

Expedia Group — peer analysis

A conclusion to where I am standing now with EXPE: I started observing an impressive growth in consolidated revenue since q1'25 3.43% to 6.41%, 8.67%, 11.4%, 14.66%, 13.97%, then this was revealed to be less outstanding: last three quarters YoY growth rate is at around 10% in constant-currency terms, so growth has plateaued since Q3'25 really, maybe a small uptick since then but not the second-derivative acceleration that it seems at first. In addition, if we look at gross booking growth rate as a leading indicator, acceleration in the growth driver segment (B2B) peaked in Q3'25.

What it stands is management ability to control operating expenses growth every quarter, in general much lower than the revenue growth rate (concentrated in the B2C segment as I discovered next). I tried to discover where was that revenue coming from, and I discover an undergoing change in the business model, from b2c-centric to B2B-focus, with a CAGR for the last four years surpassing the 28% compared with a CAGR of 5.04% for the B2C segment, however still today the B2C segment generates 62% of the revenue while the B2B segment generates 35%, 10 points of interchange between the two in the last three years.

Still, more disappointment when digging into the variable contribution metric: I find that most of the quarters the operating leverage came from the B2C segment, not from the fast-growing B2B; while 54% of the incremental revenue growth came from B2B, it represents only 20% of the adjusted EBITDA incremental growth, why? Because B2B sales & marketing direct expenses grew almost at the same rate of revenue, it is a sticky cost because it acts as a revenue share more like a cost, so if this now represents 61.5% of B2B revenue, we should watch for it not to surpass the 62% mark or otherwise they are just buying growth. So, to end, the operating leverage came almost entirely from the B2C segment, e.g in Q2'26 revenue grew 8% YoY while marketing direct expenses grew just 0.82%, in Q1'26, revenue up 8.28% while marketing direct expenses decline -7.2%; so going forward watch if B2C S&M direct expenses grow no faster than B2C bookings, otherwise, the margin story was just a past story.

My stance as an appended analysis of a BKNG competitor: it is no better than BKNG, once you control for the USD weakening of the last three quarters, growth is no better than BKNG's. If growth is no better than BKNG's, in fact each company's management forward guidance has converged, then you should pay more for the company with greater margins: this is BKNG, and the market currently is giving them the approx.. same valuation to the two, so I see more potential and margin of safety in BKNG.

My action: just on the watchlist with no upcoming trigger to be long or short; watch for any changes in B2C direct marketing growth vs B2C bookings growth, watch the 62% threshold for B2B direct marketing expenses as a share of segment revenue, and control for FX contribution in consolidated revenue growth and discount appropriately inorganic growth, before making changes in the stance to decide a trade with EXPE.