

Booking Holdings Inc.

US CORE HOLDING*

Recommended since 17.07.24

17.07.2024

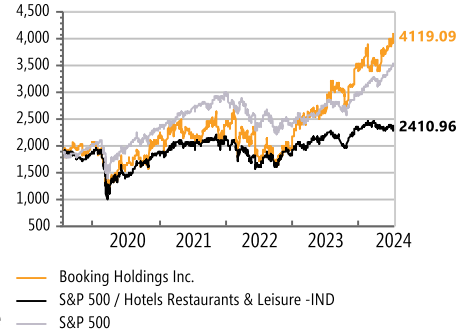


Country US	Market capitalization (bn) USD 143.7	Perf. since reco. (%)
Sector Consumer Discretionary	Free float 99.8%	Booking Holdings Inc. 0.0
Factset BKNG-US	Closing price USD 4119.09	Secteur 0.0
ISIN US09857L1089	ESG Risk score* 17.2 Low risk	

*From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

Profile

Booking, founded in 1997, is the world leader in online travel booking, with almost 22,000 employees and operating in 220 countries through brands such as Booking.com, Kayak, Priceline, Agoda, Opentable and Rentalcars. The company will have tripled in size between 2013 and 2023, with average annual sales growth of 21% over 2009-2019 (pre-Covid) and 14% over 2014-2019, driven in part by digitalisation.



Source: Factset

Market - competition - positions - barriers to entry

Booking operates in a competitive and constantly evolving travel and restaurant reservation market. We estimate the accessible hotel reservation market at nearly \$200 billion, of which the Group holds c. 11% and is the world leader ahead of Expedia, AirBnB and Trip.com. The underlying leisure travel market is expected to grow by an average of 4-5% p.a. The customer base, the ability to innovate and to extend the offer, particularly through partnerships, are key factors.

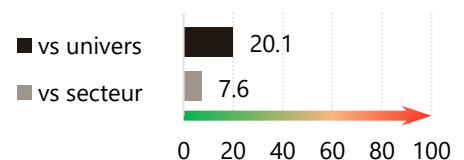
Investment case

- Overall, the tourism industry will emerge from the post-Covid recovery phase in 2024. Growth in hotel bookings is therefore expected to normalise, at a level slightly ahead of the underlying industry through increased penetration of the accessible market, averaging 5-6% p.a. in our view. Booking Holdings' growth should be higher, thanks to the airline and car rental booking businesses, which still only account for c.8% of sales but are growing at over 50% and 20% respectively, providing 2-3% additional annual growth potential over the visible horizon.
- The Group's business model is highly cash-generative (over 30% free cash flow/sales under normal conditions), thanks in particular to the deferred booking business, in which Booking collects the customer payment before disbursing the payment to the hotelier. This has led to an atypical situation of negative working capital requirements and negative capital employed, on the one hand, and a perpetual (since 2015 at least) and substantial share buyback capacity - a \$20bn programme is underway for 2023-2026 - leading to negative equity.
- On this basis, our fundamental valuation is higher than the share price, despite the share's recent performance. Beyond this, Booking's offering will be extended to transport, leisure and catering, positioning it as the sector's leading platform. This expansion will be made possible by innovations in artificial intelligence, offering superior value to customers thanks to a personalised and interconnected offer, as well as a simplified and secure payment system. All of this, brought together in the 'Connected Trip Vision' concept, is backed by a strategy initiated in 2017-18, via acquisitions, partnerships and technological investments.
- This offer, corresponding to an intelligent assistant service for travel and leisure, is currently being integrated and launched in the United States, the United Kingdom and Australia. We will be monitoring developments and results in order to adjust our projections, scenarios and valuation.

ESG - risks and key points

- Booking has a low ESG risk score of 17.2.
- Despite challenges in data privacy, labour relations and business ethics, the company's strong governance and robust whistleblower programme help to mitigate these risks.
- In addition, the company shows a determination to improve its ESG record, notably through strong commitments to climate change, demonstrating its environmental responsibility.

Risque ESG vs univers & secteur (percentile)



Source: Sustainalytics

Valuation** in USD

Current price	Value Bordier Scenario
4119	4 780

Our scenario assumes a US risk-free rate of 3.50%; sales growth of 8-9% over 3 years, followed by a gradual slowdown in this growth rate; and an EBIT margin of around 34% from 2026, below the historical pre-Covid peak.

** La valeur scenario Bordier intègre le modèle économique de l'entreprise, notre scénario central de croissance et de profits et les données de marché, externes à l'entreprise (taux sans risque et prime de risque du marché actions). Elle ne constitue pas, en soi, un objectif de cours.

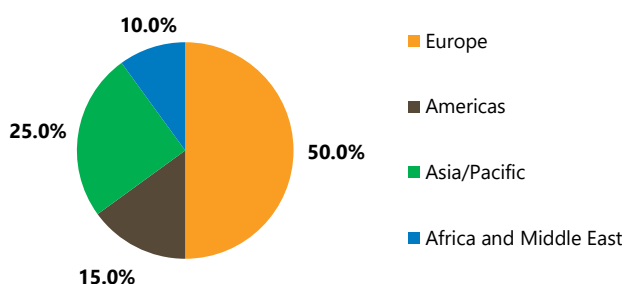
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"Bordier Core Holding" indicators

In millions of USD	2022	2023	2024e	2025e	2026e
Sales revenue	17 090	21 365	23 074	25 151	27 414
Sales growth %	56%	25.0%	8.0%	9.0%	9.0%
<i>o/w organic</i>	71%	24.0%	8.5%	9.0%	9.0%
EBIT	5 102	5 835	7 338	8 300	9 321
% of sales	29.9%	27.3%	31.8%	33.0%	34.0%
Net income	3 998	4 289	5 639	6 399	7 206
Adjusted EPS	100	118.68	165.90	200.99	242.74
Adjusted EPS growth	117%	18.4%	39.8%	21.2%	20.8%
Capex/Sales	2.0%	1.6%	2.5%	2.5%	2.5%
Free cash-flow	6218	6 999	6 883	7 916	8 859
FCF/Sales	36.4%	32.8%	29.8%	31.5%	32.3%
Dividend per share	0.00	8.75	35.00	40.20	48.55
Dividend yield	0.0%	0.2%	0.9%	1.0%	1.2%
ROCE - WACC	734.2%	-429.8%	-257.6%	-179.1%	-147.5%
ROE (%)	143.7%	-156.3%	-164.8%	-151.9%	-168.1%
Net debt/Ebitda	11.7%	42.2%	26.8%	15.6%	-2.0%

Sales breakdown - 12/2023



Source: Factset, Bordier estimates

Ratios

	Booking Holdings Inc.		S&P 500	
			Sector	Market
PE (x)***			Travel & Leisure	SP 500
	2022	29.9	25.3	23.4
	2023e	24.6	22.4	23.2
	2024e	20.3	19.4	20.3
P/B (x)***	2022	-43.9	155.1	4.7
	2023e	-40.5	169.7	4.8
	2024e	-32.9	80.3	4.3
	Bêta (2 ans, journalier) vs marché: 1.17			

***) Les ratios de valorisation présentés sont donnés à titre d'information. Ils ne constituent pas le critère de sélection des Core Holdings et peuvent présenter des primes significatives, représentatives de la qualité du modèle économique de l'entreprise.

Governance and ownership structure

Since 2019 - CEO Glenn D.Fogel

Since March 2024 - Ewout Steenbergen CFO and Executive Vice Presiden 10.102024: Q3-2024 results

Key shareholders (if any):

Significant shareholders are: Vanguard Group (8,26%), BlackRock Fund Advisors (4,76%), Capital Research & Management Co. (4,54%), SSGa Funds Management (4,21%).

Any special characteristics of ownership (multiple voting rights, controlling holding company, shareholders' agreements, etc.):

None

Agenda

10.08.2024: Q2-2024 results Nov. 2023: Q3 results

Glossary

ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

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