and we need to have and we need to have more of it. That's absolutely correct. The briefing about this though it is a trend towards more professionalization of that single home property where the person who in the past made down onto our platform and just signed up on their own and try to orchestrate it all by themselves.

What you are seeing in the industry is more and more people who want to rent out their single properties going to different people who will do it for them, who will handle all the elements of it and those people who are running these kind of we will call it channel managers, but they are like a channel managers as they are able to bring these different single property owners and put amount of this site that is able to direct debt to provide that supply to us or to somebody else.

The briefing about it is these people are much more professionalized and they are more easy to deal with. They are able to understand the right things you need to do. So because of that professionalization of the industry, I believe we will be able to pick up more of the single home properties faster than we had to in the past. In regards to M&A since you know we don't comment on future M&A activity.

Mario Lu

That's helpful. Thank you.

Operator

Thank you. And our last question comes from the line of Jason Bazinet from Citi. Your line is open.

Jason Bazinet

Yeah. I just had two questions. If I positive COVID is going to cause alternative to be larger than otherwise would be and cause business travel will be structurally lower than otherwise would be what is the implication for your business as we move to Connected Trip and payments in a more forceful way? Can you just, you mind just expanding on that a bit?

Glenn Fogel

So we will go with the hypothetical, as somebody out there listen to say what I really think is happening here. So people hoops perhaps in the past never would have thought of using alternative accommodations perhaps last summer they didn't use it or they looked at it or something and now it is in a consideration set.

So going forward, what has happened is now there is a much larger amount of supply for any travelers going look at and what that means is any individual supplier in the marketplace is now facing more competition.

Now a distributor talked about earlier why there has been official to the distributor now. In our business which is so great because we have both a great amount of the home product that alternative accommodations and one of the largest people have the hotels. So we have this great saying where the consumer when they come, they can come to one place us and able to compare and contrast all different types, all the different prices. Understand all the different continents review is being left by different types, all the different prices. Understand all the different continents review is being left by previously stated.

That give us a great, great benefit. So I am pleased with the way it is happening. And I -- we will go back what will have and how much will the mix be of home in the future versus hotel. I don’t know any can really guess.

I think over many years we have seen the trend going more and more people interested in alternative accommodations the pandemic step function up higher. I know that’s not going to be a pause, maybe a dip down or continue upward, I don’t know. But from my point of view, it’s not that relevant in the sense that we provide both and we are going to keep getting both. So for me, I am feeling pretty good about it.

Jason Bazinet

And on the enterprise side, B2B travel?

Glenn Fogel

Well, the -- B2B travel, I don’t think there’s a lot of talk about that. David, I didn’t hear exactly what the question was, maybe you did.

David Goulden

I didn’t hear it either, so why don’t you clarify the question.

Glenn Fogel

Yeah. B2B question -- B2b question, yeah, just repeat it.

Jason Bazinet

Yeah. The question was, if COVID causes a structural shift in B2B travel, how does that influence sort of your focus on payments and focus on the Connected Trip? Is it good, is it bad, does it have no bearing sort of on your level of investment and enthusiasm around those two long-term initiatives?

Glenn Fogel

When you say B2B travel…

Jason Bazinet

Business travel. Business travel.

Glenn Fogel

Business travel, got it. Okay. Okay. Got it. Look, I have been saying for a long time. I think that it’s going to be a while before corporate travel picks up the same way leisure will pick up. It’s going to be…

Jason Bazinet

Yeah.

Glenn Fogel

It's going to take longer and as a share of total travel it may never get back.

Jason Bazinet

Okay.

Glenn Fogel

In which case, yes, eventually because businesses will continue to grow and the industry obviously people travel, eventually business travel will be larger in an absolute measure than in the past, but it may always be a smaller share. We don't really know yet, but certainly the trends are going to go that way. What that does to certain our high ADR hotels that catered to the business traveler. Do they have to make some shifts?

Jason Bazinet

Yeah.

Glenn Fogel

Because they are not going to get those as many of those high ADR customers anymore and they need to get more leisure travelers. Well, we have a higher percentage of leisure travelers and business travelers. We are again that point where people can come and get that leisure demand. So again it's another thing what I feel good about our long future.

Jason Bazinet

Super helpful. Thank you.

Glenn Fogel

Okay.

Operator

Thank you. And that is all the time that we have for today. I will turn the call over back to our CEO, Mr. Glenn Fogel for any closing remarks.

Glenn Fogel

Thank you. So, in closing, I want to note, there it's been a little more than a year since the pandemic began and we have said we lost 500,000 mothers, fathers, brothers and sisters, grandparents and so tragically children in the United States alone and globally more than 4 million lives have been lost, our hearts go out to all of them.

I also want to reiterate my deepest condolences to the family and friends of Arne Sorenson, as well as to the entire Marriott organization. He left a profound mark on the travel industry and will be greatly missed. And it is so sad he will not see the recovery in the industry that he dedicated his life to and the travel industry will recover, and we are working so very hard to bring travel back as fast as we can.

So I want to end by giving one last thank you to our partners, our customers and most of all to our dedicated employees who throughout the horrible year of 2020 rose to the challenge, met it and got us to where we are today, well positioned for a better tomorrow. Thank you. Please be safe. Good night.

Operator

Thank you so much ladies and gentlemen. This concludes today's conference call. Thank you all for joining. You may now all disconnect.