



APERTURE

INSIGHTFUL AND RELEVANT RESEARCH UPDATES

Booking Holdings Q4 2025 Results

Share Price

US\$4007.45

Date

20 February 2026

RESULTS SUMMARY

Booking Holdings (BKNG) released a strong set of Q4 2025 results, beating estimates across the board. Revenue grew 11% y-o-y in constant currency, well ahead of the expected 7%. This was driven by stronger Gross Bookings growth of 11% vs 8% expected, supported by room night growth of 9%.

Adjusted EBITDA rose 19% y-o-y, with margins improving to 34.6%, slightly ahead of expectations. While margins beat expectations, the stronger revenue performance led the market to expect greater operating leverage. This was partly offset by higher-than-expected marketing, with marketing costs rising 30bps y-o-y to 4.5% of Gross Bookings. As a result, adjusted EPS came in only marginally above expectations.

Share buybacks remain a key driver of shareholder returns. In Q4, the group repurchased US\$2.1bn of shares. Remaining buyback authorisation stands at US\$21.8bn, equivalent to around 16% of market capitalisation, and we expect management to continue this trend. Finally, management announced a 25/1 stock split, expected to take place in early April.

OUR LONG-TERM INVESTMENT VIEW

- BKNG is the world's largest online travel agency (OTA) by sales, offering booking and payment services for accommodations, airline tickets, rental cars, restaurant reservations, cruises, experiences, and other vacation packages.
- BKNG benefits from a network effect from their online marketplace. On the supply side, their merchant model means they control the payments for accommodations from customers. This provides numerous benefits for the accommodations, incentivising them to be on the platform. As supply increases, BKNG can attract more customers to their platform. On the demand side, BKNG has initiatives such as their genius loyalty program which offers customers discounts, upgrades, and various benefits.
- BKNG's long term growth strategy is their 8-8-15 formula, aiming for 8% Gross Bookings and Revenue growth, and with margin expansion, Adj EPS growth of 15%. Revenue growth is expected to come from improvement in room nights as the travel industry continues to grow, improvements in Average Daily Rates (ADRs), as well as a larger mix from non-accommodation bookings, such as airline tickets. Margin expansion is expected to come from an increase in direct mix of bookings, leading to less marketing costs as a percentage of revenue as well as continued improvements in operating efficiency through their multi-year transformation program.
- Agentic AI has emerged as a key concern for the market to BKNG's future. We believe the company has characteristics that enable them to defend from this threat. In addition to the multiple benefits customers have by using their platforms over direct booking, the most notable characteristic is their accommodation mix. A large majority of Gross Bookings come from independent or small hotels and alternative accommodation. These partners rely on BKNG for their payments for bookings and are unable to handle the various currencies and payment methods offered and therefore will continue to rely on them into the future.

UNPACKING THE Q4 2025 RESULTS

High-level numbers

- **Revenue** increased 16% y-o-y to US\$6.5bn,
- **Direct Mix** was mid 60% for 2025, similar to that of 2024. Mobile App mixed improved, now

supported by a 16% rise in Gross Bookings. Room nights increased 9% with ADRs improving 1%. Revenue benefitted from a 500bps forex tailwind.

- **Adjusted EBITDA margin** increased by 80bps y-o-y to 34.6%, driven by scale benefits from growth in merchant revenues and efficiency improvements from the multi-year transformation program, now seeing a US\$550m annual savings run-rate.
- **Adjusted EPS** was US\$48.8, increasing 17% y-o-y, benefiting from improving margins and share buybacks.
- **Free cash flow** generation improved 120% for the quarter and 15% for the year, reaching US\$9.1bn for 2025. During the quarter, the company returned US\$2.4bn to shareholders, US\$300m in the form of dividends and US\$2.1bn in share buybacks.
- As of 31 December 2025, BKNG held US\$17.2bn in cash and equivalents and US\$18.7bn in debt, resulting in net debt of US\$1.5bn. The balance sheet remains robust with net debt to EBITDA of 0.15x.

Key figures

- **Room Nights** increased 9% y-o-y as demand across all regions remain solid. Europe and Rest of World saw growth of high single digits with Asia and the US increasing low double digits. Alternative accommodation (AA) room nights increased 9% y-o-y with AA mix for the year being around 36%.
- **Gross Bookings** increased 16% y-o-y to US\$43bn. Growth came from Room Night growth as well as an improvement in ADRs of 1% and a continued increase in mix from non-room bookings. Flight Gross Bookings increased 28%, with 13 million tickets being purchased through BKNG platforms.
- **Marketing** expenses as a percentage of Gross Bookings for Q4 was 4.5%, up from 4.2% in the prior year as management stated they found tactical opportunities to invest in high return marketing initiatives, specifically in social media, which saw an increase in spending of 13%.

contributing mid 50%, up from low 50%. Genius loyalty members on level 2 or 3 (3 being the highest) contributed high 50% towards total room night, up from mid-50% last year

Looking ahead

Assuming no deterioration in the travel demand, management expects Gross Bookings to increase at a low double-digit rate for 2026, with revenue increasing at a similar pace.

Adjusted EBITDA is expected to grow faster than revenue, supported by margin expansion of around 50bps. Adjusted EPS is expected to increase at a mid-teens rate.

Overall, the outlook points to solid Gross Bookings and revenue growth, well ahead of the company's long-term 8-8-15 framework. However, with adjusted EPS being in line with this strategy, margin expansion is expected to be slower than the market has anticipated. This is largely due to a new US\$700m investment programme in 2026 focused on AI and global expansion. While this initiative is expected to generate around US\$400m in bookings, it will be slightly dilutive to margins in the near term.

Concerns around Agentic AI have been a key focus for the market this year. Despite this, Booking Holdings remain fundamentally well positioned, having delivered growth over the past year and guiding for this to continue. We believe the group has the scale, data, and platform strength to defend against AI-related disruption and continue growing over the long term. Given recent share price weakness, we see the stock as trading at an attractive level.

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