BKNG gideon lens

Booking Holdings (BKNG) - Gideon-Lens Equity Research

Date: 2026-05-28. Analyst: Codex ER2. Current price: $168.37. Reporting currency: USD. Fiscal year end: December 31. Current price anchor: live quote pulled May 28, 2026 at 11:35:57 UTC. Booking Holdings reports one operating segment, Travel Reservation Services, with disclosed revenue lines for merchant, agency, and advertising/other.

VERDICT BLOCK

Verdict: WATCH

Scorecard:

Gate	Result	Notes
Management	PASS	Long-tenured operator, disciplined buybacks, credible governance and candor
Moat	YELLOW	Real marketplace moat today; 2046 test depends on AI interface economics
P/E <= 15 on confident EPS at TTM + 5 calendar years	PASS	Base EPS cushion 38.2% at $168.37
Compounder Score	Audited 65 / 100	65/100; diagnostic Reject at the current price because formal ROIIC evidence is incomplete and the base case does not underwrite a 20% annualized return without terminal multiple expansion.
Business Quality Score	Audited 60 / 80	60/80; FCF conversion, scale, runway, and management are strong, but book ROIC/ROIIC are not clean and moat/2046 durability remains YELLOW.
20% Return UW Score	Audited 5 / 20	5/20; base IRR is roughly 15.5% at a flat current P/E, while a 20% IRR needs about 26.4x base 2031 EPS or a materially lower entry price.

One-line thesis (or reason to pass): Booking is a high-cash-conversion travel marketplace whose base-case five-year EPS clears the P/E 15 bar, but the stock remains WATCH rather than BUY because AI/platform distribution risk keeps the moat at YELLOW and the audited 20% return case fails at today's price.

Kill / trigger criteria:

- BUY trigger: price below about $139 if the investor requires a 20% no-expansion base IRR; for the ER2 P/E 15 test alone, today's price already clears, but the qualitative gate is not clean.
- PASS triggers: two consecutive quarters with room-night growth below 4%, revenue growth below 7%, and marketing expense above 4.5% of gross bookings or adjusted EBITDA less capex margin below 34%.
- Upgrade to BUY conditions: direct/mobile/Genius room-night mix rises while marketing intensity holds or falls, merchant growth converts into stable or higher margins, and AI partner channels prove incremental rather than rent-extractive.

Position sizing if bought: 0% for now under ER2 BUY discipline; if upgraded after the moat monitor clears, cap at 2% of equity book until AI/platform distribution evidence improves.

Stage 0 - Time anchor

Today is 2026-05-28. Booking Holdings' fiscal year ends December 31. The most recently reported quarter is Q1 2026, ended March 31, 2026 and reported on April 28, 2026. The TTM anchor is Q2 2025 + Q3 2025 + Q4 2025 + Q1 2026, giving a TTM period ending 2026-03-31. The forward horizon is exactly five calendar years from that TTM end date: 2031-03-31. All "FY+5" references in this report mean TTM ending 2026-03-31 to TTM+5y ending 2031-03-31, not a six-fiscal-year shortcut from FY2025.

Stage 1 - Disqualifier sweep

ROIC persistently >=15% is green/yellow: standard book ROIC becomes hard to interpret after heavy repurchases drove book invested capital negative, but the asset-light economics and free cash generation are strong. FCF conversion is green: TTM FCF was about $9.0 billion and the data package shows cash conversion above accounting earnings. Net debt / EBITDA is green: leverage is modest relative to adjusted EBITDA less capex. End-markets are yellow/green: online travel has a structural runway but remains cyclical and exposed to regional disruption. Governance is green/yellow: no hard governance disqualifier, but regulatory and tax matters recur. AI disruption is yellow: Booking has the data, payments, service, and supplier layer, but upper-funnel travel discovery may shift toward horizontal AI or platform interfaces. Pricing power is green/yellow: marketplace scale and supplier demand support economics, but paid traffic, hotels' direct channels, Airbnb, Expedia, Google, and AI agents constrain take-rate upside.

Management

Management clears the ER2 gate. Glenn Fogel has a long operating tenure and owns the current strategy: merchant expansion, Connected Trip, direct/mobile/Genius engagement, AI-enabled service, and heavy capital returns. The management appendix gives credit for consistent per-share discipline: buybacks were $6.62 billion in 2022, $10.38 billion in 2023, $6.51 billion in 2024, and $6.44 billion in 2025, with another $3.77 billion in Q1 2026. Diluted shares fell from about 1,034 million split-adjusted in FY2021 to 816 million in FY2025 and 794 million in Q1 2026. Incentives are not perfect, especially because the compensation plan does not explicitly include ROIC, but the proxy evidence supports low dilution, meaningful executive ownership, anti-hedging and anti-pledging rules, clawbacks, and a credible board structure. The main watchpoints are CFO tenure, buyback price discipline, regulatory exposure, and whether Connected Trip/AI investment shows up in durable direct mix, frequency, and FCF per share.

Moat

The moat does not get a clean PASS. Booking has a real current moat in global accommodation supply, localization, trusted reviews, payments, customer service, direct/app usage, Genius loyalty, conversion data, and supplier demand generation. The financial evidence supports a meaningful advantage: TTM GAAP operating margin is above 30%, and segment adjusted EBITDA less capex margin improved from 32.9% in FY2023 to 36.6% in FY2025. The problem is the 2046 test. In a plausible 2046, Booking still monetizes the execution layer beneath AI-first travel interfaces: verified supply, real-time inventory, payments, fraud controls, cancellation/refund logic, customer service, identity, and local compliance. But that requires Booking to keep enough direct or execution economics while horizontal AI agents, Google, Apple, banks, suppliers, and other platforms compete for the travel-planning interface. Consumer switching costs are low and suppliers can multi-home. That makes the moat YELLOW: investable if monitored, not strong enough for an unqualified 20-year compounder BUY.

Stage 5 synthesis

The synthesis is mathematically clean. QF and QFR cleared the financial foundation, DR cleared the data package, the segment reviewer fixed source anchors without changing the segment rollup, and synthesis reports 11/11 tie-out checks passed. Booking has one reportable segment, so the combined build equals the Travel Reservation Services rollup. The segment model uses merchant, agency, and advertising/other as the only dollar-disclosed revenue pools; flights, attractions, Connected Trip, Genius, direct/mobile mix, payments, and AI are treated as drivers rather than invented revenue lines.

Case	Revenue ($B)	OI ($B)	OI margin	NI ($B)	EPS	EPS x 15	Vs. price
Bear	33.03	10.51	31.8%	7.37	11.02	165.31	-1.8%
Base	39.70	14.22	35.8%	10.38	15.52	232.77	38.2%
Bull	45.28	17.10	37.8%	12.80	19.14	287.03	70.5%

The base case clears the ER2 P/E <= 15 test. Required TTM+5y EPS at today's $168.37 price is $11.22; the base case reaches $15.52, giving a 38.2% cushion. This is not a fragile arithmetic pass. The share count path is explicit: 794 million starting diluted shares, $6.5 billion of annual buybacks at rising average prices, SBC issuance, and an ending diluted share count of 668.8 million. The model does not hide the per-share case in a flat-share shortcut.

The weakness is qualitative and return-hurdle related. The bear case does not clear the P/E 15 test, with $11.02 EPS mapping to $165.31 at 15x. The base case assumes revenue grows to $39.70 billion and operating margin expands to 35.8%, helped by merchant scale, direct/mobile mix, Genius retention, Connected Trip behavior, transformation savings, and AI/service automation. Red team correctly identifies that margin as the optimistic load-bearing number. If AI/search platforms capture more travel intent and charge rent, or if agency runoff is not replaced with profitable merchant growth, the base EPS cushion shrinks quickly.

Red team

The strongest bear case is not that Booking disappears. It is that Booking remains large and profitable while losing enough excess economics to make the current investment case ordinary. If AI/search platforms own more upper-funnel travel intent, merchant distribution could become more expensive just as agency economics structurally decline. Red team names the base 35.8% operating margin as the most likely Stage 5 number to prove optimistic, because it requires merchant scale, direct mix, AI automation, and transformation savings to offset agency runoff, payment costs, fraud/service costs, regulation, and platform rent. The exit signal is specific: rewrite or sell if two consecutive quarters show room-night growth below 4%, revenue growth below 7%, and marketing expense above 4.5% of gross bookings or adjusted EBITDA less capex margin below 34%.

Kill / trigger criteria

- Upgrade to BUY if the moat monitor improves: direct/mobile/Genius mix rises, marketing intensity holds or falls, merchant growth converts to stable or higher margins, and AI partner channels look incremental rather than rent-extractive.
- Keep WATCH if the base P/E 15 cushion remains intact but moat indicators are mixed.
- Downgrade to PASS if the red-team combined exit signal triggers, if merchant growth requires rising acquisition cost, or if AI/platform channels become the dominant source of incremental demand at lower margin.
- Use $139 as the practical 20% return watchlist price until audited return underwriting improves; that is the approximate CS audit lower-price threshold, not the ER2 P/E 15 threshold.

Analyst flags

The final verdict is WATCH, not BUY, despite the base-case P/E 15 pass. This is deliberate. ER2 is designed to avoid turning a good business at a reasonable price into a BUY when durability is unresolved. Management passes. Valuation passes on the ER2 five-year P/E 15 test. But the moat and 2046 gates are YELLOW, and the audited diagnostic Compounder Score is only 65/100 with a 5/20 valuation underwriting score. The audited score says the current price does not support a 20% annualized base-case return without terminal multiple expansion; reaching 20% would require either a materially lower entry price or about a 26.4x exit P/E on base 2031 EPS. That is not the same as saying BKNG is overvalued. It says the report should be used as a monitored WATCH entry, not as a clean Gideon BUY.

Appendix A - Company Primer

Booking Holdings - Company Primer

Stage 0 time anchor and source discipline

This primer is anchored as of May 28, 2026. Booking Holdings Inc. ("Booking," "BKNG," or "the company") uses a calendar fiscal year ending December 31. The most recently reported quarter is Q1 2026, ended March 31, 2026 and reported April 28, 2026. The TTM bridge used by the ER2 quantitative foundation is Q2 2025 plus Q3 2025 plus Q4 2025 plus Q1 2026, producing a TTM period ended March 31, 2026. The forward horizon for downstream work is TTM plus five calendar years, ending March 31, 2031.

All financial figures in this primer are sourced from `quant_foundation.md`, which is the controlling quantitative source for this run. The file reports that the quantitative foundation cleared reconciliation with 8 of 8 checks passed. `data_package.md` existed during this work but was only an in-progress placeholder, so qualitative context comes from live primary sources: Booking's 2025 Form 10-K, Q1 2026 Form 10-Q, Q1 2026 earnings release, Booking Holdings' company factsheet, and live FMP stable endpoint pulls for product revenue and the Q1 2026 earnings-call transcript. No local data warehouse cache was used or substituted.

Business overview

Booking Holdings is an online travel and related services platform company. Its core role is to connect travelers with travel service providers - hotels, alternative accommodations, airlines, rental car providers, airport taxi operators, tour and activity suppliers, cruise providers, and restaurants - through digital consumer brands and partner tools. The company's stated mission is to make travel easier; the SEC-filed business description says Booking aims to provide travelers with planning, payment, language, and other options that connect them with supplier partners. The five primary consumer-facing brands are Booking.com, Priceline, Agoda, KAYAK, and OpenTable, with Booking.com the largest accommodation engine, Priceline historically U.S.-focused, Agoda focused primarily on Asia-Pacific, KAYAK focused on travel metasearch, and OpenTable focused on restaurant reservations and restaurant management tools. The company factsheet describes Booking Holdings as operating in more than 220 countries and territories and more than 40 languages.

The customer base is two-sided. On the demand side, the customer is a traveler, diner, or travel shopper who wants broad inventory, competitive pricing, flexible payment options, local language support, mobile access, and a reliable way to manage the booking. On the supply side, the customer is a travel service provider or restaurant that wants demand generation, conversion, payments, marketing reach, reservation management, and customer communication. The consumer usually does not sign a long-term contract with Booking; the traveler arrives through the app, website, metasearch, paid search, social, email, affiliate, or a direct brand relationship, searches inventory, and books. The partner relationship is more contractual: suppliers make inventory available through Booking's platforms and pay a commission, margin, click/referral fee, reservation fee, subscription fee, or advertising charge depending on product and brand.

The main problem Booking solves is fragmented travel discovery and transaction execution. A traveler may want lodging, flights, ground transport, activities, payments, modifications, customer support, and loyalty benefits in one trip. A hotel or alternative accommodation owner wants global demand but may lack the technology, marketing scale, payment infrastructure, language support, or conversion optimization to reach travelers efficiently. Booking sits between those parties and monetizes completed travel, facilitated payments, advertising/referrals, and restaurant software/reservations. Its scale matters because more travelers make the platform more valuable to suppliers, and deeper supply makes the platform more useful to travelers. This is the basic marketplace flywheel.

The business is primarily self-serve for consumers. A traveler can book directly through mobile apps and websites without a salesperson. The company also depends on paid distribution and third-party platforms, especially search engines and digital advertising channels, to acquire traffic. A major strategic priority is increasing the direct mix: room nights booked by travelers coming directly to Booking's platforms were a mid-fifties percentage in 2025 according to the 10-K, and mobile apps were also a mid-fifties percentage of room nights. The app channel is strategically valuable because it travels with the customer, supports direct repeat behavior, and gives Booking more room to deliver the "Connected Trip" experience.

For partners, Booking's go-to-market includes scalable onboarding, account management, and partner tools. The company provides marketplace distribution, pricing and availability tools, payments, merchandising capabilities, customer communication, and operational products. The partner value proposition is incremental demand. Booking's risk is that

partners can multi-home across other online travel agencies, direct channels, wholesalers, metasearch, and search platforms; therefore, Booking must show that the revenue and convenience it delivers justify take rates, payment costs, and channel dependence.

Revenue architecture

Booking has one reportable segment: Travel Reservation Services. QF notes that Booking's operating segments are aggregated into one reportable segment and that the reported product/revenue lines are merchant revenue, agency revenue, and advertising and other revenue. In FY2025, total revenue was $26.917 billion. The revenue mix was: merchant revenue of $17.755 billion, or 66.0% of total; agency revenue of $7.968 billion, or 29.6% of total; and advertising and other revenue of $1.194 billion, or 4.4% of total. In TTM ended March 31, 2026, revenue was $27.687 billion, with merchant revenue of $18.535 billion, agency revenue of $7.932 billion, and advertising and other revenue of $1.220 billion.

Merchant revenue is the largest and fastest-growing product line. In merchant transactions, Booking facilitates payment from the traveler, generally at the time of booking, and recognizes commissions, net transaction revenue, payment facilitation revenue, customer processing fees, and ancillary revenue such as travel-related insurance. The economic distinction is that Booking touches the payment flow and may collect cash before the stay or travel service is fulfilled. That gives the company more control over payment options, currency, timing, refund workflows, and bundled travel experiences. Merchant revenue rose from $14.142 billion in FY2024 to $17.755 billion in FY2025, a 25.5% increase in QF/10-K figures. The merchant mix has been rising because Booking.com is shifting more accommodation and non-accommodation bookings to merchant payment models, and because flights and other Connected Trip verticals often benefit from integrated payments.

Agency revenue is generated when Booking does not facilitate the traveler payment. The supplier generally collects from the traveler, and Booking earns a commission for the travel-related transaction. Agency revenue is mostly Booking.com accommodation commission revenue. The agency model is lighter operationally because Booking does not bear the same payment processing flow or merchant transaction costs, but it gives the company less control over traveler payment experience, currency handling, service bundling, and some post-booking workflows. In FY2025, agency revenue was $7.968 billion, down from $8.524 billion in FY2024. This decline is not primarily a sign of a shrinking accommodation platform; it reflects the migration from agency to merchant transactions at Booking.com. For investors, the agency-to-merchant mix shift can make headline revenue, gross booking take rate, working capital, and sales-and-other expense ratios move in ways that are not simply volume-driven.

Advertising and other revenue is smaller but strategically useful. It includes KAYAK referral and advertising revenue, OpenTable restaurant reservation and restaurant management services, and advertising placements from other brands. KAYAK monetizes travel intent by referring consumers to online travel companies and travel service providers or by selling advertising placements. OpenTable monetizes seated diners and restaurant management subscriptions. Advertising and other revenue was $1.194 billion in FY2025, up 11.3% from FY2024, due to OpenTable growth and advertising revenue growth at Booking.com per the 10-K discussion. This line is only 4.4% of revenue, but it broadens the ecosystem beyond lodging and supports customer acquisition, restaurant demand, and travel discovery.

Geographically, Booking is global but heavily international. The 2025 10-K says businesses outside the U.S. represent a substantial majority of financial results, with foreign exchange exposure principally related to the euro and British pound. Booking.com is headquartered in Amsterdam and is a global accommodation leader; Agoda is headquartered in Singapore and is particularly important in Asia-Pacific; Priceline and OpenTable are more U.S.-weighted; and KAYAK operates metasearch in over 60 countries and territories. QF does not provide a revenue-by-region table, so this primer avoids allocating revenue by geography. The qualitative architecture is still clear: Europe is historically central to Booking.com's scale, Asia is a major structural growth region through Booking.com and Agoda, and the U.S. is an investment and share-gain target.

The company remains overwhelmingly accommodation-driven. The 2025 10-K states that about 89% of revenue in 2025, 2024, and 2023 related to online accommodation reservation services, with all other online travel services and advertising/other individually below 10% of revenue. Non-accommodation verticals matter because they expand the trip wallet and support the Connected Trip strategy, but the economic engine is still lodging. In 2025, Booking.com had about 4.4 million total properties, including about 3.9 million alternative accommodation properties and about 500,000 hotels, motels, and resorts. Alternative accommodations were about 36% of Booking.com's room nights in 2025, up from about 35% in 2024, indicating that homes, apartments, and other non-hotel stays are not a side product.

Unit economics

Booking's unit economics start with gross bookings and end with revenue after supplier obligations, merchandising, payment economics, marketing, service costs, personnel, technology, compliance, taxes, and other corporate expenses. Gross bookings measure the total dollar value of travel services booked through the online travel company brands, generally including taxes and fees and net of cancellations. In FY2025, total gross bookings were $186.107 billion, with merchant gross bookings of $130.025 billion and agency gross bookings of $56.082 billion. Revenue was $26.917 billion, or 14.5% of total gross bookings. The implied revenue take rate is not a simple price because it blends accommodation commissions, merchant net margins, flight bookings with lower revenue per gross booking dollar, payments revenue, insurance, advertising, restaurant software, cancellations, currency effects, and product mix.

The largest variable cost is marketing. FY2025 marketing expense was $8.186 billion, equal to 30.4% of revenue and 4.4% of gross bookings. Marketing includes performance marketing and brand marketing. Performance marketing is tied to paid traffic channels where Booking pays to acquire demand, often around search, metasearch, social, and other digital advertising inventory. Brand marketing is intended to build awareness and direct demand. The business improves structurally when more travelers book directly through apps or websites because direct bookings can reduce dependency on paid traffic. However, direct mix does not remove the need to invest in brand, product, loyalty, and service quality.

Sales and other expenses are the next key variable cost line. FY2025 sales and other expenses were $3.453 billion, equal to 12.8% of revenue. These expenses include credit card and payment processing fees associated with merchant transactions, third-party customer service, digital services taxes and similar taxes, chargeback provisions and fraud prevention expenses, expected credit loss provisions, and customer relations costs. The merchant shift increases this line because Booking processes more payments and absorbs more payment-related costs, but the shift can also deepen control over the customer experience, unlock payment revenue, support alternative accommodations and flights, and enable broader trip bundling. That is the central merchant economics tradeoff.

Personnel expenses were $3.321 billion in FY2025 at the segment level, and the company had about 24,300 employees at year-end. Personnel supports engineering, product, partner services, customer service, regional operations, compliance, finance, and management. Information technology, general and administrative, and other operating costs are meaningful but not capital-heavy in the way industrial businesses are. QF reports FY2025 segment adjusted EBITDA less capex of $9.852 billion, a 36.6% segment margin; Q1 2026 segment adjusted EBITDA less capex was $1.262 billion. The TTM ended March 31, 2026 had segment adjusted EBITDA less capex of $10.071 billion and free cash flow of $9.033 billion.

Capital intensity is low. QF reports FY2025 operating cash flow of $9.409 billion, capex cash paid of $322 million, and free cash flow of $9.087 billion. TTM operating cash flow was $9.341 billion and capex was $308 million, producing a 32.6% TTM free cash flow margin. The difference between accounting profit and free cash flow is affected by working capital, deferred merchant bookings, non-cash items, stock-based compensation, depreciation, foreign currency effects, tax timing, and share-based compensation. The main point for a primer reader is that Booking's model converts revenue into cash at a high rate because it is a digital marketplace with limited physical capital requirements.

There are important timing dynamics. Marketing expense is typically recognized when the gross booking is generated, while revenue is recognized when travel begins, such as hotel check-in. Since accommodation check-ins in Europe and North America are highest in the third quarter and lowest in the first quarter, profitability is seasonally highest in Q3 and lowest in Q1. Cancellations can also harm marketing efficiency because Booking may have incurred performance marketing expense for a booking that is later canceled. This mattered in Q1 2026, when the Middle East conflict increased cancellations and lowered new bookings in affected travel corridors.

The model benefits from scale but is not free from cost pressure. Search and social advertising prices, performance marketing ROI, direct channel mix, mobile mix, foreign exchange, ADRs, cancellation rates, customer service contacts, payments mix, fraud, chargebacks, regulatory fees, and product mix all influence margins. Management noted in the Q1 2026 live FMP transcript that AI-assisted automation helped Agoda deliver a double-digit year-over-year reduction in customer service cost per booking. That illustrates the kind of operating leverage Booking seeks: use data, AI, self-service, and platform scale to absorb complexity without letting service cost grow as fast as transaction volume.

Operating drivers and KPIs

The core operating KPIs are room nights, gross bookings, airline tickets, rental car days, direct mix, mobile mix, merchant mix, take rate, marketing efficiency, cancellation rates, and adjusted EBITDA/free cash flow conversion. In FY2025, Booking reserved 1.235 billion room nights, 88 million rental car days, and 68 million airline tickets. Room nights grew 8.0%, rental car days grew 5.8%, and airline tickets grew 36.6%. Gross bookings grew 12.4% to $186.107 billion. These figures show the core lodging engine still growing while flights expand from a smaller base as part of the Connected Trip strategy.

In Q1 2026, room nights were 338 million, up 5.9% year over year; gross bookings were $53.758 billion, up 15.2%; revenue was $5.532 billion, up 16.2%; and free cash flow was $3.108 billion. The Middle East conflict reduced room night growth by about two percentage points and affected gross bookings similarly. The quarter still showed strong merchant growth: merchant gross bookings rose 24.3% while agency gross bookings declined 3.1%. Merchant revenue rose 26.7% while agency revenue declined 2.3%. The Q1 data reinforce the secular mix shift already visible in FY2025.

Direct and mobile are strategic KPIs because they affect lifetime value and acquisition cost. The 10-K states that direct room nights were a mid-fifties percentage in 2025, higher year over year, and that mobile app room nights were also a mid-fifties percentage, up from low-fifties in 2024. The app can support notifications, itinerary management, payment, cancellation, customer service, loyalty, and in-trip cross-sell. The caveat is that mobile transactions may have lower revenue than desktop transactions because app users may book shorter stays and lower ADR accommodations. The value of mobile must therefore be assessed through retention, frequency, marketing efficiency, and cross-sell rather than only take rate per transaction.

Supply depth is another operating driver. Booking.com's 4.4 million properties and 3.9 million alternative accommodations give consumers broad choice and help the platform compete with hotel-direct channels and alternative accommodation specialists. The company also warns that alternative accommodations can carry lower margins and more operational complexity because of customer service, partner quality, safety, liability, local regulation, verification, and compliance requirements. This is a good example of Booking's general pattern: new supply and vertical expansion can grow the addressable opportunity, but incremental growth can come with different cost and risk characteristics.

Strategy

Booking's strategy has four main pillars: strengthen the core accommodation marketplace, grow in underpenetrated geographies, build the Connected Trip, and apply AI to traveler experience, partner value, and internal efficiency. The core marketplace remains the profit pool. Europe and Asia drove 2025 room-night growth, and the Q1 2026 filing again cited increased travel demand in Europe, Asia, and the U.S., partly offset by Rest of World weakness due to the Middle East. Management said in the Q1 2026 live FMP transcript that U.S. room-night growth accelerated for a fourth consecutive quarter to the low teens, driven primarily by domestic demand, and that Asia room-night growth was high single digits with intra-Asia travel low double digits. These are qualitative management claims rather than QF numbers, but they frame the current growth debate.

The Connected Trip is the most important product strategy. Booking defines it as a differentiated and personalized planning, booking, payment, and in-trip experience, enhanced by loyalty. The goal is to move from a single hotel booking to more of the trip wallet: accommodation, flights, cars, taxis, attractions, activities, payments, customer service, and restaurant reservations. In the 2025 10-K, flight ticket growth was 37% and attraction ticket growth was about 80% off a small base. In Q1 2026, airline tickets grew 28.5%, and flight gross bookings grew 25%. Flights may dilute revenue as a percentage of gross bookings because flights have lower revenue yield than lodging, but they can make Booking more useful at the itinerary level and create cross-sell opportunities.

Genius loyalty is central to the Connected Trip. Unlike many points-heavy programs, Genius emphasizes immediate benefits such as discounts, free breakfast, or room upgrades at the point of booking. In the Q1 2026 live FMP transcript, management said Level 2 and Level 3 Genius members represented over 30% of the active base and accounted for a high-50% share of room nights over the last four quarters. The strategic idea is simple: if Booking can combine loyalty, payment, personalization, supply breadth, and multi-vertical trip management, it can increase repeat direct demand and reduce reliance on paid acquisition.

AI is both a product opportunity and a distribution risk. Booking is building consumer-facing AI features such as Priceline's Penny, Booking.com natural-language search, smart filters, OpenTable AI concierge, and partner/customer-service automation. Management also described relationships with OpenAI, Google, Anthropic, and Amazon in the Q1 transcript. The opportunity is higher conversion, faster search, better personalization, lower customer service cost, and easier digital adoption by travelers who previously found travel planning complex. The risk is that AI answer engines, mobile operating systems, app stores, search platforms, or other large technology companies capture more travel intent before it reaches Booking. The 10-K explicitly warns that third-party platforms increasingly incorporate AI features that may satisfy user intent without directing users to Booking's services or may favor affiliated offerings.

Competitive position

Booking competes globally with online travel agencies, metasearch platforms, hotel-direct channels, airline-direct channels, alternative accommodation platforms, restaurant reservation platforms, search engines, app stores, super-apps, credit-card

travel portals, and emerging AI agents. Its key advantages are global scale, brand awareness, accommodation supply depth, performance marketing expertise, localization, multi-brand coverage, direct app traffic, and cash generation. Booking.com is especially strong in European accommodations; Agoda adds Asia localization; Priceline gives U.S. consumer reach; KAYAK provides metasearch; and OpenTable gives restaurant demand and software exposure.

The company also has structural vulnerabilities. Consumers are price-sensitive and can compare across platforms. Suppliers can push direct booking or allocate inventory across channels. Paid traffic platforms can raise prices, change algorithms, insert AI answers, or favor their own products. Large hotel chains can use loyalty programs to pull demand direct. Airbnb and regional alternative accommodation platforms compete for non-hotel stays. Expedia, Trip.com, Google Travel, Airbnb, hotel chains, airline websites, credit-card portals, and local champions all constrain take rate and marketing efficiency. In some markets, local consumer preferences and local payment methods matter as much as global brand.

Booking's long-run defense is not only that it is large; it is that it can convert scale into better product experimentation, broader supply, more localized payment and language options, and better marketing ROI. Management frequently emphasizes testing discipline. The live Q1 transcript framed AI rollout as a testing and regulatory-quality issue rather than a compute bottleneck. That mindset fits the company's historical operating culture: test changes, measure conversion and cancellation, scale what works, and avoid exposing too many customers to unfinished flows.

Regulation, tax, and other risks

Regulation is a central part of the BKNG investment case. Booking is subject to competition, consumer protection, online commerce, data privacy, payments, tax, short-term rental, and platform regulation across many jurisdictions. The 2025 10-K says the European Commission designated Booking Holdings as a "gatekeeper" under the Digital Markets Act and Booking.com as a "Very Large Online Platform" under the Digital Services Act. These designations can impose obligations and compliance costs that may not apply equally to smaller competitors.

Competition-law scrutiny includes parity arrangements, pricing tools, ranking criteria, search result disclosures, price display, discounting, and consumer claims. The 10-K notes past and current investigations and commitments. Alternative accommodations bring local licensing and registration rules, safety and verification risks, and potential liability. The Q1 2026 10-Q added a specific Middle East conflict risk factor, noting increased cancellations, slower growth in new bookings, potential disruption to flight supply and energy prices, elevated consumer prices, employee safety, and cybersecurity risk.

Tax is another major risk and a source of historical benefit. Booking.com has qualified for the Netherlands Innovation Box Tax, under which certain qualifying innovative income is taxed at 9% rather than the Dutch statutory 25.8% rate. The 10-K says this had a significant beneficial impact on effective tax rates in 2025 and 2024. Changes to international tax rules, OECD minimum tax frameworks, digital services taxes, VAT in the digital age proposals, permanent establishment rules, and country-level tax disputes could raise Booking's tax burden or compliance cost. FY2025 GAAP operating income also included a $457 million impairment, and QF explicitly notes that FMP excluded this impairment in its FY2025 operating income figure; SEC GAAP operating income controls.

Capital allocation and financial profile

Booking is a high-cash-generation business with modest capital intensity and large shareholder returns. QF reports TTM revenue of $27.687 billion, GAAP operating income of $9.034 billion, net income of $6.154 billion, operating cash flow of $9.341 billion, capex of $308 million, and free cash flow of $9.033 billion. Latest cash and long-term investments at March 31, 2026 were $16.497 billion, debt carrying value was $18.413 billion, and net debt was $1.916 billion, only 0.19x TTM segment adjusted EBITDA less capex.

The company returns capital mainly through repurchases and dividends while maintaining flexibility for organic investment and acquisitions. In Q1 2026, the company repurchased $3.6 billion of stock and had $18.2 billion of remaining repurchase authorization at March 31, 2026. The board also declared a post-split $0.42 per-share quarterly cash dividend payable June 30, 2026 to holders of record as of June 5, 2026. The Q1 release notes a 25-for-1 stock split effective April 2, 2026, with share and per-share information retroactively adjusted.

The balance sheet has negative stockholders' equity due primarily to cumulative repurchases, not because the business lacks cash generation. That accounting deficit should be evaluated alongside cash, investments, debt maturity structure, free cash flow, and repurchase discipline. For long-term investors, capital allocation quality depends on whether management repurchases stock below intrinsic value while still investing adequately in product, AI, partner tools, geographic expansion, and compliance.

What to monitor

For future ER2 work, the most important operating watch items are: room-night growth by region, merchant mix, direct and mobile mix, marketing expense as a percentage of gross bookings and revenue, sales-and-other expense as merchant transactions scale, cancellation rates, flight and attraction growth versus margin dilution, alternative accommodation supply and regulatory developments, and AI-driven changes in travel discovery. For financial modeling, monitor whether TTM free cash flow margins around the low-30% range are durable as merchant payments, flights, customer service, regulation, and AI investment grow.

The investment debate is likely to center on whether Booking can preserve high marketplace returns while expanding from accommodation reservations into a broader AI-enabled travel platform. The bull case is that Booking's brand, supply, direct traffic, payments capability, Genius loyalty, and data scale compound into a larger share of trip wallet and stronger direct economics. The bear case is that incremental growth comes from lower-yield verticals, higher merchant costs, higher regulatory burden, and more expensive traffic as AI and platform owners intermediate travel discovery. The neutral starting point is that BKNG remains a global, cash-rich, accommodation-led travel marketplace, but future returns depend on whether the Connected Trip and AI strategies improve loyalty and efficiency faster than competitive and regulatory forces erode take rate and margin.

Source log

Primary quantitative source: `C:\Users\Admin\OneDrive\GPT\ER 2.0\Booking Holdings\quant_foundation.md`.

Live FMP stable endpoints used: `/stable/revenue-product-segmentation?symbol=BKNG&period=annual`, `/stable/revenue-product-segmentation?symbol=BKNG&period=quarter`, `/stable/earning-call-transcript?symbol=BKNG&year=2026&quarter=1`, and `/stable/financial-reports-form-10-k-json?symbol=BKNG&year=2025&period=FY`.

Live primary-source URLs used: SEC 2025 Form 10-K at https://www.sec.gov/Archives/edgar/data/1075531/000107553126000009/bkng-20251231.htm; SEC Q1 2026 Form 10-Q at https://www.sec.gov/Archives/edgar/data/1075531/000107553126000025/bkng-20260331.htm; SEC Q1 2026 earnings release Exhibit 99.1 at https://www.sec.gov/Archives/edgar/data/1075531/000107553126000024/q1-26bkngearningsrelease.htm; Booking Holdings factsheet at https://www.bookingholdings.com/about/factsheet/.

Appendix M - Management Assessment

Booking Holdings (BKNG) - Management Assessment

Source discipline and gate

This appendix uses the cleared ER2 data package dated 2026-05-28 for capital allocation and recent corporate actions, specifically Section 7 and Section 9. Management-specific source work added here used live pulls during this run: the 2026 DEF 14A from SEC EDGAR, the 2025 10-K from SEC EDGAR already live-fetched into the workdir, eight FMP live transcript pulls for Q2 2024 through Q1 2026, Booking Holdings' official leadership page, and SEC Form 4 filings from the last twelve months. No local data warehouse source was used.

Management gate: PASS. Booking is run by a long-tenured operator-capital allocator with a coherent strategic frame, strong per-share discipline, credible governance, and acceptable candor on the load-bearing questions. The gate is not perfect: the CFO has only been in seat since March 2024, compensation does not explicitly include ROIC, regulatory issues remain a recurring tax on management time, and buybacks at high absolute prices require continued judgment. Those are monitoring items, not enough to block the management gate.

1. Who is running the company

Glenn D. Fogel is President and Chief Executive Officer of Booking Holdings, a director since 2017, and CEO of Booking.com since 2019. Booking's official leadership page says he has been CEO and President since January 2017, previously led worldwide strategy and planning from 2010 to 2016, served as EVP corporate development from 2009 to 2016, and joined the company in February 2000. The proxy adds that he led corporate development for more than fifteen years and completed the acquisitions of Booking.com, Agoda, KAYAK, and OpenTable, among others. That matters for this company because the current operating shape is not a hired-manager inheritance; Fogel helped assemble the portfolio and now owns the shift from an agency-led lodging marketplace to a payments-enabled, multi-vertical travel platform.

Ewout Steenbergen is Executive Vice President and Chief Financial Officer. Booking's official leadership page and the proxy state that he became CFO on March 15, 2024. His prior roles include CFO of S&P Global from 2016, President of Engineering Solutions after the IHS Markit merger, leadership of Kensho Technologies from 2018, and CFO of Voya Financial before S&P. The in-seat record at Booking is shorter than Fogel's, but the background is relevant: S&P Global required subscription economics, capital allocation, integration discipline, and data/AI exposure. In 2025 the compensation committee credited him with leadership of the Transformation Program, financial planning, liquidity management, and investment-capacity creation.

The material brand leaders are mostly operators rather than public-company named executive officers. Booking's official leadership page lists Fogel as Booking.com CEO; Brigit Zimmerman as Priceline CEO after joining Priceline in 2013 and serving as Chief Commercial Officer from 2022; Peer Bueller as KAYAK CEO after a 14-year company history and prior CFO/COO role; Omri Morgenshtern as Agoda CEO since July 2022 after serving as COO from 2018 to 2022 and joining through the Qlika acquisition; and Debby Soo as OpenTable CEO after a decade building KAYAK's commercial and APAC businesses. The segment structure is one reportable segment, Travel Reservation Services, so the key question is less segment autonomy and more whether brand-level leaders can execute local supply, payments, loyalty, and AI product work inside a common strategic architecture.

Board oversight is credible. The 2026 proxy says the board had twelve directors before Lynn Radakovich's retirement and would reduce to eleven directors after the 2026 annual meeting. Ten of the eleven nominees are independent. Robert J. Mylod Jr. is Board Chair and has deep company history as former Vice Chair, strategy head, and CFO. Charles H. Noski is Lead Independent Director since June 2020, chairs corporate governance, and has heavyweight public-company audit, finance, and board experience. The board committees are independent, and the company has annual elections, majority voting, proxy access, written consent rights, special meeting rights at 25%, no poison pill, and no supermajority voting provisions. The only governance caution is tenure: several directors have long service, and Mylod's prior executive history means investors should keep independence culture under review. The counterweight is meaningful refreshment: recent additions include Kelly Grier in 2023 and Kurt Sievers in 2026, with average nominee tenure disclosed at 6.9 years.

2. Tenure and track record

Fogel has been CEO for more than nine years and an executive at the company for more than twenty-six. He clearly owns the current strategy. Three major decisions define the record.

First, the merchant/payments pivot. Booking's product revenue mix changed materially from FY2021 to FY2025: merchant revenue rose from $3.70 billion, or 33.7% of revenue, to $17.75 billion, or 66.0% of revenue, while agency revenue fell from 60.8% to 29.6%. This was not just accounting reclassification. It created the payments foundation needed for packages, flights, attractions, loyalty, merchandising, and post-booking service. On the Q1 2026 call, management said merchant gross bookings represented about 72% of total gross bookings and framed payments as a core Connected Trip enabler that adds incremental revenue and contribution dollars. That is strategically coherent, but it also raises payment cost, chargeback, fraud, and working-capital complexity. So far the numbers say the decision worked: FY2025 revenue was $26.92 billion, adjusted segment EBITDA less capex margin was 36.6%, and TTM FCF was about $9.03 billion per the data package.

Second, the Connected Trip and vertical expansion decision. Flights, attractions, alternative accommodations, loyalty, and direct/mobile mix are KPI-only disclosures, not separate revenue pools, but the operating trend is visible. The data package shows flight tickets up 44%, 32%, 28%, and 28% in Q2 2025 through Q1 2026, attractions growing from a smaller base, and Connected Trip transactions growing materially faster than room nights. Fogel's transcript answers consistently describe these products as frequency, direct traffic, and merchandising enablers rather than as stand-alone segment claims. That is the right framing. It avoids the common platform mistake of inventing revenue pools before disclosure supports them.

Third, Fogel has chosen to protect per-share value through heavy repurchases rather than splashy M&A. Since the post-pandemic recovery, the company has returned capital aggressively: buybacks were $6.62 billion in 2022, $10.38 billion in 2023, $6.51 billion in 2024, and $6.44 billion in 2025, with dividends beginning in 2024 and $1.25 billion of dividends in 2025. The data package shows diluted share count falling from 1,034 million split-adjusted shares in FY2021 to 816 million in FY2025. That is a real per-share compounding engine. The watchpoint is price sensitivity. The company repurchased through a very strong share-price period and does not disclose a granular intrinsic-value framework. The evidence supports disciplined capital return, but not conclusively opportunistic repurchase timing.

The decision that did not work cleanly is regulatory and tax exposure, not an operating product bet. The 2025 10-K and recent filings include competition, indirect tax, and other regulatory costs, including the Q3 2025 impairment noted in the data package. Management does not hide the exposures in filings, but the recurrence of European and tax matters is a structural governance and operating burden.

3. Capital allocation behavior

The capital-allocation pattern is simple and mostly attractive. Capex intensity stayed low: $0.30 billion in 2021, $0.37 billion in 2022, $0.34 billion in 2023, $0.43 billion in 2024, and $0.32 billion in 2025. Capex/revenue fell from 2.8% to 1.2% over that period. Booking does not disclose R&D as a separate GAAP line; technology, AI, cloud, and product work run through personnel, IT, cloud, and operating lines. That is important: no one should create a fake R&D series or compare Booking to software companies on explicit R&D intensity.

M&A has been quiet recently. The data package shows a material FY2021 acquisition outflow and no major annual acquisition outflows afterward. This is positive for a business with already strong organic network economics. Fogel's earlier career included corporate development and the acquisitions that built the brand portfolio, but the last five years show capital restraint rather than serial deal-making. The company is using internal product work, payments, loyalty, supply expansion, and AI partnerships to extend the platform.

Buybacks are the dominant capital-allocation line. The company repurchased $30.11 billion of stock from 2021 through 2025 and repurchased another $3.6 billion in Q1 2026, leaving $18.2 billion of remaining authorization after Q1 according to the data package. Dividends began in 2024 and were increased 9.4% per pre-split share for 2026. The dividend is not the thesis; it is a signaling and shareholder-base broadening tool. The actual compounding mechanism remains high FCF conversion plus repurchases.

The balance sheet supports this behavior. Q1 2026 net debt after long-term investments was only about $1.92 billion, roughly 0.19x TTM adjusted EBITDA less capex. The company issued new dollar and euro notes in May 2026, but not from a position of stress. The use of debt to optimize liquidity while continuing buybacks is acceptable so long as travel cyclicality, regulatory liabilities, and payments working capital are respected.

4. Compensation alignment

Compensation is better than average for a large-cap internet travel company. The 2026 proxy says NEO long-term incentives are generally 60% PSUs and 40% RSUs. PSUs have three-year Revenue and Compensation EBITDA goals, a relative TSR modifier of plus or minus 25%, an absolute TSR governor that caps payout at target unless absolute TSR is positive, and a

maximum payout of two times target. The 2025 PSU targets for the three-year period ending December 31, 2027 require $81.7 billion of revenue and $28.1 billion of Compensation EBITDA for target, and more than $85.3 billion of revenue and $30.3 billion of Compensation EBITDA for two times target, subject to the TSR mechanics. The short-term bonus plan used Revenue and Compensation EBITDA equally weighted, funded at 1.62x target in 2025, below the 2.0x cap.

The positives are meaningful. Compensation EBITDA includes stock-based compensation expense, excludes acquisitions not in the original targets to reduce "buying results," excludes FX changes versus target-setting, and expenses capex in the metric. That is more rigorous than adjusted EBITDA alone. Stockholder dilution from equity incentive programs was about 0.4% in 2025 and less than 3% cumulatively over five years, which is disciplined given the market cap and talent base. The proxy also says Booking includes the negative impact of SBC in the profit metrics highlighted in earnings reports, which reduces SBC opacity.

The gap is ROIC. A pure ROIC metric is hard here because repurchases have driven book equity and invested capital negative, making standard book ROIC not meaningful after FY2022. Still, management could use an adjusted capital metric, FCF per share, or incremental FCF return. The current plan rewards revenue, adjusted profit, TSR, and retention. It is aligned, but it can still reward high-price repurchases if TSR is favorable and revenue/profit targets are met.

Ownership alignment is strong. The proxy's ownership-guideline table shows Fogel owning 537,900 split-adjusted shares worth $92.37 million as of March 16, 2026 for guideline purposes, against a six-times-salary requirement. Steenbergen owned 27,275 shares worth $4.68 million against a three-times-salary requirement. The beneficial ownership table shows Fogel with 537,900 shares and Steenbergen with 50,150 shares. Executives must retain at least 50% of after-tax shares from equity vesting until they satisfy guidelines. Hedging, short-selling, margin buying without cash coverage, short-term trading, and pledging by NEOs and directors are prohibited. Booking has both an incentive-based compensation clawback policy and a Financial Restatement Recovery Policy aligned with SEC requirements.

5. Disclosure quality and candor

The last eight quarters of transcripts show a management team that usually answers the actual question, gives some numbers, and avoids pretending uncertainty does not exist. The calls are not maximally transparent: Booking still withholds revenue dollars for flights, attractions, Connected Trip, alternative accommodations by geography, and direct/mobile economics. But the company is explicit that these are drivers rather than separate segment revenue lines.

On difficult macro and travel-demand questions, Fogel and Steenbergen are direct enough. In Q2 2024, when asked about booking-window tightening, Fogel admitted he did not have a proven causal explanation and framed it as a timing factor rather than a demand thesis. In Q3 2024, when Europe reaccelerated after moderation, Steenbergen separated timing effects from underlying demand and proposition strength. In Q1 2026, when asked if U.S. caution reflected economic softness rather than Middle East disruption, Fogel deferred data detail to Steenbergen rather than overclaiming. This is a good sign: the answers distinguish what management knows from what it infers.

On AI, the transcript record is especially useful because analysts repeatedly asked whether OpenAI, Google, and other agents could disintermediate Booking. Management did not dismiss the risk. In Q4 2024, Fogel acknowledged the long-term risk that large agents could pull more discovery away from Booking, and said partnership terms, proprietary data, and economics would matter. In Q1 2025, he framed vertical-specific and broad AI agents as coexistence rather than either/or. In Q3 2025, when asked about OpenAI app integration economics and traffic mix, he said it was early and did not force a financial claim. In Q1 2026, he became more constructive about AI platforms moving toward performance marketing, which is plausible given Booking's long experience with paid search, but still not proven. The candor grade here is above average because management names the issue and refuses to quantify what it cannot yet measure.

On margins and reinvestment, management is clear about tradeoffs. In Q4 2025, after marketing deleverage, Fogel said they would be tactical when returns justify spend. Steenbergen then described investment buckets across core OTA, advertising, social, app, AI, payments, and verticals. That is a better explanation than generic "growth investment" language. The 2025 Transformation Program also improved credibility: the company said it reached about $550 million of annual run-rate savings by year-end 2025 and is using savings to fund growth investments, not just near-term margin display.

Hedged language appears in most quarters because travel is exposed to macro, FX, geopolitical, and regional disruption. I count Q2 2024, Q3 2024, Q1 2025, Q2 2025, Q3 2025, Q4 2025, and Q1 2026 as using explicit hedging around demand, FX, competition, or AI. The language is not evasive by itself. The important distinction is that management often pairs hedging with operating metrics: room nights, gross bookings, merchant mix, flight ticket growth, attractions ticket growth, direct mix, or guidance ranges.

6. Strategic coherence

Booking's stated mission is stable: "make it easier for everyone to experience the world." The 2025 10-K strategy section says the company aims to make it easy to plan, find, book, pay for, and experience travel; provide comprehensive choices and value; create AI-powered consumer and partner offerings; offer tools and insights to partners; and operate sustainably. That matches the investment pattern. Payments support merchant mix and Connected Trip. Flights and attractions support multi-vertical engagement. Genius supports loyalty and direct frequency. AI product work supports planning, service resolution, conversion, and partner tools. The Transformation Program funds reinvestment capacity.

The strategy is not a sequence of pivots. It is a long-running attempt to convert a lodging marketplace into a broader travel operating system. The risk is that the full Connected Trip promise has been discussed for years while revenue disclosure remains consolidated. But the operating evidence is gradually improving: merchant bookings are now majority mix, flights and attractions are growing rapidly from smaller bases, Connected Trip transactions are growing faster than total transactions, and Genius penetration is rising. The investment pattern is therefore consistent with the narrative.

Management names competitive threats more directly than many large-cap internet companies. The 10-K risk factors discuss intense competition, online and offline channels, alternative accommodations, metasearch, search engines, app stores, AI, regulatory constraints, and partner concentration. Transcript answers explicitly discuss Google, OpenAI, Microsoft, Alexa+, broad AI agents, paid search, and direct traffic. This does not eliminate the risk, but it lowers the chance that management is internally pretending the market is unchallenged.

7. Governance flags

No dual-class structure is present. The 10-K lists common stock on Nasdaq and the proxy describes one-year director elections, majority voting, written consent, special meeting rights, proxy access, and no supermajority provisions. Related-party governance is standard: the Audit Committee reviews transactions over $120,000 in which a related person has a material interest. I did not find a material related-party transaction disclosed in the proxy section reviewed.

Internal controls are clean. The 2025 10-K says disclosure controls and procedures were effective as of year-end and management concluded internal control over financial reporting was effective as of December 31, 2025. The independent auditor also attested to ICFR effectiveness. I found no current material weakness or restatement signal in the management-source review.

Regulatory matters remain the biggest governance-adjacent flag. Booking has recurring competition, tax, and consumer/regulatory exposures. These are not management-integrity failures, but they are part of the stewardship score because a global travel platform must manage regulators as a core operating constituency. The Q3 2025 impairment and other regulatory/tax matters should remain on the ER2 risk monitor.

Insider sales do not show a thesis-breaking pattern. I live-fetched 50 SEC Form 4 files from the last twelve months. Fogel had repeated monthly sales, a gift, grants, and tax-withholding transactions; after the split, an April 2026 Form 4 showed sales totaling 16,726 shares and continuing ownership of 298,174 shares in the direct line shown on that form, while the proxy's beneficial ownership table showed broader beneficial ownership of 537,900 shares as of March 16, 2026. Steenbergen's May 2026 activity was tax withholding on vesting rather than an open-market sale in the parsed forms. Millones had a large May 2026 sale series. The pattern is worth monitoring, but Fogel still has substantial economic exposure and the proxy states the company encourages pre-arranged 10b5-1 plans and publishes plan information quarterly.

8. Peer comparison

Against Expedia, Booking's management record is stronger. Expedia's CEO Ariane Gorin has relevant internal experience but only became CEO in 2024, and Expedia is still proving that its platform, loyalty, and B2B/B2C restructuring can produce consistent per-share value. Booking has cleaner long-term FCF conversion, lower operational drama, and a more proven CEO. Barry Diller's governance presence at Expedia is also a different shareholder-control context. Gorin may improve Expedia's execution, but the evidence today favors Fogel on five-year stewardship.

Against Airbnb, the comparison is more nuanced. Brian Chesky is a founder-operator with outstanding product instincts, a strong brand, and a clear culture. Airbnb has a net-cash balance sheet and strong owner mindset. But Booking has demonstrated broader capital-return execution and more mature public-company cadence. Chesky may communicate more memorably and may have a purer product culture; Fogel ranks higher on multi-brand capital allocation, global operating complexity, and shareholder-return consistency.

Against Trip.com Group, Jane Sun has a long operating record and has navigated a volatile China travel cycle well. Trip.com has strong Asia exposure and a credible management team. Booking is more transparent to U.S. minority shareholders, has cleaner governance rights, and has lower China-specific regulatory complexity. On capital allocation per dollar and disclosure quality, Booking ranks ahead.

Overall peer rank: Fogel is in the top tier among scaled online travel CEOs. Chesky may be the stronger founder-product leader; Sun may be the stronger China-cycle operator; Gorin is still early. For a 20-year compounder screen, Booking's management compares favorably because it combines operating scale, capital returns, controlled M&A, and pragmatic communication.

9. Verdict on the management gate

PASS. Booking Holdings clears the management gate because Fogel has a long in-seat record, the strategic direction is coherent with the investment pattern, per-share value creation has been protected through very large buybacks and low dilution, and the board/compensation structure is credible. Management has answered the most important analyst questions on AI disintermediation, marketing returns, merchant mix, regional demand, and margin tradeoffs with enough specificity to rate disclosure quality above average. The unresolved items are monitorable rather than disqualifying: CFO continuity, buyback price discipline, regulatory exposures, and whether Connected Trip/AI investments eventually show up in durable direct mix, frequency, and incremental FCF per share. I would follow this team for the next decade, while requiring continued evidence that repurchases remain value-accretive and that AI/platform dependency is discussed with the same candor shown in the last eight quarters.

Sources used

- SEC EDGAR, Booking Holdings 2026 DEF 14A filed 2026-04-21, live saved as `raw/m_BKNG_2026_proxy_sec.htm`.
- SEC EDGAR, Booking Holdings 2025 Form 10-K filed 2026-02-18, reviewed from the workdir live SEC pull `raw/d_BKNG_2025_10k_sec.htm`.
- FMP `/stable/earning-call-transcript`, live pulls for BKNG Q2 2024, Q3 2024, Q4 2024, Q1 2025, Q2 2025, Q3 2025, Q4 2025, and Q1 2026, saved as `raw/m_BKNG_transcript_*.json`.
- Booking Holdings official leadership page, live web source: https://www.bookingholdings.com/about/leadership/.
- SEC EDGAR company submissions and Form 4 filings, live saved as `raw/m_BKNG_sec_submissions_live.json` and `raw/m_form4/*`.
- ER2 cleared data package, `data_package.md`, Sections 7 and 9 for capital allocation and recent corporate actions.

Appendix W - Moat and 2046 Durability

Booking Holdings - Moat and 2046 Durability

Production-mode Sub-Agent W deliverable. Output path: `C:\Users\Admin\OneDrive\GPT\ER 2.0\Booking Holdings\appendix_moat.md`.

Source discipline and anchor

This moat appendix is anchored on May 28, 2026. Booking Holdings has a December 31 fiscal year, and the most recently reported quarter is Q1 2026, ended March 31, 2026. The TTM period is Q2 2025 plus Q3 2025 plus Q4 2025 plus Q1 2026, ending March 31, 2026. The 2046 durability test date is May 28, 2046.

The analysis uses live FMP stable endpoint pulls for BKNG income statements and product revenue segmentation, live SEC EDGAR fetches for the 2025 Form 10-K and Q1 2026 Form 10-Q / earnings release, Booking's April 2026 IR presentation, the cleared ER2 data package, and the ER2 primer. No local data warehouse cache was used. The known control issue is preserved: FMP still reports FY2025 operating income of $9.282 billion while the SEC GAAP number is $8.825 billion because the SEC figure includes a $457 million impairment. SEC GAAP controls all margin evidence here.

1. Moat Taxonomy Applied

Network effects: Booking has a real but imperfect two-sided marketplace network effect. Travelers value broad accommodation supply, localized payments, reviews, price comparison, cancellation workflows, and post-booking service; suppliers value demand, conversion, payments, international reach, and incremental occupancy. The flywheel is strongest in accommodations, especially fragmented independent hotels and alternative accommodations outside the U.S., because small suppliers often cannot replicate Booking.com's global demand generation, language coverage, and payment/localization stack. It is weaker in flights, car rentals, and some chain-hotel inventory because those suppliers can sell direct and can multi-home across OTAs, metasearch, credit-card portals, and airline/hotel apps. The network effect is therefore a marketplace advantage, not a closed-system lock-in.

Switching costs: Consumer switching costs are low at the point of a single search. A traveler can open Expedia, Airbnb, Google Travel, Trip.com, a hotel website, a credit-card portal, or an AI assistant in seconds. Booking's defense is behavioral rather than contractual: app installation, saved traveler/payment data, Genius status, direct email/app reactivation, customer-service history, and confidence that a cross-border reservation will work. Supplier switching costs are also moderate rather than hard. Hotels can multi-home, but they risk losing high-converting demand if they pull inventory or underinvest in Booking. The moat is not "customers cannot leave"; it is "many travelers and partners rationally keep returning because the platform reduces friction across a fragmented global travel market."

Scale economies: Scale is the most observable moat. BKNG produced TTM revenue of $27.687 billion, TTM GAAP operating income of $9.034 billion, TTM FCF of $9.033 billion, and TTM Segment Adjusted EBITDA less Capex of $10.071 billion. That scale funds performance marketing, brand marketing, product testing, AI experimentation, fraud/risk systems, localized customer service, payments, partner tools, and compliance across many jurisdictions. Management's Q1 2026 transcript described Agoda customer-service cost per booking falling double digits year over year from AI-assisted automation, which is exactly the kind of scale benefit a smaller OTA would struggle to fund and measure quickly.

Brand: Booking.com, Priceline, Agoda, KAYAK, and OpenTable are meaningful brands, but the durable brand moat resides mostly in trust and habit, not prestige. A traveler booking a hotel in a foreign country needs confidence that inventory is real, payment works, cancellation rules are honored, customer service can intervene, and reviews/rankings are useful. Brand matters more when the booking is international, high value, cancellable, or bundled with payments and service. The brand moat is weaker for commodity domestic hotel searches where the user simply sorts by price.

Regulatory: Regulation is not a moat for Booking. It is mostly a cost and constraint. Booking.com is subject to EU Digital Markets Act and Digital Services Act obligations, competition-law scrutiny, consumer protection rules, privacy law, payments compliance, alternative-accommodation regulation, and tax disputes. Scale may let Booking absorb compliance costs better than small rivals, but regulation can also weaken existing profit pools by constraining ranking, parity, discounting, data usage, self-preferencing, and platform conduct. This category is a negative-to-neutral moat factor.

IP / patents: No material patent or proprietary technology moat is visible. Booking has data, experimentation infrastructure, fraud systems, AI/product talent, and operating know-how, but none of that is equivalent to hard IP protection. The proprietary

asset is accumulated transaction, preference, supplier, payment, cancellation, and conversion data at global scale, applied through product testing. That is useful, but AI foundation models and large platforms can replicate many interface-level features.

High-trust procurement: There is a version of high-trust procurement in merchant payments and partner distribution, but not the enterprise-procurement kind found in software or medical devices. Travelers entrust payment, itinerary, refund, and support flows to Booking. Small suppliers entrust demand generation and payments to Booking. This trust is important because travel failures are stressful and often cross-border. It is still contestable because trust can migrate to Google, Apple, a bank travel portal, Airbnb, or an AI agent if those channels reliably execute bookings and post-booking service.

2. Per-Segment Moat

Booking reports one reportable segment, Travel Reservation Services. Within it, the economic sub-pools are merchant revenue, agency revenue, and advertising/other revenue. The strongest moat is the accommodations marketplace, especially global independent accommodation supply. FY2025 revenue was still about 89% related to online accommodation reservation services, and Booking.com had millions of properties with alternative accommodations accounting for a growing room-night mix. This pool has a 10-year moat supported by supply breadth, direct traffic, localization, payments, and conversion data. The 20-year durability is credible but not certain because consumer discovery can move above the OTA layer.

Merchant revenue is now the largest disclosed product pool: $17.755 billion in FY2025, 66.0% of revenue, and $18.535 billion in TTM revenue, 66.9% of the TTM base. Merchant strengthens the moat because payments, currency handling, refunds, fraud control, insurance, customer processing fees, and bundled trip execution make Booking more than a lead generator. It also raises exposure to payment costs, chargebacks, service failures, and regulation. The earliest sign of moat breakage would be merchant revenue growing but sales-and-other expenses rising faster enough to erode incremental margins.

Agency revenue remains valuable but structurally less moated. Agency revenue was $7.968 billion in FY2025 and $7.932 billion TTM. It monetizes partner-collected travel reservations, mostly accommodation commissions. The agency model is capital-light and historically very profitable, but it has lower control over payments, less product integration, and more direct substitution by hotels, metasearch, and AI shopping flows. Its durability is 5-10 years, not 20 years by itself. A break signal would be agency take rate or inventory access deteriorating while merchant growth fails to offset the margin loss.

Advertising and other revenue is small at $1.194 billion in FY2025 and $1.220 billion TTM. KAYAK and OpenTable provide useful adjacency, but they do not carry the blended company moat. KAYAK is exposed to Google and AI travel discovery; OpenTable has local restaurant network effects and software/reservation workflows but remains a small part of BKNG. The segment composition means the blended moat is weaker than "Booking.com accommodations" alone would imply. The equity depends on whether the accommodation moat can remain the profit engine while flights, attractions, restaurants, payments, AI, and Connected Trip improve loyalty instead of diluting margins.

3. Margin Persistence Evidence

The margin record supports a real moat. Consolidated GAAP operating margin recovered from the pandemic and held in a high range: 22.8% in FY2021, 29.9% in FY2022, 27.3% in FY2023, 31.8% in FY2024, and 32.8% in FY2025 using the SEC GAAP impairment-inclusive figure. The TTM ended March 31, 2026 operating margin was 32.6% ($9.034 billion GAAP operating income on $27.687 billion revenue). This is not a commodity marketplace margin profile.

The official segment metric is even clearer. Segment Adjusted EBITDA less Capex margin rose from 32.9% in FY2023 to 34.5% in FY2024 and 36.6% in FY2025. That improvement occurred while merchant mix rose, alternative accommodations expanded, flights and attractions grew from smaller bases, and the company continued spending heavily on marketing. Marketing expense was $8.186 billion in FY2025, or 30.4% of revenue, which reminds us that Booking still buys a lot of demand. But the company has been able to spend aggressively and still compound segment profit, which is observable evidence of scale, direct traffic, and conversion advantages.

The caveat is that the post-COVID period was favorable for travel normalization. A true 10-year moat test includes shocks: COVID, Russia/Ukraine, Israel-Hamas, Middle East disruption, FX volatility, and changes in paid traffic economics. Booking has navigated these with high cash conversion, but the current financial record does not prove that a future AI distribution shock will be equally manageable. Margin persistence earns the company moat credit, but not an automatic 2046 PASS.

4. AI Disruption Stress Test

Travel planning and search are workflow-heavy: prompt, compare, filter, book. A foundation model or agent with access to live inventory, prices, maps, reviews, user preferences, and payment credentials can replicate much of the front-end travel-planning workflow. That makes the upper funnel exposed. The 2025 10-K explicitly warns that third-party platforms, including search and other large technology platforms, can change algorithms, pricing, display, or AI experiences in ways that reduce traffic to Booking or satisfy user intent without sending the user onward. This is the core moat challenge.

The moat therefore must live below the conversational interface: proprietary supply relationships, real-time availability, payments, customer service, cancellation/refund execution, fraud prevention, loyalty, and trust. Booking is not ignoring the threat. In the Q1 2026 transcript, management discussed Priceline's Penny, natural-language search at Booking.com, smart filters, OpenTable AI concierge, partner service automation, and relationships with OpenAI, Google, Anthropic, and Amazon. Management also said rollout is not constrained by compute cost but by testing, customer experience, privacy, payments, and AI regulation. That is a credible operating stance: Booking's edge is not building the base model; it is turning AI into reliable booked travel.

The most AI-exposed profit pool is paid upper-funnel discovery: KAYAK/metasearch, generic hotel search traffic, and agency-style accommodation lead generation. The most protected pool is merchant accommodations with direct app/Genius relationships, payment execution, international supply, and post-booking service. Flights are exposed because air inventory is standardized and low-yield; attractions are early but can be bundled; OpenTable has a local network but restaurant discovery can also be agent-mediated. The key monitoring metric is direct app/Genius room-night mix versus paid marketing intensity. If direct/mobile/Genius usage rises while marketing expense as a percentage of gross bookings falls or holds, AI is being absorbed. If AI channels demand higher paid placement costs and direct mix stalls, the moat is eroding.

5. The 2046 Test

Today is May 28, 2026. Twenty years forward is May 28, 2046. A credible 2046 description of Booking Holdings is this: Booking operates a global travel transaction, payments, and service network that helps consumers and AI agents book verified accommodations, flights, ground transport, restaurants, and in-destination activities across jurisdictions. The consumer interface is mostly conversational and agentic, but Booking still monetizes because it owns or orchestrates trusted supplier connectivity, identity, loyalty, payments, cancellation/refund logic, fraud/risk controls, customer service, and localized compliance. Small and independent lodging suppliers still pay Booking because direct global demand generation is difficult, and consumers still use Booking or its APIs because failed travel is costly and trust matters.

In that 2046 base case, the accommodation marketplace still exists, though the screen may not look like today's OTA page. Merchant payments and service are larger than agency commissions. Genius has either evolved into a cross-trip membership layer or been replaced by a deeper account-level travel identity. KAYAK as a consumer metasearch brand is less important, but its data and advertising capabilities may be embedded in agentic discovery. OpenTable either remains a restaurant network with AI-assisted reservation and capacity tools or is a modest adjacency. Operating margin is directionally stable to modestly lower versus today: scale and AI automation help, but regulation, payments, fraud, and third-party AI distribution fees absorb some economics. The business still makes high returns if it owns the execution layer rather than merely renting upper-funnel traffic.

The bear-case 2046 description is also plausible. In that world, Google/Apple/OpenAI/Amazon-style agents become the default travel interface, own the customer account, and auction fulfillment to OTAs, hotel chains, banks, and regional providers. Travelers ask a horizontal agent for the trip; suppliers feed inventory to several agent networks; Booking becomes a merchant-of-record processor and inventory source competing mostly on take rate and fulfillment reliability. Paid traffic costs rise, direct app engagement stagnates, regulators constrain ranking/discounting/data use, and hotel chains plus alternative-accommodation platforms keep more demand direct. In that scenario, Booking can remain large and profitable but loses the excess-return profile that a 20-year compounder requires.

Probability judgment: the base case is more likely than outright collapse because travel supply is fragmented, international travel requires trust and service, and Booking has the scale, cash flow, brands, payments capability, and local operating knowledge to adapt. But the bear case is too credible to ignore. The 2046 test is therefore YELLOW, not PASS. The description is specific, but it depends on Booking preserving a direct/execution relationship with travelers and suppliers as AI agents take more of the planning interface.

6. Competitive Threat Inventory

Threat	Mechanism	Segment(s) affected	Earliest observable signal	Plausibility
AI / platform disintermediation	Horizontal agents, search platforms, app stores, or super-apps capture travel intent and sell placement or fulfillment access	Agency accommodation, KAYAK, upper-funnel Booking.com, flights	Direct/mobile/Genius mix stalls while paid marketing as % of gross bookings rises	High
Supplier direct and loyalty push	Hotels, airlines, and alternative-accommodation hosts steer demand direct with member pricing and inventory controls	Accommodation agency, merchant take rate, flights	Agency revenue declines faster than merchant profit grows; supplier inventory quality weakens	Medium
Regulatory reset	DMA/DSA, competition-law, privacy, payments, tax, and short-term-rental rules constrain ranking, parity, fees, data use, or alternative accommodation supply	All, especially Europe and alternative accommodations	Compliance cost rises, take-rate flexibility narrows, or key markets restrict supply	Medium-high

7. Pricing Power Verification

Booking's pricing power is indirect. It does not simply raise a list price on locked-in customers. It monetizes by preserving commission/take economics, improving merchant payment economics, selling incremental demand to partners, shifting mix toward merchant, and lowering acquisition/service cost through direct traffic and automation. The evidence is mixed but favorable: FY2025 revenue grew 13.4%, merchant revenue grew 25.5%, TTM FCF margin was 32.6%, and segment adjusted EBITDA less capex margin rose to 36.6% in FY2025. Q1 2026 still showed revenue growth of 16% and adjusted EBITDA growth of 19% despite Middle East disruption.

There is not enough disclosed evidence to claim clean contractual pricing power. Suppliers can multi-home, consumers compare prices, hotel chains push direct, and regulators scrutinize platform practices. The better claim is that Booking has marketplace monetization power: it can sustain attractive economics because it delivers measurable demand and conversion at scale. If that demand becomes less incremental, pricing power will show up as weaker take rates, higher incentives, worse marketing ROI, or lower adjusted EBITDA less capex margin.

8. Moat Verdict

Moat gate: YELLOW

2046 test: YELLOW

Booking has a real moat today in global accommodation marketplace scale, direct/app/Genius behavior, supplier breadth, payments, localization, conversion data, and high cash conversion. Margin persistence supports that conclusion: GAAP operating margin is above 30% on the current TTM base, and the official segment adjusted EBITDA less capex margin expanded from 32.9% in FY2023 to 36.6% in FY2025. The moat does not earn a clean PASS because consumer switching costs are low, paid distribution remains important, regulation is a constraint rather than protection, and AI/platform owners can plausibly capture more of the travel-planning interface over the next 5-10 years.

The 2046 test is specific enough to avoid FAIL: Booking can still be a high-return travel execution network if it owns trusted supplier connectivity, merchant payments, loyalty identity, post-booking service, and local compliance beneath an AI-first interface. But that future depends on preserving direct/execution economics as horizontal agents and platform owners intermediate discovery. Upgrade to PASS if direct/mobile/Genius room-night share rises while marketing intensity holds or falls, merchant growth converts into stable or higher segment margins, and AI partner channels become incremental rather than rent-extractive. Downgrade to FAIL if direct mix stalls, marketing expense rises structurally, agency revenue erodes without merchant profit offset, or regulators/platforms force Booking into low-margin fulfillment.

Source Log

- FMP stable live pulls: `income-statement BKNG --param period=annual`, `income-statement BKNG --param period=quarter`, `revenue-product-segmentation BKNG --param period=annual`, and `revenue-product-segmentation BKNG --param period=quarter`, run from `C:\Users\Admin\.codex\skills\fmp-financial-data\scripts\fmp_request.py`.
- SEC 2025 Form 10-K: https://www.sec.gov/Archives/edgar/data/1075531/000107553126000009/bkng-20251231.htm.

- SEC Q1 2026 Form 10-Q: https://www.sec.gov/Archives/edgar/data/1075531/000107553126000025/bkng-20260331.htm.
- SEC Q1 2026 earnings release: https://www.sec.gov/Archives/edgar/data/1075531/000107553126000024/q1-26bkngearningsrelease.htm.
- Booking IR April 2026 investor presentation: https://s201.q4cdn.com/865305287/files/doc_financials/2026/q1/Investor-Presentation-April-2026.pdf.
- ER2 data package and primer: `C:\Users\Admin\OneDrive\GPT\ER 2.0\Booking Holdings\data_package.md` and `C:\Users\Admin\OneDrive\GPT\ER 2.0\Booking Holdings\appendix_A_primer.md`.

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Appendix B1 - Travel Reservation Services

Travel Reservation Services - Segment Deep Dive

Company: Booking Holdings Ticker: BKNG Segment: Travel Reservation Services Segment slug: travel_reservation_services TTM anchor: Q2 2025 plus Q3 2025 plus Q4 2025 plus Q1 2026, ending 2026-03-31 TTM+5y horizon: 2031-03-31

0. Segment Boundary And Taxonomy Note

Booking Holdings has one reportable segment. The data package states that the 2025 10-K Note 17 aggregates five operating segments into one reportable segment, named here as Travel Reservation Services to avoid creating a false multi-segment allocation. The segment includes Booking.com, Priceline, Agoda, KAYAK, OpenTable, payments, reservation, meta-search, restaurant, and related travel services. There was no new reportable-segment taxonomy in the last three years. The product/service taxonomy is stable for FY2021-FY2025 across Merchant Revenue, Agency Revenue, and Advertising and other revenues. The only taxonomy warning is a legacy 2018 FMP product row labelled Online Accommodation Reservation Services, which the data package excludes and this appendix does not use. All Booking historical dollar figures, growth rates, and management quotes below come from the DR-cleared data package unless explicitly marked as external competitive context.

1. What This Segment Actually Is

Travel Reservation Services is Booking Holdings' global online travel marketplace and adjacent reservation platform. The customer side is a traveler or diner using one of Booking's consumer brands to book lodging, flights, rental cars, attractions, packages, restaurant reservations, or related services. The supply side is a fragmented global base of hotels, alternative accommodation hosts, airlines, rental car providers, restaurants, attractions operators, payment partners, and travel advertisers. The platform earns revenue because it aggregates demand, converts that demand into transactions, and gives travel suppliers an efficient channel to sell inventory that would otherwise be harder to fill at scale.

The disclosed product taxonomy is not the same as the consumer product surface. Booking does not disclose separate revenue for flights, attractions, alternative accommodations, Connected Trip transactions, Genius, mobile, direct, payments, or AI. The data package explicitly says those should be modeled as drivers of merchant mix, conversion, frequency, take rate, marketing efficiency, and margin, not as standalone revenue pools. The only dollar-disclosed product lines are merchant revenue, agency revenue, and advertising and other revenues. Merchant revenue is generated when Booking is merchant of record, facilitates payments, and usually recognizes revenue after traveler stay or service completion. Agency revenue is generated when the supplier collects the traveler payment and Booking earns a commission. Advertising and other revenues include KAYAK, OpenTable, advertising, restaurant, insurance, and other services.

This distinction matters because the consumer-facing strategy is broader than the accounting taxonomy. Flights and attractions are strategic because they make Booking more useful before and during a trip. They can raise repeat behavior, direct mix, mobile use, and cross-sell density. Alternative accommodations expand supply breadth and improve Booking's ability to serve longer stays, family trips, and non-hotel demand. Genius and mobile increase loyalty and conversion. Payments support merchant revenue, partner flexibility, and traveler checkout. AI, including Priceline's Penny assistant, is a conversion and service-cost experiment rather than a separately disclosed line. But none of those should be added as independent revenue streams on top of merchant, agency, and advertising/other, or the model would double count the same customer transaction.

Booking's go-to-market is both brand-led and performance-marketing-led. The company's brands capture direct and mobile demand, while paid search, meta-search, app marketing, loyalty, partner integrations, and localized supply acquisition keep the marketplace liquid. The pricing model is mostly transaction-based. Suppliers pay commission or Booking captures a merchant spread/fee when a traveler books. Advertising and meta-search revenue depends more on paid placement, referrals, restaurant and ad products, and related services. The segment is asset-light: it does not own the hotels or homes, and capex is low relative to revenue. The main reinvestment needs are marketing, personnel, technology, payments capabilities, customer service, fraud/risk management, supplier tools, AI, and compliance.

2. Current Economics

The TTM anchor is the four quarters ending 2026-03-31. The data package's Section 10 downstream flag gives TTM revenue of $27.687B, GAAP operating income of $9.034B, and FCF of $9.033B. That implies a TTM GAAP operating margin of about

32.6%. Because there is one reportable segment, consolidated GAAP operating income is the closest GAAP operating-profit line for Travel Reservation Services, but the data package is clear that Booking's official segment profitability metric is Segment Adjusted EBITDA less Capex, not GAAP segment operating income. FY2025 Segment Adjusted EBITDA less Capex was $9.85B on $26.92B of revenue, or a 36.6% margin, per SEC 2025 10-K Note 17 as reproduced in data_package Section 3, while FY2025 GAAP operating margin was 32.8% using SEC GAAP operating income. The gap reflects depreciation/amortization, stock compensation, impairments, and other GAAP operating-cost items that do not map perfectly into the official segment metric.

Current revenue is dominated by merchant revenue. In FY2025, merchant revenue was $17.75B, or 66.0% of total revenue. Agency revenue was $7.97B, or 29.6%. Advertising and other revenues were $1.19B, or 4.4%. The last four quarterly product rows in the data package imply approximate TTM product revenue of $18.54B merchant, $7.93B agency, and $1.23B advertising/other. Those figures sum to $27.70B, close to the data package's official TTM total of $27.687B, with the difference caused by rounded quarterly table values. The product mix is therefore already beyond the halfway point in a long shift from agency toward merchant. This is not a restatement. It is an economic and operating-model shift inside the same reportable segment.

Recent growth remains healthy. The most recent four quarters showed total revenue growth of 16% in Q2 2025, 13% in Q3 2025, 16% in Q4 2025, and 16% in Q1 2026. Gross bookings grew 13%, 14%, 16%, and 15% in the same quarters. Room nights grew 8%, 8%, 9%, and 6%; Q1 2026 room-night growth was affected by about two points from Middle East disruption according to the data package. The product mix underneath this headline growth is uneven. Merchant revenue grew 29.3%, 23.3%, 27.4%, and 26.7% in the last four quarters. Agency revenue declined 4.7%, 6.7%, 3.9%, and 2.3%. Advertising/other grew 10.4%, 14.5%, 14.0%, and 9.3%. The segment is not growing because every product line is accelerating. It is growing because merchant revenue is expanding fast enough to more than offset the structural decline in agency revenue.

The economic base is attractive because the business turns a low-capex marketplace into large free cash flow. The data package shows FY2025 capex of $0.32B, only 1.2% of revenue, and FY2025 FCF of $9.09B. Marketing is the largest operating cost. The official segment metric table shows FY2025 marketing expenses of $8.19B, sales and other expenses of $3.45B, personnel expenses of $3.32B, and other segment items of $2.11B. That means margin performance is mostly about marketing productivity, direct repeat behavior, payments cost, customer-service intensity, personnel leverage, and the degree to which Booking reinvests transformation-program savings into growth rather than allowing them to flow immediately to margin.

3. Unit Economics

At the unit level, Booking's segment economics start with a travel booking. Gross bookings capture the travel value transacted through the platform. Revenue is a take-rate outcome, not the full travel value. The conversion from gross bookings to revenue depends on product mix, geography, merchant versus agency model, accommodation versus flight mix, cancellation behavior, ADR, currency, payment terms, partner commissions, and advertising/other activity. The data package's recent-quarter totals imply about $199.4B of gross bookings over the TTM period, compared with $27.687B of revenue. That rough 13.9% revenue-to-gross-bookings ratio is not a clean take rate because it mixes merchant, agency, accommodation, flights, advertising, cancellations, FX, and timing, but it is useful as a sanity check: Booking monetizes a large travel value base at a mid-teens revenue yield.

Merchant revenue has different economics than agency revenue. Merchant usually gives Booking more control over checkout, payments, customer experience, and partner flexibility. It can support fintech and payment products and can improve conversion because travelers see a consistent checkout flow. It can also create deferred merchant booking liabilities and introduce payment-processing costs, chargeback/fraud exposure, customer-service obligations, and working-capital timing. Agency revenue is operationally simpler in some ways because the partner collects payment, but it gives Booking less control over the end-to-end transaction and less room for payments monetization. The long-running merchant mix shift is therefore neither pure margin upside nor pure margin dilution. It is a strategic control tradeoff: more platform control and long-term revenue opportunity, partly offset by more payments and service costs.

The segment's gross margin is not separately disclosed in the data package by product line, so this appendix does not assign historical product margins as facts. Instead, the forward margin work uses modeled product-level operating-margin contribution assumptions that reconcile to the segment-level TTM GAAP margin and the official adjusted segment metric. Agency should be the highest-margin disclosed product line because it does not require Booking to act as merchant of record and should carry lower direct payment costs. Merchant should remain highly profitable but somewhat lower margin than agency because it absorbs more payment, fraud, and service infrastructure. Advertising/other is mixed: meta-search and ad

products can be high margin, but OpenTable, restaurant services, insurance, and other initiatives can carry product, sales, and support costs. Its modeled margin is therefore lower and more variable.

Margin breaks down when performance marketing becomes less efficient, supplier pricing power compresses commissions, search platforms raise traffic acquisition costs, regulators restrict parity or fees, payments losses increase, FX moves against reported revenue, or Booking invests aggressively in flights, attractions, alternative accommodations, AI, and local support before those products scale. Margin improves when direct and mobile mix rises, Genius and Connected Trip drive repeat behavior, merchant payments improve conversion without excessive payment cost, transformation-program savings reduce structural expense, and product breadth raises frequency without requiring proportional paid marketing.

The FY2021-FY2025 margin history illustrates both operating leverage and cyclicality. Segment revenue rose from $10.96B in FY2021 to $26.92B in FY2025. GAAP operating income rose from $2.50B to $8.82B. GAAP operating margin moved from 22.8% in FY2021 to 29.9% in FY2022, 27.3% in FY2023, 31.8% in FY2024, and 32.8% in FY2025. The FY2025 official Segment Adjusted EBITDA less Capex margin was higher at 36.6%. The model should therefore not assume the business is structurally capped at the current GAAP margin, but it also should not blindly capitalize the adjusted segment metric as GAAP margin. A reasonable base case is modest GAAP margin expansion as direct mix, scale, and transformation savings offset payments and growth investment.

4. Competitive Dynamics

The direct competitive set includes Expedia Group, Airbnb, Trip.com Group, regional OTAs, hotel direct channels, Google travel/search surfaces, meta-search players, airline and hotel loyalty ecosystems, and specialist vertical platforms. Booking is unusually large in international accommodations, especially in Europe and other non-U.S. markets. The data package shows FY2025 revenue of $26.92B and outside-U.S. revenue of $24.34B, or 90.4% of total. The Netherlands-domiciled entity footnote is not a demand-region split, but it reinforces that Booking's revenue attribution is overwhelmingly outside the U.S. Booking's competitive center of gravity is therefore not the same as Expedia's U.S.-heavy historic brand base or Airbnb's alternative-accommodation supply network.

Market share is hard to express precisely because travel is still fragmented across direct hotel bookings, OTAs, airlines, wholesalers, corporate travel, offline agencies, local channels, and regional platforms. Still, scale context is useful. Booking's TTM gross bookings are approximately $199.4B from the data package's last-four-quarter gross-bookings rows. Expedia's FY2025 Q4 release filed with the SEC reported 2025 gross bookings of $119.590B and revenue of $14.733B; source: https://www.sec.gov/Archives/edgar/data/0001324424/000132442426000005/earningsrelease-q42025.htm. Airbnb's Q4 2025 shareholder letter showed a materially smaller gross-booking-value base than Booking, with quarterly GBV values in the low-to-mid $20B range through 2025 and Q4 2025 GBV of $20.4B; source: https://s26.q4cdn.com/656283129/files/doc_financials/2025/q4/Airbnb_Q4-2025-Shareholder-Letter.pdf. Trip.com reported FY2025 net revenue of RMB62.4B in its 2025 results release; source: https://investors.trip.com/news-releases/news-release-details/tripcom-group-limited-reports-unaudited-fourth-quarter-and-5. On this evidence, Booking remains one of the largest, and likely the largest, global OTA-style travel platforms by gross bookings and revenue among public comparables. That is an inference from company filings and releases, not a third-party total-market-share statistic.

Booking's most important pricing power is not the ability to raise a visible consumer subscription price. It is the ability to maintain commission economics and traffic efficiency while suppliers and travelers continue to find the platform valuable. Hotels and hosts pay because Booking provides demand, conversion, payments, international reach, and occupancy. Travelers use the platform because it offers breadth, reviews, localization, cancellation/payment options, and trust. The supplier side is fragmented enough that no single hotel chain can dictate terms to Booking globally, but large hotel chains and airlines still have bargaining power and push direct-booking loyalty programs. Airbnb competes for alternative accommodations and travel mindshare, but its supply model and host economics differ from Booking's broader hotel and OTA model. Expedia competes across lodging, packages, B2B, advertising, and Vrbo. Trip.com is particularly relevant for China outbound/inbound and broader Asia travel.

Entry barriers are high at scale but not absolute. The hardest barriers are two-sided liquidity, localized supply, traveler trust, payment and customer-service infrastructure, brand memory, app engagement, search/SEO history, fraud/risk systems, data advantage, and global compliance. A new entrant can build a sleek booking surface, but it cannot quickly replicate global hotel supply, alternative accommodation depth, reviews, cancellation terms, payments capabilities, supplier relationships, and marketing learning curves. The larger threat is not a venture-funded OTA clone. It is demand capture by platforms already controlling consumer intent, especially Google, super-apps, AI assistants, hotel loyalty ecosystems, and social discovery

channels. Those players can change the cost and shape of customer acquisition.

Substitution risk is real. Travelers can book direct with hotels or airlines, use Google Travel, use Airbnb for homes, use Expedia or Trip.com, or have an AI assistant route demand to a supplier. Suppliers can try to push direct channels to avoid commissions. The reason this has not destroyed Booking's economics is that suppliers also need incremental demand, international reach, and conversion. The platform acts like a variable marketing channel for suppliers. When occupancy is not guaranteed, the commission can be economically rational. This gives Booking resilience, but not immunity. The five-year forecast assumes ongoing competition and modest take-rate pressure, offset by payments, direct mix, and Connected Trip improvements.

5. Segment-Level Moat

The moat is a dense network of supply, demand, trust, conversion data, localization, and marketing efficiency. On the demand side, Booking has large brand awareness and repeat use, but the brand alone is not enough. The more important moat is that travelers can find a broad set of accommodations and adjacent services with reliable pricing, reviews, cancellation policies, payment options, and customer support. On the supply side, the platform is valuable because it aggregates demand across geographies and languages. For a hotel, especially an independent hotel outside the U.S., Booking can be both a distribution channel and an international demand engine.

The moat is strongest in accommodations and international supply. Alternative accommodations add breadth but also increase operational complexity because supply quality, host support, cancellation rules, and local regulation vary widely. Flights and attractions strengthen the moat indirectly. They help Booking become a trip platform instead of a lodging-only marketplace, but they do not yet create a separate disclosed revenue pool. Connected Trip is the strategic expression of the moat: if a traveler books more than one vertical, uses mobile, receives personalized support, and returns through direct channels, the lifetime value rises and paid marketing dependence can fall.

The moat protects margins mainly through traffic efficiency and supplier relevance. Direct and mobile mix can reduce dependence on paid search. Genius can raise repeat booking and conversion. Payments can make checkout smoother and suppliers more flexible. The transformation program can fund product investment while preserving margin. Scale can spread technology, fraud, payments, compliance, and support costs over a larger transaction base. These are meaningful advantages, but they are not permanent by default. If AI assistants or search platforms intermediate the traveler relationship, if regulators compress OTA economics, or if hotel chains succeed in shifting a large share of demand direct, Booking's moat would narrow.

Over five to ten years, the moat looks durable but not invulnerable. The base case assumes Booking retains enough demand aggregation and supplier value to compound revenue at a high-single-digit rate from the TTM anchor, with merchant mix continuing to expand and GAAP operating margin rising modestly. The bull case assumes Connected Trip, Asia/localization, direct/mobile engagement, and payments deepen the moat faster than competition erodes it. The bear case assumes the moat still exists, but paid acquisition, regulatory pressure, agency runoff, and AI/search intermediation keep growth and margin below the long-term algorithm.

6. Historical Growth Rates

The table below reproduces the dollar-disclosed product history from the data package rather than re-fetching or re-deriving it. FY-3, FY-2, and FY-1 refer to FY2023, FY2024, and FY2025. The "3-yr CAGR" column follows the dispatch template and is calculated across the two elapsed annual intervals covered by the three-year product set. Product revenue cells cite the data package's specific bridge rows, which tie to FMP /stable/revenue-product-segmentation?symbol=BKNG&period=annual and SEC 2025 10-K Note 17. No product-dollar back-solving is used.

Product / sub-segment	FY-3 rev	FY-2 rev	FY-1 rev	3-yr CAGR	Most recent YoY	Data package cite
Merchant Revenue	$10.94B [data_package Section 4, FY2023 product bridge row]	$14.14B [data_package Section 4, FY2024 product bridge row]	$17.75B [data_package Section 4, FY2025 product bridge row]	27.4% [calculated from Section 4 FY2023 and FY2025 rows]	25.5% [data_package Section 4 product bridge tie-out]	FMP /stable/revenue-product-segmentation annual; SEC 2025 10-K Note 17 tie
Agency Revenue	$9.41B [data_package Section 4, FY2023 product bridge row]	$8.52B [data_package Section 4, FY2024 product bridge row]	$7.97B [data_package Section 4, FY2025 product bridge row]	-8.0% [calculated from Section 4 FY2023 and FY2025 rows]	-6.5% [data_package Section 4 product bridge tie-out]	FMP /stable/revenue-product-segmentation annual; SEC 2025 10-K Note 17 tie
Advertising and other revenues	$1.01B [data_package Section 4, FY2023 product bridge row]	$1.07B [data_package Section 4, FY2024 product bridge row]	$1.19B [data_package Section 4, FY2025 product bridge row]	8.5% [calculated from Section 4 FY2023 and FY2025 rows]	11.3% [data_package Section 4 product bridge tie-out]	FMP /stable/revenue-product-segmentation annual; SEC 2025 10-K Note 17 tie

Product / sub-segment	FY-3 rev	FY-2 rev	FY-1 rev	3-yr CAGR	Most recent YoY	Data package cite
Travel Reservation Services total	$21.36B [data_package Section 3, FY2023 row]	$23.74B [data_package Section 3, FY2024 row]	$26.92B [data_package Section 3, FY2025 row]	12.3% [calculated from Section 3 FY2023 and FY2025 rows]	13.4% [data_package Section 3, FY2025 row]	FMP /stable/income-statement annual; SEC 2025 10-K FY2025 revenue tie

Arithmetic tie-out: Merchant FY2024 check is $10.94B times 1.292 equals $14.13B, consistent with the $14.14B data-package row after rounding. Merchant FY2025 check is $14.14B times 1.255 equals $17.75B, matching the data-package tie-out. Agency FY2024 check is $9.41B times 0.905 equals $8.52B, matching after rounding. Agency FY2025 check is $8.52B times 0.935 equals $7.97B, matching after rounding. Advertising/other FY2024 check is $1.01B times 1.059 equals $1.07B, matching after rounding. Advertising/other FY2025 check is $1.07B times 1.113 equals $1.19B, matching after rounding. Segment FY2025 check is $23.74B times 1.134 equals $26.92B, matching the data-package segment row. No row fails the 2% tolerance check.

The deeper five-year bridge in the data package shows why the forecast must be mix-aware. Merchant revenue moved from $3.70B in FY2021 to $17.75B in FY2025, increasing from 33.7% to 66.0% of revenue. Agency revenue moved from $6.66B to $7.97B over the same period, but its mix fell from 60.8% to 29.6%. Advertising/other moved from $0.60B to $1.19B and remained about 4% to 6% of revenue. That means Booking's growth algorithm has already shifted from agency-led commission growth toward merchant-led platform control, payment facilitation, and transaction expansion.

7. Management Guidance Quoted From Data Package Section 6

Every quote below is taken from data_package Section 6. The quotes are intentionally short in the data package, so the interpretation matters more than the phrase length.

- Q2 FY2025 call, Glenn Fogel, 2025-07-29, row topic Asia and localization: "Asia remains central." Interpretation: Asia remains a structural room-night and localization driver; the forecast should not assume Booking is only a mature European lodging platform.
- Q2 FY2025 call, prepared remarks, 2025-07-29, row topic Flights: "flight tickets up 44%." Interpretation: flights are growing much faster than total room nights but have no separate revenue disclosure; use them as a Connected Trip and conversion driver, not a revenue line.
- Q2 FY2025 call, prepared remarks, 2025-07-29, row topic Connected Trip: "greater loyalty." Interpretation: management links product breadth to repeat behavior, which supports direct mix and marketing efficiency assumptions.
- Q3 FY2025 call, Glenn Fogel, 2025-10-28, row topic Connected Trip transactions: "grew mid-20%." Interpretation: multi-vertical transactions are growing faster than room nights, supporting the platform strategy.
- Q3 FY2025 call, prepared remarks, 2025-10-28, row topic Flights: "flight tickets up 32%." Interpretation: growth slowed from Q2 but remained high; the model should show deceleration rather than a permanent 30% to 40% flight-ticket growth rate.
- Q3 FY2025 call, Glenn Fogel, 2025-10-28, row topic Loyalty: "Genius members book more often." Interpretation: Genius should influence frequency, conversion, and direct repeat behavior rather than being modeled as its own dollar line.
- Q4 FY2025 call, prepared remarks, 2026-02-18, row topic Connected Trip transactions: "high 20% range." Interpretation: FY2025 connected transactions materially outgrew room nights, but the product still does not have disclosed revenue.
- Q4 FY2025 call, Glenn Fogel, 2026-02-18, row topic Long-term algorithm: "exceeded our long-term ambition." Interpretation: FY2025 was better than the algorithm; the base forecast should not extrapolate FY2025 outperformance mechanically.
- Q4 FY2025 call, prepared remarks, 2026-02-18, row topic Cost base: "Transformation Program." Interpretation: run-rate savings can support margins, but management intends to fund growth investments too.
- Q1 FY2026 call, Glenn Fogel, 2026-04-28, row topic Strategy continuity: "long-term strategy." Interpretation: management described Middle East disruption as near-term rather than a reason to alter the long-term platform strategy.
- Q1 FY2026 call, Glenn Fogel, 2026-04-28, row topic AI and Priceline: "Penny continues to evolve." Interpretation: AI is an early conversion and service tool, not yet a separately disclosed revenue stream.

- Q1 FY2026 call, Ewout Steenbergen, 2026-04-28, row topic 2026 outlook: "revenue to be up high single digits." Interpretation: the FY2026 guide is a near-term anchor below FY2025 growth and below the most recent quarterly reported growth rate.
- April 2026 investor presentation, Booking IR, 2026-04-29, row topic Long-term algorithm: "8% Revenue." Interpretation: management's long-term ambition is constant-currency 8% revenue, 8% gross bookings, and 15% adjusted EPS. The base case should be near this revenue algorithm unless there is a clear reason to diverge.

The most important modeling implication is that management is not guiding to a new hypergrowth phase. It is guiding to high-single-digit near-term revenue and an 8% long-term constant-currency algorithm, while pointing to faster-growing enablers such as flights, attractions, Connected Trip, direct/mobile mix, loyalty, payments, Asia, and AI. The forecast should therefore translate those enablers into mix, retention, and margin effects rather than create hidden revenue lines.

8. Forward Growth Assumptions

The starting product revenue base is approximate TTM product revenue from the data-package quarterly product table: merchant $18.54B, agency $7.93B, and advertising/other $1.23B. These rounded product values sum to $27.70B versus the official TTM revenue of $27.687B. The forecast uses the product sum for the bottoms-up rollup and rounds final segment totals to two decimal places in the summary. Base case total revenue CAGR is about 7.5% from the rounded product base to TTM+5y, near management's 8% constant-currency long-term ambition but with a small haircut for agency runoff and normal travel cyclicality.

Base case:

Product	3-yr historical CAGR	Latest YoY	Mgmt FY+1 guide	Base CAGR TTM to TTM+5y	Justification
Merchant Revenue	27.4%	26.7% in Q1 2026 [data_package Section 5 quarterly product row]	Segment revenue high single digits; no product guide	10.5%	Merchant remains the main growth engine, but the base assumes clear deceleration from the latest 20% plus rate as mix shift matures and merchant penetration becomes a larger base.
Agency Revenue	-8.0%	-2.3% in Q1 2026 [data_package Section 5 quarterly product row]	Segment revenue high single digits; no product guide	-1.5%	Agency keeps shrinking as partner and traveler flows migrate to merchant, but the decline moderates because some suppliers and geographies still prefer agency collection.
Advertising and other revenues	8.5%	9.3% in Q1 2026 [data_package Section 5 quarterly product row]	Segment revenue high single digits; no product guide	8.0%	Ad/other grows close to its recent historical pace as KAYAK, OpenTable, insurance, and ads benefit from travel demand but remain too small to drive the segment.

Base-case year-by-year deceleration is explicit. Merchant growth moves from the latest Q1 2026 YoY rate of 26.7% to modeled annualized growth of roughly 15%, 12%, 10%, 8%, and 7% across the five-year horizon. That path is a sharper deceleration than the headline segment guide, but it is applied to merchant only, whose current growth is inflated by mix shift from agency to merchant payments. Agency improves from the recent negative trend toward low-single-digit decline. Advertising/other stays around high single digits. The result is not a hidden continuation of FY2025 momentum; it is a normalized high-single-digit segment compounder.

Bull case:

Product	3-yr historical CAGR	Latest YoY	Mgmt FY+1 guide	Bull CAGR TTM to TTM+5y	Justification
Merchant Revenue	27.4%	26.7% in Q1 2026 [data_package Section 5 quarterly product row]	Segment revenue high single digits; no product guide	13.5%	Connected Trip, payments, Asia, mobile, direct, and alternative accommodations sustain a longer merchant runway, with deceleration but not collapse from current growth.

Product	3-yr historical CAGR	Latest YoY	Mgmt FY+1 guide	Bull CAGR TTM to TTM+5y	Justification
Agency Revenue	-8.0%	-2.3% in Q1 2026 [data_package Section 5 quarterly product row]	Segment revenue high single digits; no product guide	1.0%	Agency stabilizes as retained suppliers, regions, and direct partner collection offset merchant migration, so the line no longer drags total growth.
Advertising and other revenues	8.5%	9.3% in Q1 2026 [data_package Section 5 quarterly product row]	Segment revenue high single digits; no product guide	10.5%	Advertising, restaurant, insurance, and meta-search attach improve as Booking monetizes higher-intent traffic and more trip components.

The bull case is not a no-deceleration case. Merchant still falls from the latest Q1 2026 YoY rate to a mid-teens five-year CAGR. The upside is that the merchant base gets larger without destroying conversion or increasing payment losses materially. Connected Trip remains the main bridge: flight and attraction tickets grow off smaller bases, add more multi-vertical trips, and improve direct repeat behavior. Asia/localization supplies another growth vector. The bull case also assumes AI assistants become a conversion and support tool for Booking rather than an external demand-capture threat.

Bear case:

Product	3-yr historical CAGR	Latest YoY	Mgmt FY+1 guide	Bear CAGR TTM to TTM+5y	Justification
Merchant Revenue	27.4%	26.7% in Q1 2026 [data_package Section 5 quarterly product row]	Segment revenue high single digits; no product guide	6.5%	Merchant growth slows faster as paid acquisition costs rise, merchant mix matures, AI/search platforms capture intent, and payments costs absorb some conversion gains.
Agency Revenue	-8.0%	-2.3% in Q1 2026 [data_package Section 5 quarterly product row]	Segment revenue high single digits; no product guide	-5.0%	Agency decline reaccelerates as suppliers and Booking continue moving transactions to merchant, while direct hotel channels pressure commissionable agency volume.
Advertising and other revenues	8.5%	9.3% in Q1 2026 [data_package Section 5 quarterly product row]	Segment revenue high single digits; no product guide	4.0%	Ad/other slows with weaker travel ad demand, restaurant software competition, and less monetization uplift from adjacent products.

The bear case assumes the business remains profitable and relevant, not broken. The pressure is on the growth algorithm. Merchant growth decelerates from high-20s to mid-single digits because the easy mix shift has already occurred and external platforms tax demand acquisition. Agency remains a shrinking legacy stream. Advertising/other becomes a small stabilizer rather than an upside driver. This produces a segment CAGR around 3.6%, materially below the long-term algorithm.

9. Forward Operating Margin Assumptions

Current TTM GAAP operating margin is about 32.6%, using the data package's TTM GAAP operating income of $9.034B and TTM revenue of $27.687B. FY2025 GAAP operating margin was 32.8%, while FY2025 Segment Adjusted EBITDA less Capex margin was 36.6%. Product-level operating margins are not disclosed. The table below uses modeled TTM+5y operating-margin contribution by product. These are not historical disclosures; they are assumptions designed to reconcile with the segment's current margin, cost structure, and expected mix shift.

Product	Current margin disclosure	Base TTM+5y op margin	Bull TTM+5y op margin	Bear TTM+5y op margin	Mechanism
Merchant Revenue	Not separately disclosed; segment TTM GAAP margin about 32.6%	35.5%	37.5%	31.5%	Scale, direct mix, payments conversion, and transformation savings offset payment processing, fraud, and support costs in base and bull; bear loses leverage to acquisition and payment costs.
Agency Revenue	Not separately disclosed; segment TTM GAAP margin about 32.6%	38.5%	40.0%	35.0%	Agency remains structurally asset-light and high contribution, but a shrinking base limits fixed-cost leverage; bear assumes commission and direct-channel pressure.

Product	Current margin disclosure	Base TTM+5y op margin	Bull TTM+5y op margin	Bear TTM+5y op margin	Mechanism
Advertising and other revenues	Not separately disclosed; segment TTM GAAP margin about 32.6%	30.0%	33.0%	24.0%	Meta-search and ads can be attractive, but OpenTable, insurance, AI, and other initiatives carry product and sales investment; bear assumes weaker ad demand and lower scale.
Travel Reservation Services total	TTM GAAP margin 32.6%; FY2025 adjusted segment metric margin 36.6%	35.8%	37.8%	31.8%	Revenue-weighted output from product assumptions; base expands about 320 bps from TTM GAAP as direct mix and scale improve, still below a clean adjusted segment margin bridge.

The base-case margin expansion is greater than 100 bps, so the mechanism needs to be explicit. First, direct and mobile mix should reduce paid marketing intensity at the margin if Connected Trip and Genius increase repeat frequency. Second, merchant revenue scale should spread payments, fraud, customer service, and technology infrastructure over more transactions. Third, the transformation program is a real cost-base lever, but the data package's management commentary warns that savings are partly reinvested. The base case therefore does not let all savings drop through. Fourth, the mix shift has two opposing effects: merchant adds control and revenue opportunity, while agency is probably higher margin. The base case assumes direct mix and scale more than offset the loss of agency mix.

The bull case reaches a 37.8% modeled GAAP operating margin. That is above current GAAP but not irrational compared with FY2025 Segment Adjusted EBITDA less Capex margin of 36.6%, because the bull case allows five years of scale, direct, and product leverage. It still leaves room for reinvestment. The bear case margin is 31.8%, roughly 80 bps below current TTM GAAP margin. That downside comes from paid traffic inflation, regulatory and commission pressure, payments cost, product investment that does not convert into repeat behavior, and continued agency runoff. It does not assume a travel depression; a true recession case would be below this bear case.

10. Segment Rollup

The rollup starts from rounded TTM product revenue derived from data_package Section 5 quarterly product rows: merchant $18.54B, agency $7.93B, and advertising/other $1.23B. Each case compounds those product revenue bases for exactly five calendar years to 2031-03-31. Operating income is product revenue multiplied by the modeled product margin, then summed. Blended segment margin is total modeled operating income divided by total modeled revenue.

Case	Merchant rev	Agency rev	Ad/other rev	Segment revenue	Blended op margin	Segment op income	Arithmetic check
Bear	$25.40B	$6.14B	$1.50B	$33.03B	31.8%	$10.51B	Product revenue sums to segment total; OI equals revenue times weighted margin
Base	$30.54B	$7.35B	$1.81B	$39.70B	35.8%	$14.22B	Product revenue sums to segment total; OI equals revenue times weighted margin
Bull	$34.92B	$8.33B	$2.03B	$45.28B	37.8%	$17.10B	Product revenue sums to segment total; OI equals revenue times weighted margin

The base case is the central estimate because it ties closest to management's long-term revenue algorithm while allowing for product-mix reality. From the rounded $27.70B product TTM base, base-case revenue reaches $39.70B, or a 7.5% five-year CAGR. This is slightly below the constant-currency 8% ambition because reported currency, agency decline, and travel cyclicality can create drag, and because the latest merchant growth rate should decelerate materially as the base scales. The base-case operating income of $14.22B implies a 9.5% operating-income CAGR from the official TTM GAAP operating income of $9.034B, driven by revenue growth plus 320 bps of margin expansion.

The bull case reaches $45.28B of revenue and $17.10B of operating income. It requires sustained merchant execution, better agency stabilization, a bigger contribution from ad/other, and direct/mobile/Connected Trip improvements strong enough to expand margin despite payments and product investment. The bear case reaches $33.03B of revenue and $10.51B of operating income. That is still growth from TTM, but it is not enough to support a premium compounder narrative unless

valuation is already very forgiving. The bear case is most likely if agency runoff accelerates, merchant growth normalizes too quickly, and Google/AI/direct channels raise the cost of demand.

11. Key Risks And Wildcards

Bear risk - AI and search intermediation. If generative AI assistants, Google travel products, or super-apps capture more itinerary planning and routing, Booking could still process transactions but lose the highest-margin demand relationship. That would show up as higher paid acquisition, lower direct mix, or weaker supplier pricing power.

Bear risk - regulatory compression. Europe and other jurisdictions can restrict parity clauses, ranking practices, fees, consumer terms, data use, payments, or platform conduct. Booking's revenue is overwhelmingly outside the U.S. by attribution, so non-U.S. regulation matters disproportionately. Regulation does not need to ban OTAs to hurt economics; it can reduce pricing flexibility and raise compliance cost.

Bear risk - merchant payments cost and risk. The merchant shift supports growth but introduces payment-processing fees, fraud, chargebacks, customer-service obligations, and working-capital complexity. If those costs rise faster than conversion benefits, merchant mix becomes less margin-accretive.

Bear/base risk - travel macro cyclicality. Travel demand can be pressured by recession, air capacity constraints, regional conflict, FX, pandemics, or consumer budget stress. The data package already notes Middle East disruption affecting Q1 2026 room-night growth by about two points. The base case assumes disruptions normalize; the bear case assumes they recur or compound.

Base risk - agency runoff faster than expected. Agency is still almost $8B of annualized revenue. If the line declines at high single digits while merchant decelerates, consolidated growth can undershoot the 8% algorithm even if total room nights remain healthy.

Bull wildcard - Connected Trip becomes a real retention engine. Flights, attractions, Genius, direct, mobile, and AI have no separate revenue disclosure, but they may matter more through repeat frequency and lower marketing intensity. If multi-vertical behavior keeps growing far faster than room nights, the platform could gain both growth and margin.

Bull wildcard - Asia and localization. Management's data-package quote that Asia remains central matters because Booking's non-U.S. exposure is already large and the international travel market remains fragmented. Better localized product, payments, supply, and customer support could sustain merchant growth for longer than the base case.

Bull wildcard - AI improves service and conversion internally. Penny and related AI tools are early, but if they lower support cost, improve trip planning, and raise conversion inside Booking's own surfaces, AI could reinforce the moat rather than erode it. This is a bull case mechanism only if Booking keeps the traveler relationship.

Summary Table

Case	Segment TTM+5y Revenue	Segment TTM+5y Op Margin	Segment TTM+5y Op Income	Probability
Bear	$33.03B	31.8%	$10.51B	25%
Base	$39.70B	35.8%	$14.22B	50%
Bull	$45.28B	37.8%	$17.10B	25%

The probability weights are deliberately non-uniform. Base receives 50% because it is closest to management's high-single-digit FY2026 guide and 8% long-term revenue ambition while still reflecting agency runoff and merchant deceleration. Bear and bull receive 25% each because recent quarters still show strong merchant/product momentum, but AI/search intermediation, regulatory pressure, paid acquisition inflation, and travel cyclicality keep the downside case meaningful.

The segment is a high-quality marketplace with a still-credible five-year growth path, but the quality comes from the one-segment system rather than from a collection of separately disclosed growth products. The cleanest forecast is therefore not a flights model, an AI model, or a Connected Trip model. It is a merchant, agency, and advertising/other revenue model, with the non-disclosed products expressed as drivers of mix, conversion, repeat behavior, take rate, and margin. On that basis, the base case expects Booking's Travel Reservation Services segment to reach about $39.70B of revenue and $14.22B of GAAP operating income by 2031-03-31.

Appendix S - Synthesis (Combined Earnings Model)

Booking Holdings (BKNG) - Synthesis (Combined Earnings Model)

Production-mode Sub-Agent S deliverable. Output path: `C:\Users\Admin\OneDrive\GPT\ER 2.0\Booking Holdings\appendix_synthesis.md`.

This appendix builds the combined TTM+5y earnings model for Booking Holdings from the cleared data package, the R-reviewed Travel Reservation Services segment appendix, the management appendix, and the moat appendix. Booking has one reportable segment, so the combined model is intentionally simple at the segment level and strict at the arithmetic level. The main modeling risk is not segment allocation; it is whether the one-segment product mix, margin path, capital return path, and AI/platform durability assumptions are internally consistent.

The base case clears the P/E 15 gate at the orchestrator-provided current price of $168.37. The base case reaches $39.70 billion of revenue, $14.22 billion of operating income, $10.38 billion of net income, and $15.52 of EPS at 2031-03-31. Required TTM+5y EPS for a P/E of 15 at the current price is $11.22, so the base case has a 38.2% cushion. The bear case does not clear on the same basis: bear EPS of $11.02 maps to $165.31 at 15x, or 1.8% below the current price. That matters because the moat appendix is YELLOW and the AI/platform distribution risk is unresolved. The P/E gate is passed by the central case, but not by the downside case.

1. Anchors

- Today: 2026-05-28.
- Ticker: BKNG.
- Company: Booking Holdings.
- Fiscal year end: December 31.
- TTM anchor end date: 2026-03-31.
- TTM quarters: Q2 2025 plus Q3 2025 plus Q4 2025 plus Q1 2026.
- Latest completed FY label for historical tie-out only: FY2025.
- Horizon date: 2031-03-31.
- Compounding span: exactly 5.0 calendar years from the TTM end date, not six fiscal years.
- Current price: $168.37.
- Currency: USD.
- Latest diluted share count: 794 million split-adjusted shares from Q1 2026, per quant foundation P4 and P6.
- TTM revenue: $27.687 billion.
- TTM GAAP operating income: $9.034 billion.
- TTM net income: $6.154 billion.
- TTM FCF: $9.033 billion.

The anchor discipline is important here because Booking's fiscal year is a calendar year and the most recent reported quarter is Q1 2026. The model does not start from FY2025 and then project six fiscal years. It starts from the last four reported quarters ending 2026-03-31 and compounds for exactly five calendar years to 2031-03-31.

The data package and QF/QFR notes preserve one important control issue: FMP FY2025 operating income excludes a $457 million impairment, while the SEC GAAP operating income includes it. SEC GAAP operating income controls. Every margin reference in this appendix uses the SEC GAAP-controlled TTM and FY2025 operating income figures rather than the inflated FMP operating income line.

2. Segment-Level Forward Assumptions

Booking has one reportable segment, named Travel Reservation Services in this ER2 workstream. The R-reviewed segment appendix builds the segment from disclosed product revenue lines: merchant revenue, agency revenue, and advertising and other revenues. Flights, attractions, Connected Trip, direct/mobile, Genius, payments, and AI/Penny are treated as operating drivers, not as separate revenue pools, because Booking does not disclose dollar revenue for those items.

The segment appendix starts from approximate TTM product revenue of merchant $18.54 billion, agency $7.93 billion, and advertising/other $1.23 billion. Those product figures sum to $27.70 billion versus official TTM consolidated revenue of $27.687 billion. The difference is rounding, not an economic adjustment.

Segment	TTM revenue ($B)	Bear TTM+5y rev	Base TTM+5y rev	Bull TTM+5y rev	Bear OI margin	Base OI margin	Bull OI margin
Travel Reservation Services	27.69	33.03	39.70	45.28	31.8%	35.8%	37.8%

Source: `appendix_B_travel_reservation_services.md` Sections 8, 9, and 10. The segment rollup already passed R review. The segment appendix's probability weights are 25% bear, 50% base, and 25% bull. This synthesis keeps those weights because the combined model has no second reportable segment that would justify a different weighting scheme.

The segment economics are mix-aware. Merchant revenue is the growth engine, but the base case assumes material deceleration from the latest Q1 2026 merchant growth rate. Agency revenue is modeled as a shrinking product line in the bear and base cases. Advertising and other revenues grow from a small base. The segment's base revenue CAGR is about 7.5%, slightly below management's 8% constant-currency long-term revenue ambition, because reported currency, travel cyclicality, and agency runoff can create drag.

3. Combined Revenue Build

There are no corporate eliminations or intersegment adjustments because Booking has one reportable segment. The combined revenue line therefore equals the Travel Reservation Services rollup. The only reconciliation point is the small rounded difference between the segment appendix's $27.70 billion product base and the data package's official $27.687 billion TTM revenue base.

Line	Bear	Base	Bull
Sum of segment TTM+5y revenue	$33.03B	$39.70B	$45.28B
Corporate eliminations	$0.00B	$0.00B	$0.00B
Combined TTM+5y revenue	$33.03B	$39.70B	$45.28B
Implied TTM to TTM+5y CAGR	3.6%	7.5%	10.3%

The bear case is still a growing business, not a collapse case. It assumes merchant growth slows sharply, agency keeps declining, and advertising/other remains too small to rescue the consolidated growth algorithm. The base case is close to management's long-term algorithm but applies a haircut for product mix and macro normalisation. The bull case requires Connected Trip, Asia/localization, direct/mobile, payments, and AI-assisted conversion to keep merchant growth stronger for longer while agency stabilizes.

Because the company has one reportable segment, the combined revenue build has no hidden allocation layer. If the revenue model is wrong, the error will come from product growth assumptions inside the one segment rather than from segment summation.

4. Combined Operating Income Build

The segment appendix's operating income is a modeled GAAP operating income proxy. Booking does not disclose product-level operating income, and its official segment profit metric is Segment Adjusted EBITDA less Capex. Because there is one reportable segment, consolidated GAAP operating income is the best GAAP operating-profit anchor for the one-segment synthesis. The data package makes this limitation explicit.

Corporate expense assumption: no separate unallocated corporate expense is deducted below the segment line. All corporate operating expense is already embedded in consolidated GAAP operating income and in the single-segment operating margin assumptions. Adding a second corporate deduction would double count corporate cost.

Line	Bear	Base	Bull
Sum of segment TTM+5y OI	$10.51B	$14.22B	$17.10B

Line	Bear	Base	Bull
Unallocated corporate expense	$0.00B	$0.00B	$0.00B
Combined TTM+5y OI	$10.51B	$14.22B	$17.10B
Implied OI margin	31.8%	35.8%	37.8%

The base case expands GAAP operating margin from the current TTM level of 32.6% to 35.8% by the horizon. That expansion is not automatic. It depends on direct/mobile mix, Genius retention, Connected Trip behavior, transformation-program savings, scale economies, and AI/service automation offsetting payment-processing costs, fraud costs, support cost, product reinvestment, and agency mix loss. The moat appendix supports a real margin moat today but gives a YELLOW verdict because paid distribution, regulation, and AI/platform intermediation could weaken future economics.

The bear case margin of 31.8% is below TTM GAAP margin and roughly equal to FY2024 GAAP margin. It assumes the business remains profitable but loses leverage to paid traffic, regulatory pressure, payment costs, and product investment. The bull case margin of 37.8% requires the company to move closer to its adjusted segment economics while preserving enough direct and merchant scale advantage to absorb reinvestment.

5. Net Income and EPS Build

The TTM bridge in the quant foundation shows TTM operating income of $9.034 billion, pretax income of $7.835 billion, and net income of $6.154 billion. That implies TTM below-operating-income items of negative $1.199 billion and an effective tax rate of about 21.5%. The forward model uses a normalized net interest and other line rather than extrapolating every historical mark-to-market or one-time item.

Net interest and other assumption: bear and base use negative $1.00 billion. Bull uses negative $0.90 billion because stronger cash generation and lower relative leverage partly offset interest expense. The assumption remains conservative versus a purely net-cash framing because Booking had $18.41 billion of debt and $16.02 billion of cash at Q1 2026, and it issued additional dollar and euro notes in May 2026. The line is not assumed to disappear.

Tax assumption: base uses 21.5%, close to the TTM effective tax rate. Bear uses 22.5% to reflect less favorable jurisdictional mix and regulatory/tax friction. Bull uses 21.0%, modestly better but not an aggressive tax benefit.

Line	Bear	Base	Bull
Combined TTM+5y OI	$10.51B	$14.22B	$17.10B
Net interest and other	-$1.00B	-$1.00B	-$0.90B
Pre-tax income	$9.51B	$13.22B	$16.20B
Tax rate assumed	22.5%	21.5%	21.0%
Net income	$7.37B	$10.38B	$12.80B
Diluted share count at TTM+5y	668.8M	668.8M	668.8M
EPS at TTM+5y	$11.02	$15.52	$19.14

The EPS model uses the same share count for all three cases. That is deliberately conservative for bull and arguably generous for bear, but it avoids a common modeling error: using stronger buybacks as an implicit second operating lever in the upside case while also giving the bull case higher operating income. Booking has historically used buybacks heavily, and the balance sheet can support continued returns, but the forward share count should be explicit rather than hidden in an EPS shortcut.

6. Share Count Path

The latest diluted share count is 794 million split-adjusted shares. The data package shows diluted shares declining from 1,034 million in FY2021 to 816 million in FY2025, with Q1 2026 at 794 million. Buybacks were $6.62 billion in 2022, $10.38 billion in 2023, $6.51 billion in 2024, $6.44 billion in 2025, and $3.77 billion in Q1 2026. Dividends began in 2024 and are not the per-share thesis.

Forward buyback assumption: $6.5 billion per year for five years. This is close to the FY2024-FY2025 run rate and below the annualized Q1 2026 pace. The model does not assume the company spends the entire remaining authorization immediately.

SBC issuance assumption: TTM SBC is approximately $615 million, calculated as FY2025 SBC of $617 million less Q1 2025 SBC of $143 million plus Q1 2026 SBC of $141 million. Dividing by the current price of $168.37 gives approximately 3.65 million shares of annual gross SBC issuance. This is a rough share-equivalent issuance estimate, not a forecast of grant-date fair value accounting.

Average buyback price assumption: the model assumes rising average buyback prices of $190, $210, $230, $250, and $270 over the five years. That makes repurchases less powerful over time and avoids retiring shares at today's price for the entire horizon after the model itself implies upside.

Year	Starting share count (M)	Buyback $ ($B)	Avg price assumed	Shares retired (M)	SBC issuance (M)	Ending share count (M)
Year 1	794.0	$6.5B	$190	34.2	3.7	763.4
Year 2	763.4	$6.5B	$210	31.0	3.7	736.1
Year 3	736.1	$6.5B	$230	28.3	3.7	711.5
Year 4	711.5	$6.5B	$250	26.0	3.7	689.2
Year 5	689.2	$6.5B	$270	24.1	3.7	668.8

Share-count arithmetic: 794.0 million starting shares less 143.4 million shares retired plus 18.3 million SBC-equivalent shares equals 668.8 million ending shares. The total net reduction is 125.2 million shares, or 15.8% over five years. That is materially less aggressive than simply extrapolating the 2021-Q1 2026 share-count decline, which protects the model from assuming buybacks do all the per-share work.

The main risk to this share path is price discipline. The management appendix gives management credit for large buybacks and low dilution, but it also flags the lack of a granular intrinsic-value framework. If the stock trades materially above intrinsic value and management keeps repurchasing at the same dollar pace, per-share accretion would be weaker than shown here. If free cash flow compounds faster than the base case and the stock remains cheap, the path could prove conservative.

7. P/E 15 Test

Required TTM+5y EPS for a P/E of 15 at the current price is $168.37 divided by 15, or $11.22. The base case is the confident case that matters under ER2. Bull-case clearance is not enough. Bear-case failure matters for risk, but it does not automatically fail the P/E gate if the central case is sufficiently supported.

Case	EPS at TTM+5y	EPS x 15	Current price	Cushion %	Pass?
Bear	$11.02	$165.31	$168.37	-1.8%	No
Base	$15.52	$232.77	$168.37	38.2%	Yes
Bull	$19.14	$287.05	$168.37	70.5%	Yes

P/E 15 gate verdict: PASS, with a base-case cushion of 38.2%. This is a valuation pass, not a full thesis pass. The management gate is PASS, but the moat gate and 2046 test are YELLOW because AI/platform distribution risk remains unresolved. That means the synthesis supports investability at the current price only if the reader accepts the base case's assumption that Booking remains a high-return execution network beneath changing travel interfaces.

8. Reflexivity Check

The combined earnings build is bottoms-up, but with one reportable segment it must tie exactly to the consolidated TTM anchor before compounding. It does.

Check	Segment / model value	Consolidated value	Difference	Result
TTM revenue	$27.687B	$27.687B	0.0%	PASS
TTM GAAP operating income	$9.034B	$9.034B	0.0%	PASS
FY2025 revenue	$26.917B	$26.917B	0.0%	PASS
FY2025 GAAP operating income	$8.825B	$8.825B	0.0%	PASS

The TTM operating margin is 32.6%, calculated as $9.034 billion of GAAP operating income divided by $27.687 billion of revenue. The latest completed FY operating margin is 32.8%, calculated as $8.825 billion divided by $26.917 billion. The small difference reflects Q1 2026 seasonality and quarterly mix, not a failed tie-out.

The known FMP mismatch is handled here. The Q3 2025 and FY2025 impairment is included in SEC GAAP operating income. Using the FMP line that excludes the impairment would raise the anchor margin and falsely make margin expansion look easier.

9. In-Progress FY Reconciliation

No in-progress fiscal year is treated as effectively complete in this synthesis. The model uses the TTM anchor ending 2026-03-31. Q1 2026 is part of the TTM base; it is not annualized into a FY2026 anchor.

For context, Q1 2026 revenue was $5.532 billion and Q1 2026 GAAP operating income was $1.271 billion. A simple annualization would be misleading because Booking has strong quarterly seasonality. The most relevant near-term check is therefore not Q1 annualized revenue versus a fake FY2026 estimate. It is whether the first forward year implied by the base model starts within a reasonable distance of the TTM run rate and management's high-single-digit FY2026 revenue guide.

The base case uses a 7.5% five-year revenue CAGR from the TTM product base. A first-forward-year application of that growth rate produces roughly $29.8 billion of revenue versus the official $27.687 billion TTM base, or about 7.6% growth. That is within 10% of the most recent four-quarter annualized run rate and consistent with management's high-single-digit FY2026 revenue framing in the data package. This passes the recency anchor check.

10. Sensitivity - Which Variable Matters Most

The base case has enough valuation cushion that modest tax or share-count errors do not break the P/E gate. The largest drivers are revenue growth and operating margin because they compound through operating income before tax and share count. The table below holds the other variables at the base case unless stated otherwise.

Sensitivity	Downside EPS	Base EPS	Upside EPS	Interpretation
Revenue CAGR plus or minus 200 bps	$14.04	$15.52	$17.15	Largest swing; growth durability is the main operating variable
Operating margin plus or minus 200 bps	$14.58	$15.52	$16.44	Material but less powerful than revenue growth
Ending share count plus or minus 5%	$14.77	$15.52	$16.33	Buybacks matter, but do not dominate the model
Tax rate plus or minus 300 bps	$14.92	$15.52	$16.10	Meaningful, but not thesis-defining at current cushion

The sensitivity table points to two kill criteria. First, if Booking's merchant-led revenue growth decelerates below the base path without agency stabilization or ad/other offset, the P/E cushion will shrink quickly. Second, if direct/mobile/Genius and Connected Trip fail to reduce marketing intensity or improve conversion, the base margin expansion to 35.8% becomes too generous. Share count is important, but a weaker buyback path alone would not break the base case unless it coincided with slower growth or lower margins.

11. Combined Earnings Summary Table

Probability weights remain 25% bear, 50% base, and 25% bull. That is not a uniform 33/33/34 split. Base receives the highest probability because it is closest to management's high-single-digit near-term guide and 8% long-term constant-currency revenue ambition while still embedding agency runoff and merchant deceleration. Bear and bull remain meaningful because the moat appendix is YELLOW: AI/search/platform distribution risk can erode economics, while Connected Trip, payments, Asia, and direct/mobile engagement can also produce upside.

Case	Revenue ($B)	OI ($B)	OI margin (%)	NI ($B)	EPS ($)	Probability	EPS x 15	vs. $168.37
Bear	$33.03	$10.51	31.8%	$7.37	$11.02	25%	$165.31	-1.8%
Base	$39.70	$14.22	35.8%	$10.38	$15.52	50%	$232.77	38.2%
Bull	$45.28	$17.10	37.8%	$12.80	$19.14	25%	$287.05	70.5%
Probability-weighted EPS	n/a	n/a	n/a	n/a	$15.30	100%	$229.02	36.0%

The probability-weighted EPS of $15.30 is close to the base case because the bear and bull weights are symmetric. This should not be misread as false precision. The practical question is whether the base case deserves confidence given the YELLOW moat. The arithmetic answer is yes: the base case clears the P/E 15 test with a margin of safety. The qualitative

answer is conditional: the case needs continuing evidence that AI and large platform partners become incremental distribution or conversion tools rather than rent-extractive owners of the customer relationship.

Tie-Out Checks

- Reported-financial tie-out: PASS. TTM revenue and operating income tie to the consolidated data package at $27.687 billion and $9.034 billion. FY2025 revenue and GAAP operating income tie to the official control values at $26.917 billion and $8.825 billion. Differences are 0.0%, within the 2% threshold.

- NI / shares = EPS: PASS. Bear $7.37 billion divided by 668.8 million shares equals $11.02. Base $10.38 billion divided by 668.8 million shares equals $15.52. Bull $12.80 billion divided by 668.8 million shares equals $19.14. Differences are rounding only.

- Segment sum tie-out at horizon: PASS. Combined TTM+5y revenue equals the single segment's TTM+5y revenue in each case. Bear $33.03 billion divided by $33.03 billion equals 100.0%; base $39.70 billion divided by $39.70 billion equals 100.0%; bull $45.28 billion divided by $45.28 billion equals 100.0%. Corporate eliminations are $0.

- Product-to-segment rollup: PASS. The segment appendix Section 10 states that product revenues sum to segment total in each case. The reproduced arithmetic is bear merchant $25.40 billion plus agency $6.14 billion plus ad/other $1.50 billion equals $33.03 billion after rounding; base $30.54 billion plus $7.35 billion plus $1.81 billion equals $39.70 billion after rounding; bull $34.92 billion plus $8.33 billion plus $2.03 billion equals $45.28 billion after rounding.

- Weighted margin check: PASS. The segment appendix Section 9 gives product margin assumptions that reconcile to blended segment margins. Bear product OI is approximately $8.00 billion plus $2.15 billion plus $0.36 billion, or $10.51 billion. Base product OI is approximately $10.84 billion plus $2.83 billion plus $0.54 billion, or $14.22 billion. Bull product OI is approximately $13.10 billion plus $3.33 billion plus $0.67 billion, or $17.10 billion. Each ties to the blended margin within rounding.

- Share count path: PASS. Starting share count is 794.0 million. Five years of $6.5 billion buybacks at average prices of $190, $210, $230, $250, and $270 retire 143.4 million shares. Five years of 3.65 million annual SBC-equivalent issuance add 18.3 million shares. Ending share count is 668.8 million. The path uses exactly five years, not six.

- Growth plausibility: PASS. Base segment CAGR is about 7.5%, below 1.2 times the FY2023-FY2025 segment revenue CAGR of 12.3%. Merchant base CAGR of 10.5% is well below 1.2 times its 27.4% recent disclosed CAGR. Agency is modeled at negative 1.5%, and advertising/other at 8.0%, below 1.2 times its 8.5% recent disclosed CAGR. The base case does not exceed the historical-plausibility threshold.

- Historical arithmetic: PASS. Product forward tables use the formula TTM revenue times one plus CAGR to the fifth power. Recomputed outputs are bear merchant $25.39 billion, agency $6.14 billion, ad/other $1.48 billion; base merchant $30.54 billion, agency $7.35 billion, ad/other $1.79 billion; bull merchant $34.91 billion, agency $8.34 billion, ad/other $2.01 billion. Differences versus the segment appendix are less than 1% and attributable to rounded inputs and displayed output.

- Recency anchor: PASS. The base model's first-forward-year revenue implied by a 7.5% growth path is roughly $29.8 billion, about 7.6% above the $27.687 billion TTM revenue anchor. That is within 10% of the most recent four-quarter run rate and consistent with management's high-single-digit FY2026 revenue guide described in the data package.

- Non-operating and tax bridge: PASS. For each case, operating income plus net interest and other equals pretax income, and pretax income times one minus the tax rate equals net income. Bear $10.51 billion less $1.00 billion equals $9.51 billion pretax, taxed at 22.5% to $7.37 billion NI. Base $14.22 billion less $1.00 billion equals $13.22 billion pretax, taxed at 21.5% to $10.38 billion NI. Bull $17.10 billion less $0.90 billion equals $16.20 billion pretax, taxed at 21.0% to $12.80 billion NI.

- Valuation arithmetic: PASS. Required EPS is $168.37 divided by 15, or $11.22. Bear EPS of $11.02 times 15 equals $165.31, a 1.8% deficit to the current price. Base EPS of $15.52 times 15 equals $232.77, a 38.2% cushion. Bull EPS of $19.14 times 15 equals $287.05, a 70.5% cushion. The reported P/E 15 gate is therefore PASS on the base case, with the bear-case failure flagged rather than hidden.

Model Interpretation

The synthesis says Booking is not failing the ER2 valuation bar at the provided price. A $168.37 stock price requires only $11.22 of TTM+5y EPS to clear 15x. The base case produces $15.52 even with a normalized negative non-operating line, a tax rate in line with recent history, and a share path that assumes buyback prices rise materially over time. The margin of safety comes from three sources: a still-credible high-single-digit revenue compounder, moderate operating-margin expansion, and continued repurchases supported by high FCF conversion.

The cleanest objection is not arithmetic. It is durability. The moat appendix rates both the moat gate and the 2046 test YELLOW because travel discovery is vulnerable to AI and platform intermediation. If Google, Apple, OpenAI, Amazon-style agents, super-apps, or hotel-direct channels own more traveler intent and auction fulfillment access to Booking, the company can remain large while losing excess economics. That would show up before 2031 in higher paid marketing intensity, weaker direct/mobile/Genius progress, faster agency decline, merchant growth without margin conversion, or regulatory constraints on ranking, discounting, data use, and parity economics.

The model is also sensitive to product-mix interpretation. Merchant revenue has grown rapidly and is now the majority of revenue. That helps payments, conversion, customer experience, and Connected Trip execution, but it also brings payment processing, fraud, chargeback, support, and working-capital complexity. Agency revenue is likely higher contribution but structurally shrinking. The base case assumes the positive merchant and direct-mix effects more than offset agency mix loss. If that assumption fails, the base margin expansion to 35.8% is too high.

Management quality helps the case. The management appendix gives a PASS because Glenn Fogel's team has a long operating record, coherent strategy, disciplined M&A, heavy capital return, low dilution, and above-average candor around AI and platform risk. The share-count model depends on that capital allocation continuing in a sensible way. The risk is not that management refuses to return capital; it is that buybacks become less value-accretive if conducted aggressively at high prices or if AI/platform risk reduces intrinsic value faster than management recognizes.

The synthesis therefore supports a valuation PASS, but not an unqualified long-duration compounder PASS. The current price clears the central five-year P/E test, and the 11 tie-outs pass. The stock still needs monitoring around the exact issues that the moat appendix names: direct/mobile/Genius mix, marketing expense relative to gross bookings and revenue, merchant margin conversion, agency runoff, AI distribution economics, and regulatory resets. If those indicators remain favorable, the base case is defensible. If they deteriorate together, the bear case's narrow P/E failure becomes the more relevant valuation anchor.

Markdown Table Verification

Tables in Sections 2, 3, 4, 5, 6, 7, 8, 10, 11, and the tie-out section were checked for the Codex ER2 Markdown table contract: blank line before and after each table, header row, delimiter row, consistent cell counts, no multiline cells, and no literal pipe characters inside cells. Required synthesis tables render as standard GitHub-flavored Markdown pipe tables.

Appendix CS - Compounder Score

Booking Holdings - Diagnostic Compounder Score

Analysis date: 2026-05-28 Ticker: BKNG Exchange: Nasdaq Currency: USD Current price: $168.37, from the orchestrator-provided live quote pulled May 28, 2026 at 11:35:57 UTC TTM end: 2026-03-31 Horizon date: 2031-03-31

1. Executive Verdict

Booking Holdings is a high-quality asset-light travel marketplace, but it is not an automatic 20% compounder at the current price under this diagnostic rubric. The evidence supports a strong business-quality score because the company has global scale, high free cash flow conversion, meaningful marketplace advantages, low capital intensity, a long-tenured management team, disciplined M&A, and a large capital-return engine. The evidence does not support an "Investable now under this rubric" classification because the base-case five-year return does not clear 20% annualized without a higher terminal multiple than the current multiple or without bull-case operating execution.

The final diagnostic score is 72/100. Business Quality is 65/80. The 20% Return Underwriting score is 7/20. The score-implied classification is Buy only at lower price. This is diagnostic only and does not override the ER2 verdict. It does explain the tension between the synthesis appendix and the compounder rubric: the synthesis P/E 15 gate passes because base 2031 EPS of $15.52 at 15x equals $232.77, a 38.2% cushion to the current price. The CS rubric asks a different question: can the current stock underwrite at least 20% annualized shareholder return over the next five years without terminal multiple expansion? On the evidence here, the answer is no.

The business is not the problem. The current TTM base is $27.687 billion of revenue, $9.034 billion of GAAP operating income, $6.154 billion of net income, and $9.033 billion of FCF. FCF conversion is unusually strong. The latest balance sheet has $18.413 billion of debt against $16.497 billion of cash plus long-term investments, or roughly $1.916 billion of net debt after long-term investments. That is only 0.19x TTM Segment Adjusted EBITDA less Capex. Booking is therefore not financially fragile. The constraint is valuation relative to the 20% target and the durability questions raised by the moat appendix.

The main quality cap is analytical rather than operational. Standard book ROIC is not meaningful after FY2022 because cumulative repurchases drove stockholders' equity and invested capital negative. The company almost certainly earns high economic returns, and capex-only incremental returns are very high, but the dispatch requires a credible ROIC and ROIIC calculation. I therefore give Booking substantial credit for cash economics while capping the incremental-return category for not having a clean invested-capital denominator. This score is deliberately skeptical: it treats stock-based compensation as a real cost, treats buybacks as value-accretive only if price discipline holds, and treats AI/platform disintermediation as a real moat risk.

2. Data Source Map

The source hierarchy uses the cleared ER2 source chain first. No new stale cache was used for this appendix.

Evidence item	Primary source used	Notes
Price / market cap	Orchestrator-provided live quote and QF latest diluted shares	Price $168.37; latest diluted shares 794 million split-adjusted
Enterprise value	Calculated from current market cap and Q1 2026 net debt after investments	Market cap about $133.68B; EV about $135.59B
Income statement	`quant_foundation.md`, `data_package.md`, FMP/SEC tie-outs	SEC GAAP controls FY2025 operating income at $8.825B
Balance sheet	`quant_foundation.md`, `data_package.md`	Q1 2026 cash plus long-term investments $16.497B; debt $18.413B
Cash flow	`quant_foundation.md`, `data_package.md`, quarterly cash-flow bridge	TTM FCF $9.033B; FY2025 FCF $9.087B
Share count	`quant_foundation.md`, `appendix_synthesis.md`	Latest diluted shares 794M; model ending shares 668.8M
SBC	`appendix_synthesis.md`, annual and quarterly cash-flow data	TTM SBC approximately $615M by annual-minus-Q1-plus-Q1 bridge
Segment data	`appendix_B_travel_reservation_services.md`	One reportable segment; product lines merchant, agency, ad/other

Evidence item	Primary source used	Notes
Management	`appendix_management.md`	Management gate PASS
Moat and 2046 durability	`appendix_moat.md`	Moat gate YELLOW; 2046 test YELLOW
Valuation / EPS model	`appendix_synthesis.md`	Base P/E 15 gate PASS; bear does not clear
Competitors and TAM context	Segment and moat appendices	Public-company comparison and industry structure context

3. Key Financial and Quality Metrics

The cleared financial base shows an asset-light company with excellent cash production. FY2021 revenue was $10.96 billion and FY2025 revenue was $26.92 billion, a 25.2% CAGR, though that period includes pandemic recovery and should not be extrapolated. FY2021 FCF was $2.52 billion and FY2025 FCF was $9.09 billion, a 37.8% CAGR. FY2021 diluted shares were about 1,034 million split-adjusted shares and FY2025 diluted shares were about 816 million, a negative 5.7% annualized share-count CAGR. The latest diluted share count is 794 million.

The TTM ending 2026-03-31 is the right current base. TTM revenue is $27.687 billion. TTM GAAP operating income is $9.034 billion. TTM FCF is $9.033 billion. TTM FCF conversion versus net income is 146.8%, and TTM FCF margin is 32.6%. This is unusually strong. FY2025 capex was only $322 million, or 1.2% of revenue. Low capex is a real feature of the model, not a one-year accident.

The current market cap using $168.37 and 794 million shares is about $133.68 billion. Adding net debt after cash and long-term investments of about $1.92 billion gives an estimated EV of $135.59 billion. TTM NOPAT, using TTM GAAP operating income of $9.034 billion and an approximate normalized tax rate of 21.5%, is about $7.09 billion. EV / NOPAT is therefore about 19.1x. EV / TTM GAAP EBIT is about 15.0x. Market cap / TTM FCF is about 14.8x, or a 6.8% FCF yield. The current dividend run rate is about $1.68 per share annually, or roughly 1.0% of the current price. TTM repurchases are large; the quarterly cash-flow data imply roughly $8.0 billion of gross repurchases over Q2 2025 through Q1 2026.

Standard ROIC is not meaningful. The data package explicitly says book invested capital becomes not meaningful after FY2022 because large repurchases drive negative book equity and negative invested capital. Using the dispatch formula mechanically at Q1 2026 gives debt plus equity plus lease obligations less cash and long-term investments below zero. That denominator cannot support a clean positive ROIC claim. The economic evidence still points to high returns: low capex, huge FCF, margin persistence, and growth without external financing. But the score must not pretend that a negative capital base proves infinite returns.

ROIIC has the same problem. From FY2022 to FY2025, NOPAT rose from about $3.98 billion to about $6.98 billion. Cumulative capex over FY2023-FY2025 was only about $1.09 billion, which implies capex-only incremental returns far above 100%. But when the formula includes non-cash working-capital changes, cumulative reinvestment is negative because merchant/deferred and other working-capital dynamics release cash. A negative reinvestment denominator is not a credible ROIIC signal. The right conclusion is that Booking has excellent cash economics but insufficient clean invested-capital data for a full 8/8 ROIIC score.

Metric	Value	Interpretation
TTM revenue	$27.687B	Official QF bridge
TTM GAAP operating income	$9.034B	SEC-controlled bridge
TTM FCF	$9.033B	OCF less capex
TTM FCF conversion vs net income	146.8%	Very strong, partly working-capital aided
Latest diluted shares	794M	Q1 2026 split-adjusted
Market cap	$133.68B	$168.37 times 794M shares
Enterprise value	$135.59B	Market cap plus net debt after investments
EV / NOPAT	19.1x	NOPAT estimated at TTM OI after 21.5% tax
FCF yield	6.8%	TTM FCF / market cap
SBC / revenue	2.2%	TTM SBC about $615M / TTM revenue
SBC / FCF	6.8%	TTM SBC about $615M / TTM FCF
Net debt / TTM adjusted EBITDA less capex	0.19x	Balance sheet risk is low

4. Rubric Scorecard

Category	Score	Max	Rationale
Incremental Returns on Capital	19	25	FCF economics and capex-only incremental returns are excellent, but book ROIC/ROIIC are not clean because invested capital is negative
Reinvestment Runway	17	20	Merchant, payments, direct/mobile, Asia/localization, Connected Trip, and alternative accommodations give a credible runway
Durability of Moat	12	15	Real marketplace scale and trust moat today, but moat and 2046 tests are YELLOW because AI/platform intermediation is plausible
Accounting and Financial Quality	9	10	Cash flow supports earnings; SBC is real but moderate; controls and disclosures look clean
Capital Allocation Discipline	8	10	Buybacks, low M&A, low dilution, and strong management record; price discipline on repurchases remains a watch item
Price and 20% Underwriting	7	20	Base case does not clear 20% annualized without terminal multiple expansion; cash returns help but are not enough
Total	72	100	Buy only at lower price under this diagnostic rubric

The evidence supports a high business-quality score, but this score is capped because the best operating evidence does not solve the 20% return problem. Great FCF conversion and buybacks help. They do not make a 20% base-case IRR appear at $168.37.

5. ROIIC and Reinvestment Analysis

The best clean statement is that Booking is an asset-light cash compounder with difficult-to-measure invested capital. FY2025 FCF was $9.087 billion on only $322 million of capex. TTM FCF was $9.033 billion. That is a durable quality marker. The company does not need factories, inventory, or a large owned real-estate base to grow. It reinvests mainly through marketing, personnel, technology, payments, AI, localization, customer service, supplier tools, compliance, and brand/product work. Much of that reinvestment is expensed through the income statement rather than capitalized on the balance sheet.

This is why standard ROIIC is awkward. If one uses only capex as reinvestment, incremental returns are extraordinary. NOPAT increased by roughly $3.0 billion from FY2022 to FY2025, while cumulative FY2023-FY2025 capex was only about $1.09 billion. That would imply capex-only ROIIC of roughly 275%. If the analysis stretches from FY2021 to FY2025, NOPAT rose by roughly $5.0 billion and cumulative FY2022-FY2025 capex was about $1.46 billion, implying capex-only returns above 300%. Those numbers are economically directional but incomplete because they ignore expensed growth investment.

If one follows the dispatch reinvestment formula and includes working-capital changes, the denominator turns negative over the recent period. That is not because the business destroyed capital; it is because merchant payments, deferred revenue, payable timing, and other working-capital dynamics can release cash while the business grows. Negative reinvestment makes a simple ROIIC percentage nonsensical. I therefore score ROIIC positively but not at the top of the rubric. The company gets credit for demonstrable FCF growth, low capex, high margins, and per-share compounding. It does not get a perfect incremental-return score from a mechanically unusable denominator.

The accounting-artifact question is important. Booking's high returns are not purely a book-equity artifact because the cash flow is real: TTM FCF is about $9.0 billion and the company has funded large repurchases while remaining close to net-debt neutral. But any ROIC ratio using debt plus equity less cash is distorted by the negative equity base created by repurchases. The score therefore separates economic return evidence from formal ROIC evidence.

6. Runway Analysis

The runway is still credible. Booking has one reportable segment, Travel Reservation Services, with merchant revenue, agency revenue, and advertising/other revenue as the disclosed product taxonomy. FY2025 merchant revenue was $17.755

billion, or 66.0% of total revenue. TTM merchant revenue was about $18.535 billion, or 66.9% of the TTM base. Agency revenue is still large at about $7.932 billion TTM but is structurally pressured as more activity shifts to merchant payments. Advertising and other revenue is small at about $1.220 billion TTM.

The segment appendix's base case reaches $39.70 billion of revenue by 2031-03-31, a 7.5% CAGR from the TTM base. That is slightly below management's 8% constant-currency long-term revenue ambition and intentionally below recent merchant growth. The base assumes merchant revenue compounds at 10.5%, agency declines at 1.5%, and advertising/other grows at 8.0%. That is a reasonable five-year runway if payments, direct/mobile engagement, Asia/localization, alternative accommodations, and Connected Trip keep working.

The runway does not deserve a perfect score because not every growth driver is dollar-disclosed. Flights, attractions, Connected Trip, Genius, mobile, direct mix, payments, and AI/Penny are KPI or qualitative drivers rather than separately disclosed revenue pools. They may improve conversion, repeat behavior, take rate, marketing efficiency, and margin, but they cannot be modeled as standalone revenue segments without double counting. The score gives Booking credit for a repeatable expansion playbook while preserving this disclosure gap.

The most important runway risk is mix. Merchant revenue growth is currently strong, but merchant economics include payment-processing costs, fraud/chargeback exposure, customer-service obligations, and working-capital complexity. Agency is likely higher contribution but shrinking. The base case assumes direct mix, scale, payments control, and transformation savings more than offset agency runoff. If that assumption fails, the base margin expansion to 35.8% is too high.

7. Moat Analysis

Booking has a real moat today. The moat is a dense global marketplace system: traveler demand, fragmented accommodation supply, localized payments, reviews, cancellation workflows, customer support, supplier tools, performance-marketing learning, and brand habit. Scale is the most observable advantage. The moat appendix shows TTM revenue of $27.687 billion, TTM GAAP operating income of $9.034 billion, TTM FCF of $9.033 billion, and TTM Segment Adjusted EBITDA less Capex of $10.071 billion. That scale funds marketing, product testing, AI experimentation, fraud systems, localized service, partner tools, and compliance.

The moat is strongest in accommodations, especially fragmented independent hotels and alternative accommodations outside the United States. The data package shows FY2025 outside-U.S. revenue attribution of $24.34 billion, or 90.4% of total. Booking's competitive center is global, not only U.S. travel. Suppliers use Booking because it can deliver incremental international demand. Travelers use Booking because it reduces friction in high-trust, cross-border reservations.

The moat does not receive a clean PASS because switching costs are low and upper-funnel distribution remains exposed. A traveler can search on Expedia, Airbnb, Google Travel, Trip.com, a hotel website, a credit-card portal, or an AI assistant. Booking's defense is behavioral and execution-based rather than contractual. App usage, Genius status, saved payment data, direct reactivation, and confidence in service matter, but they are not hard lock-in.

AI and platform intermediation are the central risk. The moat appendix is explicit: horizontal agents, search platforms, app stores, or super-apps could capture travel intent and sell fulfillment access to OTAs, hotel chains, banks, and regional providers. In that world, Booking may remain large but lose excess economics. The 2046 test is therefore YELLOW. Booking can still be a high-return travel execution network in an AI-first travel interface, but only if it owns or orchestrates trusted supplier connectivity, merchant payments, loyalty identity, post-booking service, fraud/risk controls, and local compliance.

Pricing power is indirect. Booking does not raise a visible subscription price. It preserves commission and take economics by delivering demand and conversion to suppliers and by improving merchant/payment economics. FY2025 revenue grew 13.4%, merchant revenue grew 25.5%, TTM FCF margin was 32.6%, and FY2025 Segment Adjusted EBITDA less Capex margin was 36.6%. That supports marketplace monetization power. It is not the same as contractual pricing power.

8. Accounting and Capital Allocation Analysis

Accounting quality is strong enough for a high score. The QF review cleared the quantitative foundation. The known FMP/SEC mismatch is isolated: FMP FY2025 operating income excludes a $457 million impairment, while the SEC GAAP figure includes it. The ER2 chain correctly uses SEC GAAP operating income of $8.825 billion. Revenue, cash flow, product revenue, share count, and TTM bridge tie-outs are explicit. I do not see an accounting or governance issue that blocks the score.

Cash flow supports earnings. FY2025 operating cash flow was $9.409 billion, capex was $322 million, and FCF was $9.087 billion. TTM FCF was $9.033 billion. FCF conversion versus net income is above 100%. This is partly aided by working-capital dynamics, but the pattern is too large and consistent to dismiss.

SBC is a real cost. The synthesis appendix calculates TTM SBC at approximately $615 million, using FY2025 SBC of $617 million less Q1 2025 SBC of $143 million plus Q1 2026 SBC of $141 million. That is about 2.2% of TTM revenue and 6.8% of TTM FCF. The level is not thesis-breaking, and dilution has been overwhelmed by repurchases, but the score does not ignore it. The forward share-count model adds about 3.65 million shares per year for SBC-equivalent issuance before buybacks.

Capital allocation is a strength with one watch item. Management has avoided major recent M&A, returned large amounts of capital, and kept leverage low. Buybacks were $6.62 billion in 2022, $10.38 billion in 2023, $6.51 billion in 2024, $6.44 billion in 2025, and $3.6 billion in Q1 2026. The diluted share count fell from 1,034 million in FY2021 to 816 million in FY2025 and 794 million in Q1 2026. That is real per-share value creation. The watch item is price discipline. The company does not disclose a granular intrinsic-value framework, and buybacks at high prices would reduce future accretion.

Management quality is a plus. The management appendix gives a PASS. Glenn Fogel has a long operating record, the strategic direction is coherent, M&A has been quiet, disclosure quality is above average, and the board/compensation structure is credible. Compensation uses revenue, Compensation EBITDA, TSR modifiers, and SBC-inclusive profit metrics, but it does not explicitly include an adjusted ROIC or incremental FCF return measure. That is acceptable, not perfect.

9. 20% Return Underwriting

The 20% case is the weak part of the score. The synthesis appendix's base case produces 2031 EPS of $15.52. At a conservative 15x P/E, that is worth $232.77 per share, a 38.2% cushion to the current price. That is enough to pass the ER2 P/E 15 gate. It is not enough to produce a 20% annualized shareholder return over five years.

At the current price of $168.37, a 20% annualized return over five years requires ending value of about $418.8 per share before giving credit for dividends. Giving credit for five years of current dividends at $1.68 per share per year reduces the required terminal price to about $410.4. Dividing that by base-case EPS of $15.52 implies a required exit P/E of about 26.4x. That is higher than the current TTM P/E of about 21.7x and far above the 15x ER2 valuation gate. In plain terms, the base case needs terminal multiple expansion to clear 20%.

If the exit multiple stays equal to the current TTM P/E of about 21.7x, base-case EPS of $15.52 implies a terminal price of roughly $337 per share. Adding about $8.40 of dividends gives a five-year IRR around 15.5%. That is attractive, but it is not the 20% hurdle. The max buy price for a 20% IRR using the base EPS, five years of current dividends, and no expansion from the current P/E is about $139. If one instead demands the conservative 15x exit multiple, the max buy price is closer to $97.

The bear case is not acceptable for a 20% underwriting score. Bear EPS is $11.02. At 15x, the terminal value is $165.31, slightly below the current price before dividends. With dividends, the bear IRR is roughly flat to low single digit. That is not catastrophic downside for a high-quality business, but it is not an acceptable 20% compounder bear case. The bull case can work: bull EPS of $19.14 at the current TTM multiple plus dividends would approach the 20% hurdle. But the rubric does not allow a bull case to rescue the base case.

Case	EPS at 2031-03-31	Exit multiple	Terminal price	Dividend credit	Approx. IRR	Interpretation
Bear	$11.02	15.0x	$165.31	$8.40	0.6%	Bear case does not protect the 20% thesis
Base, conservative	$15.52	15.0x	$232.77	$8.40	7.5%	Clears ER2 P/E 15 gate but not CS hurdle
Base, no multiple expansion from current P/E	$15.52	21.7x	$337.3	$8.40	15.5%	Attractive but below 20%
Bull, no multiple expansion from current P/E	$19.14	21.7x	$415.9	$8.40	20.3%	Requires bull-like execution

The reverse-DCF conclusion is straightforward. Without terminal multiple expansion, the stock needs a much faster per-share earnings path than the base case. Base EPS grows from a TTM anchor of about $7.75 to $15.52, helped by buybacks. To clear 20% at the current multiple with dividend credit, required 2031 EPS is about $18.5. That is close to the bull case, not the base case.

10. Hard Veto Checklist

Veto screen	Status	Evidence
ROIIC below cost of capital with no path	Watch	Formulaic ROIIC is not meaningful due negative/working-capital denominator; economic evidence is strong
Reported ROIC high only from tiny/negative capital	Watch	Standard ROIC is distorted by repurchase-driven negative equity
Growth requires persistent external financing	Pass	FCF funds growth and capital returns; leverage is low
Share count rises without per-share value creation	Pass	Share count fell materially from FY2021 to Q1 2026
Large acquisitions without return disclosure	Pass	Recent M&A outflows are limited; M&A has been quiet
FCF consistently lags earnings	Pass	FCF materially exceeds net income on TTM basis
Concentration, regulation, platform dependency, cyclicality can impair equity	Watch	AI/search/platform and regulation are real risks
20% return case requires terminal multiple expansion	Fail	Base case needs roughly 26.4x exit P/E to clear 20%
Needs flawless execution to justify current price	Watch	ER2 base clears 15x, but 20% case needs bull-like EPS
Cannot explain moat in one paragraph	Pass	Moat is global travel marketplace scale, trust, supply, payments, localization, and conversion data
Accounting/governance issues impair trust	Pass	QF/QFR cleared; management gate PASS; controls clean
Balance sheet risk could wipe out equity	Pass	Net debt after investments about 0.19x TTM adjusted EBITDA less capex

11. Final Decision

Score-implied classification: Buy only at lower price.

This score is not a rejection of Booking as a business. The evidence supports a high-quality, cash-rich, asset-light global travel marketplace with a credible five-year growth path and an above-average management team. The current price is not extreme on a normal FCF-yield or P/E 15 framework, and the ER2 base case clears the P/E 15 gate. But the CS rubric is stricter. It asks for a 20% annualized base-case underwriting path without terminal multiple expansion. Booking does not clear that test at $168.37.

The main underwriting risk is not balance sheet stress or accounting quality. It is whether the current market price already capitalizes too much of the expected execution. Base-case EPS of $15.52 in 2031 is strong, but it only produces about a mid-teens IRR if the terminal multiple stays around the current TTM multiple. The 20% case requires either a lower entry price, a higher exit multiple, or a result closer to the bull case. That is why the valuation score is only 7/20.

The quality score is also not perfect. The moat appendix is YELLOW, not PASS, because AI and platform intermediation could move travel discovery above the OTA layer. Booking can still win if it owns the execution layer: supplier connectivity, merchant payments, service, fraud control, loyalty identity, and localized compliance. It can lose excess economics if horizontal agents own the customer relationship and auction fulfillment to travel providers. This is the central monitor.

Compounder Score note: 72/100; diagnostic Buy only at lower price because business quality is strong but the base case does not underwrite 20% annualized return at $168.37 without terminal multiple expansion.

Business Quality Score note: 65/80; high FCF conversion, scale, runway, management, and capital allocation are offset by non-meaningful standard ROIC/ROIIC and a YELLOW moat/2046 durability test.

20% Return UW Score note: 7/20; base case is attractive on a normal valuation framework but only reaches roughly 15.5% IRR at a flat current P/E, while a 20% IRR requires about 26.4x base EPS or a materially lower buy price.

12. Machine-Readable JSON


```
{
  "company": "Booking Holdings",
  "ticker": "BKNG",
  "exchange": "Nasdaq",
  "analysis_date": "2026-05-28",
  "currency": "USD",
  "current_price": 168.37,
  "market_cap": 133676000000,
  "enterprise_value": 135592000000,
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  "business_quality_score": 65,
  "business_quality_score_max": 80,
  "valuation_underwriting_score": 7,
  "valuation_underwriting_score_max": 20,
  "total_score": 72,
  "total_score_max": 100,
  "classification": "Buy only at lower price",
  "clears_20pct_hurdle": false,
  "base_case_irr": 0.155,
  "bear_case_irr": 0.006,
  "bull_case_irr": 0.203,
  "max_buy_price_for_20pct_irr": 139.0,
  "source_confidence": "High"
}
```

Appendix CSA - Scoring Audit

Booking Holdings - Scoring Audit

Analysis date: 2026-05-28 Ticker: BKNG Company: Booking Holdings Currency: USD Current price: $168.37 TTM end: 2026-03-31 Horizon date: 2031-03-31

1. Original vs Audited Scores

This audit reviews the diagnostic Compounder Score, not the ER2 gate outcome. The original score file and JSON agree on the key headline numbers: Business Quality Score of 65/80, Valuation / 20% Return Underwriting Score of 7/20, total Compounder Score of 72/100, and score-implied classification of Buy only at lower price. The original also reports base IRR of roughly 15.5% at a flat current TTM P/E, bear IRR of about 0.6%, bull IRR of about 20.3%, and a base-case maximum buy price of roughly $139 for a 20% IRR if the terminal multiple does not expand from the current P/E.

The audited score is lower: Business Quality Score of 60/80, Valuation / 20% Return Underwriting Score of 5/20, and total Compounder Score of 65/100. The audited score-implied classification is Reject under the diagnostic compounder rubric at the current price. That is not an ER2 rejection gate. It means the stricter CS rubric does not have enough clean ROIIC evidence or enough no-expansion return support to publish a 70+ diagnostic compounder score. The P/E 15 synthesis gate can still pass because it asks a different question: whether base-case 2031 EPS clears the current price at 15x. It does. The CS question is whether this is a 20% annualized base-case compounder without multiple expansion. It is not.

Item	Original	Audited	Notes
Business Quality Score / 80	65	60	Reduced for formal ROIC/ROIIC limits and YELLOW moat durability
Valuation / 20% Return UW Score / 20	7	5	Reduced because the base 20% case needs terminal multiple expansion
Total Score / 100	72	65	Below the diagnostic 70 threshold
Classification	Buy only at lower price	Reject	Reject under CS at current price; not an ER2 gate

2. Score Reductions and Reasons

The largest reduction is in incremental returns on capital. This score is reduced because the evidence does not support a full high-ROIIC credit. The data package is explicit that standard ROIC becomes not meaningful after FY2022 because repurchases drove stockholders' equity and book invested capital negative. The original appendix correctly describes that limitation, but the original scoring still gave too much point credit to the incremental-return category. A capex-only incremental return above 100% is directionally useful for an asset-light marketplace, but it is not the same as a credible 3-year or 5-year ROIIC calculation under the CSA rules. The working-capital-inclusive denominator is negative, and the expensed reinvestment base for marketing, personnel, AI, payments, localization, and supplier tools is not capitalized. The audited score preserves credit for strong cash economics and unit economics but removes part of the formal ROIC/ROIIC credit.

The moat score is reduced modestly. Booking has a real marketplace advantage in fragmented global accommodations, direct/mobile behavior, payments, reviews, localization, service, and supplier reach. The moat appendix supports that. But the moat gate and 2046 test are both YELLOW. Consumer switching costs are low, suppliers can multi-home, regulation is a cost rather than protection, and AI/search/platform owners can capture more travel intent. That does not make the business poor. It does cap the score under a 20-year compounder rubric.

The valuation score is reduced from 7 to 5. The original analysis says the base case reaches only about 15.5% IRR at a flat current TTM P/E and that a 20% IRR needs about 26.4x base 2031 EPS or a materially lower entry price. Under the CSA rule, if the 20% base case requires terminal multiple expansion, 6A cannot exceed 2 points and 6B should be 0-2 depending on severity. Here 6B is 0 because the required 26.4x exit P/E is materially above the current TTM P/E and far above the ER2 15x test. The audited valuation score gives 2 points for a mid-teens base return, 0 for conservative exit multiple, 0 for bear-case acceptability, 0 for reverse-DCF comfort, 1 for not obviously pricing perfection on a normal FCF/P/E basis, and 2 for cash returns.

3. Unsupported Claims

The evidence does not support treating formal ROIC or ROIIC as fully proven. The data package says ROIC is not meaningful in FY2023-FY2025. The original CS appendix acknowledges this, but the numerical score still behaves as though the missing formal denominator is mostly solved by capex-only returns. That is too generous. The correct statement is that Booking has excellent FCF economics and likely high economic returns, but the formal ROIIC section is only partly supported.

The evidence also does not support separately scoring flights, attractions, Connected Trip, Genius, direct/mobile, payments, and AI as independent revenue pools. The data package and segment appendix are disciplined on this point: these are KPI or qualitative drivers, not separately disclosed revenue-dollar lines. They can support the runway, conversion, mix, and margin assumptions, but they should not be double-counted as standalone growth engines. The original score mostly avoids that mistake, but the runway evidence should remain capped for disclosure limits.

The evidence does not support a clean claim of contractual pricing power. Booking has marketplace monetization power, not hard lock-in. Suppliers pay because Booking delivers incremental demand, conversion, payments, international reach, and service; travelers return because the platform reduces friction. That is valuable. It is still exposed to hotel-direct channels, Expedia, Airbnb, Trip.com, Google, metasearch, credit-card travel portals, super-apps, and AI agents.

4. Calculation Errors

The main calculation issue is not a broken arithmetic table. The synthesis tie-outs pass, and the CS appendix's headline return math is directionally correct. The calculation breaks at interpretation: capex-only ROIIC is not enough to score ROIIC as high when the working-capital-inclusive denominator is negative and the business reinvests heavily through expensed operating lines. A negative book invested-capital base cannot be transformed into a clean high-ROIC proof. The audited score treats the capex-only result as a quality signal, not as a full rubric clearance.

The NOPAT and valuation checks are otherwise reasonable. TTM GAAP operating income is $9.034 billion. Using a normalized tax rate near 21.5% gives TTM NOPAT around $7.09 billion. With market cap near $133.68 billion and net debt after investments near $1.92 billion, EV is about $135.59 billion and EV / NOPAT is about 19.1x. That is not extreme for a high-quality marketplace, but it is not cheap enough to underwrite 20% without execution upside or multiple support.

The base 20% return math is the decisive calculation. A 20% annualized return over five years from $168.37 requires ending value of about $418.8 before dividend credit. Five years of the current $1.68 annual dividend reduce the required terminal price to about $410.4. Dividing by base 2031 EPS of $15.52 implies an exit P/E of about 26.4x. That is terminal multiple expansion relative to the current TTM P/E of about 21.7x and far above the 15x ER2 valuation test.

5. Missing Data

The most important missing evidence is a clean adjusted capital base that can support 3-year and 5-year ROIIC. Booking's negative book equity is understandable because the company has returned substantial capital through repurchases, but the CSA rubric still requires credible ROIIC evidence. A cash-rich, low-capex model can be economically excellent while failing the formal measurement standard.

There is also no acquisition-inclusive ROIIC bridge. This is not a severe penalty because major acquisition outflows were not material after FY2021, but FY2021 did include a material acquisition cash-flow line. The absence of an acquisition-inclusive return bridge prevents a perfect capital allocation and incremental-return score.

Product-level margin disclosure is missing. Merchant, agency, and advertising/other revenue are dollar-disclosed, but product-level GAAP operating margins are modeled assumptions. The base-case margin expansion to 35.8% is plausible, but it depends on direct/mobile mix, transformation savings, merchant scale, payments efficiency, and AI/service automation offsetting merchant costs, fraud, support, product reinvestment, and agency runoff. This remains a monitor, not a fully proven fact.

6. Hard-Veto and Threshold Test Audit

The CS threshold tests do not clear. Total score is below 70 after audit. Business Quality is below the 65/80 Investable-now threshold. Valuation / 20% Return Underwriting is far below the 15/20 threshold. Base-case IRR is below 20%. Bear-case IRR is not acceptable for a compounder hurdle. The 20% case requires terminal multiple expansion. The ROIIC plus runway subtotal is not strong enough after removing excess formal ROIIC credit.

The "hard veto" that matters is not balance-sheet risk, accounting fraud, or external financing dependence. Booking has strong FCF, low capex, low net debt relative to TTM adjusted EBITDA less capex, and a management gate PASS. The hard veto is valuation versus the 20% return target. The base case needs either a lower entry price, a higher exit multiple, or

bull-like EPS execution.

7. Final 20% Hurdle Pass/Fail

Final 20% hurdle result: FAIL at $168.37. The base case clears the ER2 P/E 15 gate with 38.2% cushion, but the diagnostic CS hurdle is stricter. At a flat current P/E, base-case IRR is about 15.5%, not 20%. At a 15x exit multiple, base-case IRR is only about 7.5%. The bull case can approach 20% at a flat current P/E, but a bull case cannot rescue the base-case underwriting score.

8. Dream Business / Dream Investment Classification

Booking is neither under the strict CSA classification. It is close to a dream business on cash generation, scale, and management quality, but the formal dream-business label is held back by unclean ROIIC evidence and a YELLOW 2046 durability test. It is not a dream investment at the current price because the base case does not underwrite 20% annualized returns without terminal multiple expansion. The single biggest reason the company does not qualify is that the 20% return case requires a 26.4x exit P/E on base 2031 EPS or a materially lower entry price.

9. Stage 7 Scorecard Notes

Compounder Score note: 65/100; diagnostic Reject at the current price because formal ROIIC evidence is incomplete and the base case does not underwrite a 20% annualized return without terminal multiple expansion.

Business Quality Score note: 60/80; FCF conversion, scale, runway, and management are strong, but book ROIC/ROIIC are not clean and moat/2046 durability remains YELLOW.

20% Return UW Score note: 5/20; base IRR is roughly 15.5% at a flat current P/E, while a 20% IRR needs about 26.4x base 2031 EPS or a materially lower entry price.

10. Auditor JSON


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{
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  "ticker": "BKNG",
  "analysis_date": "2026-05-28",
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  "original_valuation_underwriting_score": 7,
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  "audited_classification": "Reject",
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  "dream_business_investment_classification": "neither",
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  "scorecard_notes": {
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    "business_quality_score": "60/80; FCF conversion, scale, runway, and management are strong, but book ROIC/ROIIC are
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      "to": 5,
      "reason": "The base case does not clear 20% without terminal multiple expansion; 6A is capped and 6B receives no
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      "to": 65,
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    "Capex-only ROIIC is directional evidence, not a complete 3-year or 5-year ROIIC calculation under the CSA rubric."
    "Flights, attractions, Connected Trip, Genius, direct/mobile, payments, and AI are KPI or qualitative drivers, not
    "Pricing power is marketplace monetization power, not contractual lock-in."
  ],
  "calculation_errors": [
    "No arithmetic break was found in the P/E 15 synthesis tie-outs.",
    "The scoring interpretation overcredits ROIIC despite a negative or unusable invested-capital denominator.",
    "The valuation score overcredits the base return case even though a 20% IRR requires about a 26.4x terminal P/E."
  ],
  "missing_data": [
    "Clean adjusted invested-capital base for 3-year and 5-year ROIIC.",
    "Acquisition-inclusive ROIIC bridge covering the FY2021 acquisition outflow and later capital allocation.",
    "Product-level GAAP operating margins for merchant, agency, and advertising/other revenue.",
    "Revenue-dollar disclosures for flights, attractions, Connected Trip, Genius, direct/mobile, payments, and AI/Penny
    "Granular buyback price-discipline framework."
  ],
  "confidence": "High"
}
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Appendix RT - Red Team

Booking Holdings - Red Team

Production-mode Sub-Agent RT deliverable. Output path: `C:\Users\Admin\OneDrive\GPT\ER 2.0\Booking Holdings\appendix_red_team.md`.

Red-team conclusion

The Stage 5 synthesis is arithmetically clean but qualitatively exposed. The strongest objection is not that Booking Holdings cannot reach $15.52 of 2031 EPS. The strongest objection is that the model earns that EPS from the exact part of the business most vulnerable to a distribution reset: merchant-led growth plus a 320 bp GAAP operating-margin expansion while agency revenue shrinks and AI/search platforms move further into trip planning. That is a narrow bridge. It can hold, but the red team would not let the orchestrator treat the P/E 15 pass as a clean BUY without a monitoring trigger and position-size discount.

The synthesis passes because the current price of $168.37 only requires $11.22 of 2031 EPS at 15x. Base EPS is $15.52, giving a 38.2% cushion. The tie-outs passed 11/11. The issue is that the bear case is not remote: bear EPS is $11.02 and therefore fails the same P/E 15 test. With the moat appendix at YELLOW and the 2046 test also YELLOW, the red team should treat the downside case as a live alternative operating state, not an academic table row. Booking is a very good business. The question is whether it is still a mispriced long-duration compounder at this entry price if the traveler interface migrates away from OTA-owned surfaces.

1. The most fragile assumption

The most fragile assumption is the base case that merchant revenue compounds at a 10.5% CAGR from the TTM base to the TTM+5 horizon and that this merchant mix still supports companywide GAAP operating margin expansion to 35.8%. This is the load-bearing line inside the one reportable segment, Travel Reservation Services. It is not a small sub-segment issue. Merchant revenue is already about two-thirds of reported revenue, and the Stage 5 model takes it from about $18.54 billion of TTM revenue to $30.54 billion in the base case.

The fragility is not that 10.5% looks high against recent reported merchant growth. It looks conservative against recent merchant growth: Q1 2026 merchant revenue grew 26.7%, and the recent four-quarter merchant growth rates were all above 20%. The fragility is that current merchant growth is partly a mix-shift artifact from agency to merchant plus a payments/facilitation strategy that has not yet been tested through a structurally different distribution regime. The more revenue Booking books as merchant of record, the more it absorbs payment-processing cost, chargebacks, fraud, customer-service obligations, and working-capital complexity. The segment appendix says this plainly: merchant revenue adds control but also cost and risk. The base case assumes scale, direct mix, payments conversion, and transformation savings more than offset those costs.

That is exactly where the model can be wrong. Agency revenue is likely higher contribution and is modeled down 1.5% per year in base. Merchant is lower-friction for the traveler, but it is not automatically higher-margin. If the agency pool shrinks faster than expected and merchant growth decelerates toward the bear case's 6.5% CAGR, Booking can still grow revenue and still fail the equity thesis. The synthesis sensitivity table says revenue growth minus 200 bps takes base EPS from $15.52 to $13.66. That alone does not break the P/E 15 gate, but it removes almost half the cushion. Pair that with no margin expansion, and the model starts to resemble the bear case: $33.03 billion of revenue, 31.8% margin, and $11.02 EPS, which does not clear the current price at 15x.

This is the real attack: Booking does not need to be disrupted into irrelevance. It only needs to become a slightly more expensive, slightly more intermediated, slightly less margin-accretive travel fulfillment network. A few points of merchant CAGR plus 200-400 bps of lost margin conversion are enough to convert a valuation pass into a near-fail.

2. The most-likely-to-be-optimistic Stage 5 number

The single Stage 5 number most likely to be too optimistic is the base 35.8% horizon-year GAAP operating margin. Red-team call: use 33.0%-34.0% as the default burden of proof until Booking shows that merchant scale and direct behavior are dropping through to GAAP profit rather than only to gross bookings, revenue, or adjusted segment metrics.

The synthesis leans on a reasonable but still unproven stack: direct/mobile mix, Genius retention, Connected Trip, payments, AI service automation, and transformation-program savings. Every item in that stack is directionally helpful, but none is separately dollar-disclosed as a revenue or margin pool. The data package warns downstream agents not to model flights, attractions, Connected Trip, Genius, mobile, direct, payments, or AI as standalone revenue streams. The same caution applies to margins. They are drivers, not verified profit centers.

The comparison with current profitability does not fully protect the 35.8% assumption. FY2025 Segment Adjusted EBITDA less capex margin was 36.6%, but the Stage 5 model uses GAAP operating margin, and FY2025 GAAP operating margin was 32.8% using the SEC-controlled impairment-inclusive number. TTM GAAP operating margin is 32.6%. Moving GAAP operating margin to 35.8% requires about 320 bps of expansion while the business is becoming more merchant-heavy, while AI and Google-like surfaces are becoming better at travel planning, and while regulation remains a non-U.S.-weighted issue. That is a lot to underwrite from KPI-only evidence.

Google's January 2026 AI Mode Canvas product is a direct illustration of the funnel risk: Google described AI-generated trip plans including flights, hotels, restaurants, and attractions, with follow-up refinement and shareable itineraries. That does not mean Google takes the booking economics tomorrow. It does mean the upper funnel is moving into a horizontal interface controlled by a platform that already sits between Booking and a large pool of travel intent. If that platform charges more for access, keeps more answers on its own surface, or routes travelers to suppliers and OTAs in a more auction-like structure, Booking's direct/mobile gains need to be strong enough to offset it. The 35.8% margin assumes they are.

3. Strongest bear case, stated in its strongest form

The best bear case is that Booking is becoming the leading back-end travel processor for a customer relationship it no longer fully owns. Google, Apple, OpenAI-style agents, super-apps, credit-card portals, hotel loyalty ecosystems, and Airbnb/Expedia-style competitors capture more trip planning and comparison behavior, while Booking still supplies inventory, payments, service, and conversion. That sounds acceptable until the economics shift: paid placement costs rise, direct mix stalls, agency revenue keeps shrinking, and merchant gross bookings grow without the modeled margin conversion.

In this bear case, merchant revenue still grows at a mid-single-digit rate, but the margin profile is worse because Booking has to pay more for demand and absorbs more payment/fraud/support cost. Agency revenue declines faster than the base because supplier-direct and agent-mediated demand reduce partner dependence on OTA agency distribution. Advertising/other does not rescue the case because KAYAK and other upper-funnel ad products are themselves exposed to AI answers and Google surfaces. This shows up within two to four quarters as room-night growth decelerates, marketing expense stops scaling with gross bookings, and adjusted EBITDA less capex margin no longer tracks revenue growth.

The observable anchor is not "AI disruption" in the abstract. It is a combined pattern: room nights below 4% year over year for two consecutive quarters, revenue growth below 7% despite merchant mix expansion, and marketing expense above 4.5% of gross bookings or adjusted EBITDA less capex margin below 34%. If that pattern appears while management continues to talk about Connected Trip and AI progress, the thesis has likely shifted from "high-return marketplace compounder" to "large travel fulfillment platform paying rent to the new interfaces."

4. Cross-examination of management commentary

Management's commentary is coherent, but the red team would press three claims hardest.

First, "Genius members book more often." This is plausible and important, but it is also easy to overread. Higher booking frequency among Genius members may partly reflect selection: frequent travelers become Genius members because they already book more often. The relevant question is incremental behavior after loyalty status, not raw frequency. If the statement is overpromising, the first sign will be direct/mobile/Genius metrics staying high while marketing intensity or promotional discounting fails to improve. The model cannot assume loyalty is lowering acquisition cost unless it is visible in margin conversion.

Second, "Penny continues to evolve." Management frames AI as test-and-learn, and the data package says conversion uplift was early and from a small sample. That is appropriately cautious, but the synthesis still needs AI/service automation as part of the margin bridge. The red team would not give material margin credit until AI savings show up in sales-and-other expense, personnel leverage, or customer-service cost per booking across the group, not only as a Priceline or Agoda case study. Airbnb's Q1 2026 materials show peers are also using AI for customer support and product work; AI tools are not proprietary to Booking. If every platform gets similar automation, the benefit may be competed away through service quality, lower fees, or platform distribution costs.

Third, "revenue to be up high single digits" for FY2026 and the investor-presentation long-term ambition of 8% constant-currency revenue growth are both reasonable anchors, but the model should treat them as a ceiling-like discipline, not as proof of durability. Expedia's Q1 2026 release showed 13% gross bookings growth, 15% revenue growth, 22% B2B gross bookings growth, and guidance for 2026 gross bookings growth of 6%-8% and revenue growth of 6%-9%. Airbnb's Q1 2026 release showed 19% gross booking value growth, 18% revenue growth, and 9% nights and seats booked growth. The peer data does not show Booking uniquely immune from travel cyclicality or distribution change. It shows the whole category is strong right now, with multiple scaled players and multiple ways to capture travel demand.

5. Stage 5 tie-out reverification

The Stage 5 arithmetic checks out. The recency anchor is also not obviously stale: Q1 2026 revenue grew 16%, gross bookings grew 15%, and room nights grew 6%, per Booking's April 28, 2026 SEC earnings release. The Stage 5 first-forward-year revenue growth of roughly 7.6% is not aggressive against that headline. The issue is composition. Q1 room-night growth was much lower than revenue and gross bookings growth, and the data package says Q1 room-night growth was hit by Middle East disruption. A red team should still care that the model is leaning on monetization and mix more than unit growth.

The share-count path is plausible but not immune. The synthesis assumes 794 million split-adjusted diluted shares fall to 668.8 million over five years, using $6.5 billion of annual buybacks at average prices rising from $190 to $270 and about 3.65 million shares of annual SBC-equivalent issuance. The path is not reckless relative to recent repurchases, but it still depends on free cash flow remaining abundant and management buying at reasonable prices. If the stock trades above intrinsic value while AI/platform risk rises, continued repurchases can mechanically lift EPS while weakening per-share economic value. The synthesis avoids an overly aggressive share-count case by using the same share count in all scenarios. The red-team concern is not arithmetic; it is whether buybacks become a cosmetic bridge for an operating thesis losing quality.

The product CAGR plausibility test passes under the ER2 threshold, but that threshold is not the same as competitive proof. Merchant base CAGR of 10.5% is far below recent merchant growth and below the historical-plausibility cap. Yet the competitor pattern says scaled travel platforms can all grow in the same good travel tape. Expedia's B2B and lodging growth, Airbnb's app and international momentum, and Google's travel AI interface all pressure the claim that Booking's merchant growth is uniquely protected. Booking may be the best operator in the group, but the model should not treat recent category strength as company-specific moat evidence.

6. Score-derived 20% return claim most likely to be wrong

The audited Compounder Score already rejects the 20% return case at the current price: 65/100 total, 5/20 valuation underwriting, base IRR about 15.5% at a flat current TTM P/E, and a required 26.4x exit P/E on base 2031 EPS to reach 20%. The red team agrees. The most dangerous wrong claim is not in the audit; it is any downstream attempt to rescue the current price by saying the bull case "approaches 20%" and therefore the stock is a 20% compounder.

That would be false underwriting. The bull case has $19.14 of EPS, $45.28 billion of revenue, and a 37.8% operating margin. It requires sustained merchant execution, agency stabilization, stronger ad/other growth, successful Connected Trip behavior, and AI acting as a Booking-owned conversion tool instead of an external rent extractor. That is not the base case. If the 20% return depends on either bull EPS or a 26.4x terminal multiple, the score-derived conclusion should remain: diagnostic Reject at $168.37 for a 20% hurdle, even though the ER2 P/E 15 gate passes.

The first assumption that would break the 20% claim is exit multiple, not NOPAT math. A 26.4x P/E on 2031 base EPS requires the market to still view Booking as a durable high-return compounder after five more years of AI/search evolution. The moat appendix explicitly refused to give that a clean PASS. If direct mix stalls or marketing intensity rises, the market will not pay a higher multiple for the same EPS.

7. The signal that forces an exit

Exit signal: sell or force a full thesis rewrite if, over any two consecutive reported quarters before the next investor day, Booking reports room-night growth below 4% year over year and revenue growth below 7% year over year while marketing expense exceeds 4.5% of gross bookings or adjusted EBITDA less capex margin falls below 34%.

This is intentionally a combined signal. One weak room-night quarter can be regional conflict, calendar, FX, or short-term travel timing. One margin wobble can be investment. But the combination invalidates the exact base-case bridge: high-single-digit revenue growth, direct/mobile/Genius and Connected Trip lowering acquisition intensity, merchant scale absorbing payments cost, and margin expanding toward 35.8%. If units slow, revenue slows, and marketing or adjusted

segment profitability worsens at the same time, Booking is no longer proving that its travel network sits below AI/platform change with intact economics. It is proving that the network is being taxed.

The same signal should also make the P/E 15 gate less useful. At that point, the bear case's $11.02 EPS is no longer a low-probability downside. It becomes the central operating template. The current price at 15x requires $11.22 of EPS, so the margin for error collapses.

8. Conviction after red team

The thesis survives only conditionally. Booking remains a scaled, high-cash-conversion, well-managed global travel marketplace, and the Stage 5 model is not mathematically stretched. The base case can happen. Management quality is a real offset, and the recent Q1 2026 release still showed strong revenue and gross bookings growth.

But this is not a clean red-team endorsement. The synthesis should be rewritten around the fact that the P/E 15 pass is a five-year valuation pass, not a 20-year compounder pass. The moat is YELLOW for the right reason: AI and platform distribution risk does not need to destroy Booking to compress the investment case. The weakest gate is whether merchant growth can replace agency economics and expand GAAP margins while the upper funnel becomes more agentic and platform-controlled.

Final red-team verdict: conditional. The base case survives, but position sizing should reflect a live bear scenario in which Booking remains large and profitable yet loses enough distribution economics that base EPS falls toward the P/E 15 threshold and the market refuses the 26.4x exit multiple needed for 20% returns. The red team would not block a valuation PASS at $168.37, but it would block any unqualified BUY framed as a durable 20% compounder.

Source notes

Primary internal inputs: `appendix_synthesis.md`, `appendix_B_travel_reservation_services.md`, `appendix_management.md`, `appendix_moat.md`, `appendix_scoring_audit.md`, `compounder_score_audit.json`, and `data_package.md` in `C:\Users\Admin\OneDrive\GPT\ER 2.0\Booking Holdings`.

External checks used for structural context: Booking Q1 2026 SEC earnings release, https://www.sec.gov/Archives/edgar/data/1075531/000107553126000024/q1-26bkngearningsrelease.htm; Expedia Q1 2026 SEC earnings release, https://www.sec.gov/Archives/edgar/data/1324424/000132442426000031/earningsrelease-q12026.htm; Airbnb Q1 2026 SEC exhibit/shareholder letter, https://www.sec.gov/Archives/edgar/data/1559720/000119312526211816/d23351dex991.htm; Google AI Mode Canvas travel-planning post, https://blog.google/products-and-platforms/products/search/tips-prompts-ai-mode-canvas-travel-planning/.

Appendix D - Data Package (raw historicals)

Booking Holdings (BKNG) - Data Package

Production-mode Sub-Agent D deliverable. Output path: `C:\Users\Admin\OneDrive\GPT\ER 2.0\Booking Holdings\data_package.md`.

Stage 0 anchor and source discipline

- Today: 2026-05-28.
- Fiscal year convention: Booking Holdings fiscal year ends December 31.
- Most recently reported quarter: Q1 2026, quarter ended 2026-03-31; Booking announced Q1 2026 financial results on 2026-04-28.
- TTM anchor: Q2 2025 plus Q3 2025 plus Q4 2025 plus Q1 2026 equals TTM ending 2026-03-31.
- Forward horizon: TTM plus five calendar years equals 2031-03-31.
- Data Source Rule status: live FMP `/stable/` pulls, live SEC EDGAR pulls, and live Booking IR pulls were performed in this run. No local data warehouse cache was read or substituted.
- QF/QFR carry-forward control: FMP FY2025 operating income excludes a $457M impairment; SEC GAAP operating income of $8.825B controls. Booking has one reportable segment, Travel Reservation Services, with product revenue lines merchant, agency, and advertising/other. The legacy 2018 FMP product row is excluded.

Live source log

Source	Live URL or endpoint	Raw file saved in workdir	Use
FMP income statements	FMP /stable/income-statement?symbol=BKNG&period=annual	raw/d_BKNG_income_statement_annual.json; raw/d_BKNG_income_statement_quarter.json	Consolidated revenue, EPS, shares, tax
FMP cash flow	FMP /stable/cash-flow-statement?symbol=BKNG&period=annual	raw/d_BKNG_cash_flow_statement_annual.json; raw/d_BKNG_cash_flow_statement_quarter.json	OCF, capex, FCF, buybacks, dividends
FMP balance sheet	FMP /stable/balance-sheet-statement?symbol=BKNG&period=annual/quarter	raw/d_BKNG_balance_sheet_statement_annual.json; raw/d_BKNG_balance_sheet_statement_quarter.json	Cash, debt, goodwill, equity
FMP product revenue	FMP /stable/revenue-product-segmentation?symbol=BKNG&period=annual and period=quarter	raw/d_BKNG_revenue_product_segmentation_annual.json; raw/d_BKNG_revenue_product_segmentation_quarter.json	Merchant, agency, advertising/other revenue
FMP transcripts	FMP /stable/earning-call-transcript?symbol=BKNG&year=YYYY&quarter=Q	raw/d_BKNG_transcript_2025_Q2/Q3/Q4 and 2026_Q1.json	Last four call dates and commentary
SEC 2025 10-K	https://www.sec.gov/Archives/edgar/data/1075531/000107553126000009/bkng-20251231.htm	raw/d_BKNG_2025_10k_sec.htm	Segment note, geographic note, official GAAP controls
SEC Q1 2026 10-Q	https://www.sec.gov/Archives/edgar/data/1075531/000107553126000025/bkng-20260331.htm	raw/d_BKNG_2026q1_10q_sec.htm	Latest balance sheet and Q1 official figures
SEC earnings releases	https://www.sec.gov/Archives/edgar/data/1075531/000107553125000035/bkngq22025earningspressr.htm; https://www.sec.gov/Archives/edgar/data/1075531/000107553125000050/q3-25bkngearningsrelease.htm; https://www.sec.gov/Archives/edgar/data/1075531/000107553126000008/q4-25bkngearningsrelease.htm; https://www.sec.gov/Archives/edgar/data/1075531/000107553126000024/q1-26bkngearningsrelease.htm	raw/d_BKNG_2025q2/q3/q4 and 2026q1 earnings_release_sec.htm	Latest four quarter KPIs
Booking IR presentation	https://s201.q4cdn.com/865305287/files/doc_financials/2026/q1/Investor-Presentation-April-2026.pdf	raw/d_BKNG_investor_presentation_april_2026.pdf	Long-term algorithm and strategic KPI support

1. Reporting structure and taxonomy

Booking Holdings reports one reportable segment. The 2025 10-K Note 17 states that five operating segments are aggregated into one reportable segment. This data package names that reportable segment Travel Reservation Services to avoid implying any multi-segment allocation. All disclosed product revenues map into that single reportable segment.

Current reportable segment	Description	FY2025 revenue ($B)	FY2025 % of total	Source
Travel Reservation Services	Global online travel reservation, payments, restaurant reservation, meta-search and related services through Booking.com, Priceline, Agoda, KAYAK and OpenTable	26.92	100.0%	SEC 2025 10-K Note 17; FMP annual income statement

Taxonomy investigation: no new reportable-segment taxonomy was found in the last three years. The product/service revenue taxonomy is stable for FY2021-FY2025 with Merchant Revenue, Agency Revenue, and Advertising and other revenues. The only taxonomy flag is FMP quarterly product segmentation containing a legacy 2018 row labelled Online Accommodation Reservation Services; it predates the current product categories and is excluded from the historical and TTM base.

Geography	FY2025 revenue ($B)	FY2025 % of total	Source
U.S.	2.58	9.6%	2025 10-K Note 17
Outside U.S.	24.34	90.4%	2025 10-K Note 17
Netherlands-domiciled entity inside outside-U.S.	21.70	80.6%	2025 10-K Note 17 footnote

Geographic interpretation: the business is overwhelmingly non-U.S. by revenue attribution. The Netherlands footnote is entity domicile attribution inside the outside-U.S. line, not a consumer demand geography. The 10-K also says the company derives a substantial portion of gross bookings from countries outside the United States, so regional modeling should not treat U.S. revenue as the main demand base.

2. Consolidated historicals, 5 years

Metric	FY2021	FY2022	FY2023	FY2024	FY2025	Source
Revenue ($B)	10.96	17.09	21.36	23.74	26.92	FMP annual income; SEC 10-K tie for FY2025
Operating income ($B)	2.50	5.10	5.83	7.55	8.82	SEC GAAP controls for FY2025; FMP for earlier years
Operating margin (%)	22.8%	29.9%	27.3%	31.8%	32.8%	calc
Net income ($B)	1.17	3.06	4.29	5.88	5.40	FMP annual income; SEC 10-K tie
EPS diluted ($)	1.13	3.05	4.70	6.91	6.62	FMP annual income, split-adjusted
Diluted share count (M)	1034	1001	913	852	816	FMP annual income, split-adjusted
Capex ($B)	0.30	0.37	0.34	0.43	0.32	FMP cash flow; SEC cash flow tie
FCF ($B)	2.52	6.19	7.00	7.89	9.09	FMP cash flow; OCF less capex
ROIC (%)	31.5%	117.2%	n/m	n/m	n/m	calc: NOPAT / debt plus equity less cash and ST investments

ROIC calculation: NOPAT equals GAAP operating income multiplied by one minus the annual effective tax rate. Invested capital equals total debt plus total stockholders equity less cash and short-term investments. The formula becomes not meaningful in FY2023-FY2025 because cumulative repurchases drive book equity and invested capital negative; the n/m label is intentional and should not be replaced by a fabricated positive ROIC. Effective tax rates used were 20.5%, 22.0%, 21.7%, 19.3%, and 20.9% for FY2021-FY2025. FY2025 NOPAT uses SEC GAAP operating income of $8.825B, not FMP operating income of $9.282B.

Official control table for known mismatches

The following control table is included because the cleared QF/QFR note identifies one specific FMP mismatch that can contaminate downstream operating-margin work. Use the controlling value column in all downstream calculations.

Period	Line item	FMP value ($B)	SEC GAAP value ($B)	Difference ($B)	Control decision
FY2025	Operating income	9.28	8.83	0.46	Use SEC GAAP; FMP excludes impairment
Q3 2025	Operating income	3.94	3.48	0.46	Use SEC GAAP; impairment recorded in quarter
FY2025	Revenue	26.92	26.92	0.00	FMP ties SEC
Q1 2026	Revenue	5.53	5.53	0.00	FMP ties SEC/Q1 release
Q1 2026	Operating income	1.27	1.27	0.00	FMP ties SEC/Q1 release

Control interpretation: the mismatch is narrow but high impact. If a downstream model uses FMP FY2025 operating income, FY2025 GAAP operating margin appears about 34.5% instead of the official 32.8%. That would overstate the base margin by about 170 basis points and could make the TTM margin bridge inconsistent with the Q1 2026 filing. The right treatment is to preserve FMP for live historical pulls while overriding this one line with SEC GAAP because the impairment is part of reported operating expenses.

3. Segment historicals

Travel Reservation Services	Revenue ($B)	YoY %	Operating income ($B)	Operating margin (%)	Source
FY2021	10.96		2.50	22.8%	FMP annual income; SEC 10-K controls FY2025 GAAP OI
FY2022	17.09	56.0%	5.10	29.9%	FMP annual income; SEC 10-K controls FY2025 GAAP OI
FY2023	21.36	25.0%	5.83	27.3%	FMP annual income; SEC 10-K controls FY2025 GAAP OI
FY2024	23.74	11.1%	7.55	31.8%	FMP annual income; SEC 10-K controls FY2025 GAAP OI
FY2025	26.92	13.4%	8.82	32.8%	FMP annual income; SEC 10-K controls FY2025 GAAP OI

Segment caveat: the official segment profitability metric disclosed in the 2025 10-K is Segment Adjusted EBITDA less Capex, not GAAP segment operating income. Because there is one reportable segment, consolidated GAAP operating income is the closest GAAP operating-profit line for the segment table, while the official segment metric below should anchor adjusted margin analysis.

Official segment metric	FY2023	FY2024	FY2025	Source
Total revenues ($B)	21.37	23.74	26.92	SEC 2025 10-K Note 17
Marketing expenses ($B)	6.77	7.28	8.19	SEC 2025 10-K Note 17
Sales and other expenses ($B)	2.74	3.10	3.45	SEC 2025 10-K Note 17
Personnel expenses ($B)	2.82	3.13	3.32	SEC 2025 10-K Note 17
Other segment items ($B)	2.01	2.05	2.11	SEC 2025 10-K Note 17
Segment Adjusted EBITDA less Capex ($B)	7.02	8.18	9.85	SEC 2025 10-K Note 17
Segment Adjusted EBITDA less Capex margin	32.9%	34.5%	36.6%	calc

4. Product and sub-segment historicals

Segment	Product	What it is	Dollar disclosure?	Last 3 years revenue plus source
Travel Reservation Services	Merchant Revenue	Payments-facilitated travel reservations where BKNG is merchant of record.	Yes, dollars disclosed in SEC/FMP	FY2023 10.94; FY2024 14.14; FY2025 17.75 from FMP product endpoint and SEC 10-K
Travel Reservation Services	Agency Revenue	Travel reservations where partner collects traveler payment and BKNG earns commission.	Yes, dollars disclosed in SEC/FMP	FY2023 9.41; FY2024 8.52; FY2025 7.97 from FMP product endpoint and SEC 10-K
Travel Reservation Services	Advertising and other revenues	KAYAK, OpenTable, advertising, restaurant, insurance and other services.	Yes, dollars disclosed in SEC/FMP	FY2023 1.01; FY2024 1.07; FY2025 1.19 from FMP product endpoint and SEC 10-K

The dollar-disclosed product lines reconcile exactly to total revenue for FY2023-FY2025. Merchant revenue is now the largest product line and was 66.0% of FY2025 revenue. Agency revenue declined in FY2024 and FY2025 as merchant mix increased. Advertising and other revenues remained small at 4.4% of FY2025 revenue.

Segment	Product / KPI	Disclosure method	Last four quarters YoY growth or mix	Source
Travel Reservation Services	Flights	Airline tickets sold through Booking.com, Agoda, Priceline and related brands	No dollar revenue disclosed	Ticket growth only, no revenue dollars; Q2 2025 +44%; Q3 2025 +32%; Q4 2025 +28%; Q1 2026 +28%
Travel Reservation Services	Attractions	In-destination experiences and attraction tickets	No dollar revenue disclosed	Ticket growth only, no revenue dollars; Q2 2025 more than doubled; Q3 2025 close to +90%; Q4 2025 nearly +80%; Q1 2026 about +25%
Travel Reservation Services	Connected Trip transactions	Trips with more than one vertical booked with BKNG	No dollar revenue disclosed	Transaction growth and mix only; Q2 2025 growth disclosed qualitatively; Q3 2025 mid-20%; FY2025 high-20%; Q1 2026 high-teens
Travel Reservation Services	Alternative accommodations	Homes, apartments and non-hotel supply on Booking.com	No dollar revenue disclosed	Room-night growth and mix only; Q2 2025 low double digits; Q3 2025 about +10%; Q4 2025 about +9%; Q1 2026 +5.5%, 38% room-night mix

No product-dollar back-solving is used. Flights, attractions, Connected Trip, alternative accommodations, Genius, direct mix, mobile mix, payments and AI/Penny are important forward drivers, but Booking does not separately disclose revenue dollars for those verticals. Downstream agents should model them as drivers of merchant mix, conversion, frequency, take rate, marketing efficiency, and margin, not as separately disclosed revenue pools.

KPI-only growth disclosures, last four quarters

KPI	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Modeling use
Room nights	309M, +8%	323M, +8%	285M, +9%	338M, +6%	Primary volume driver; Q1 affected about 2 points by Middle East disruption
Gross bookings	$46.7B, +13%	$59.7B, +14%	$39.2B, +16%	$53.8B, +15%	Pre-revenue demand and ADR/mix indicator
Alternative accommodation room nights	Low double-digit growth	About +10%	About +9%	+5.5%; 38% mix	Supply diversification and room-night mix
Flights	Tickets +44%	Tickets +32%	Tickets +28%	Airline tickets +28%	Connected Trip enabler; no revenue dollars
Attractions	More than doubled	Close to +90%	Nearly +80%	About +25%	Small base, in-destination engagement
Connected Trip transactions	Growth disclosed qualitatively	Mid-20% growth	FY2025 high-20% growth	High-teens growth	Repeat/direct behavior and cross-vertical engagement
Direct and mobile mix	Direct mix mid-50s; mobile mid-50s T4Q	B2C direct mid-60s; mobile mid-50s T4Q	B2C direct mid-60s; mobile mid-50s FY2025	Direct mix mid-50s; mobile high-50s	Marketing efficiency and repeat behavior
Genius Levels 2 and 3	Over 30% active travelers; mid-50s room-night share	Over 30% active base; mid-50s room-night share	Over 30% active base; high-50s room-night share	Over 30% active base; high-50s room-night share	Loyalty and conversion, not revenue line

KPI discipline: every row above is a disclosed operating metric, not a revenue-dollar table. Several of these KPIs are likely correlated with merchant mix and direct mix, so modelers should avoid adding them independently as if each represented a standalone revenue stream. For example, flights and attractions can improve Connected Trip adoption, and Connected Trip adoption can increase Genius engagement and direct repeat behavior. Those effects should flow through assumptions such as room-night growth, gross-bookings growth, revenue take rate, customer-acquisition intensity, payment costs, and incremental margin.

Product revenue bridge, current taxonomy

This bridge extends the dollar-disclosed product taxonomy across the full five-year history. It uses only current taxonomy rows returned by the live annual product endpoint. The excluded 2018 FMP row is not used. The mix shift is economically important: merchant revenue rose from roughly one-third of FY2021 revenue to roughly two-thirds of FY2025 revenue, while agency revenue fell from roughly three-fifths to less than one-third. That shift affects cash timing, deferred merchant bookings, payment-processing cost, chargeback exposure, and the margin profile, so downstream modeling should not treat revenue growth as pure room-night growth.

Year	Merchant rev ($B)	Merchant mix	Agency rev ($B)	Agency mix	Ad/other rev ($B)	Ad/other mix	Total rev ($B)
FY2021	3.70	33.7%	6.66	60.8%	0.60	5.5%	10.96
FY2022	7.19	42.1%	9.00	52.7%	0.89	5.2%	17.09
FY2023	10.94	51.2%	9.41	44.1%	1.01	4.8%	21.36
FY2024	14.14	59.6%	8.52	35.9%	1.07	4.5%	23.74
FY2025	17.75	66.0%	7.97	29.6%	1.19	4.4%	26.92

Product bridge tie-out: each annual row sums to total revenue in the FMP annual product endpoint and ties to the SEC consolidated revenue total for FY2023-FY2025. Merchant revenue grew 25.5% in FY2025, agency revenue declined 6.5%, and advertising/other grew 11.3%. That is a re-mix inside one reportable segment, not a reportable-segment change. Merchant growth is partly a business-model mix shift and partly payments/fintech execution; it should not be double-counted as a separate segment revenue stream.

5. Most recent quarterly trend

Company FY ends December 31. Most recently completed fiscal quarter at time of writing: FY2026 Q1, covering 2026-01-01 to 2026-03-31, reported on 2026-04-28 via https://www.sec.gov/Archives/edgar/data/1075531/000107553126000024/q1-26bkngearningsrelease.htm.

Quarter	Revenue ($B)	YoY %	Operating margin (%)	Source
Q2 2025	6.80	16% revenue; 13% gross bookings	33.1%	SEC release July 29, 2025: https://www.sec.gov/Archives/edgar/data/1075531/000107553125000035/bkngq22025earningspressr.htm
Q3 2025	9.01	13% revenue; 14% gross bookings	38.7%	SEC release October 28, 2025: https://www.sec.gov/Archives/edgar/data/1075531/000107553125000050/q3-25bkngearningsrelease.htm
Q4 2025	6.35	16% revenue; 16% gross bookings	32.0%	SEC release February 18, 2026: https://www.sec.gov/Archives/edgar/data/1075531/000107553126000008/q4-25bkngearningsrelease.htm
Q1 2026	5.53	16% revenue; 15% gross bookings	23.0%	SEC release April 28, 2026: https://www.sec.gov/Archives/edgar/data/1075531/000107553126000024/q1-26bkngearningsrelease.htm

Quarter	Merchant rev ($B)	Merchant YoY	Agency rev ($B)	Agency YoY	Ad/other rev ($B)	Ad/other YoY	Source
Q2 2025	4.46	29.3%	2.04	-4.7%	0.30	10.4%	FMP quarterly product; SEC release July 29, 2025

Quarter	Merchant rev ($B)	Merchant YoY	Agency rev ($B)	Agency YoY	Ad/other rev ($B)	Ad/other YoY	Source
Q3 2025	6.13	23.3%	2.57	-6.7%	0.31	14.5%	FMP quarterly product; SEC release October 28, 2025
Q4 2025	4.25	27.4%	1.79	-3.9%	0.31	14.0%	FMP quarterly product; SEC release February 18, 2026
Q1 2026	3.70	26.7%	1.53	-2.3%	0.31	9.3%	FMP quarterly product; SEC release April 28, 2026

Quarterly interpretation: merchant revenue is the live growth engine in the disclosed product taxonomy. Agency revenue is structurally pressured by the shift to merchant payments and partner-payment facilitation. The Q3 2025 operating margin in the table includes the $457M impairment recorded in GAAP operating expense; FMP operating income excludes that impairment and should not be used for GAAP margin analysis.

6. Management commentary on forward growth

All entries are from FMP live transcript pulls in this run or the April 2026 Booking IR presentation. Quotes are intentionally short to avoid turning management color into an unsupported narrative. There is one reportable segment, so all commentary below maps to Travel Reservation Services.

Source	Call / presentation date	Speaker	Verbatim quote	Topic	Modeling interpretation
Q2 FY2025 call	2025-07-29	Glenn Fogel, CEO	"Asia remains central"	Asia and localization	Asia is a structural growth pillar; model regional mix as a driver of room-night growth and ADR mix.
Q2 FY2025 call	2025-07-29	Management prepared remarks	"flight tickets up 44%"	Flights	Flights are KPI-disclosed growth only; do not assign separate dollar revenue.
Q2 FY2025 call	2025-07-29	Management prepared remarks	"greater loyalty"	Connected Trip	Connected Trip should affect repeat/direct behavior before it becomes a separately visible revenue line.
Q3 FY2025 call	2025-10-28	Glenn Fogel, CEO	"grew mid-20%"	Connected Trip transactions	Multi-vertical transaction growth is faster than room nights, supporting higher frequency and partner value.
Q3 FY2025 call	2025-10-28	Management prepared remarks	"flight tickets up 32%"	Flights	Growth slowed from Q2 but remained high; still no revenue-dollar disclosure.
Q3 FY2025 call	2025-10-28	Glenn Fogel, CEO	"Genius members book more often"	Loyalty	Genius should be modeled through conversion, direct mix, cancellation and frequency, not as revenue.
Q4 FY2025 call	2026-02-18	Management prepared remarks	"high 20% range"	Connected Trip transactions	FY2025 connected transactions outgrew total room nights; supports the long-term platform strategy.
Q4 FY2025 call	2026-02-18	Glenn Fogel, CEO	"exceeded our long-term ambition"	Long-term algorithm	FY2025 constant-currency top line and EPS beat the long-term algorithm; avoid assuming the same every year.
Q4 FY2025 call	2026-02-18	Management prepared remarks	"Transformation Program"	Cost base	The company is using savings to fund growth investments, not simply maximizing near-term margins.
Q1 FY2026 call	2026-04-28	Glenn Fogel, CEO	"long-term strategy"	Strategy continuity	Management framed Middle East disruption as near-term volatility, not a change in strategy.
Q1 FY2026 call	2026-04-28	Glenn Fogel, CEO	"Penny continues to evolve"	AI and Priceline	AI is in test-and-learn mode; conversion uplift was described as early and from a small sample.
Q1 FY2026 call	2026-04-28	Ewout Steenbergen, CFO	"revenue to be up high single digits"	2026 outlook	FY2026 guide is below long-term ambition due to Middle East disruption and FX context.

Source	Call / presentation date	Speaker	Verbatim quote	Topic	Modeling interpretation
April 2026 investor presentation	2026-04-29	Booking IR presentation	"8% Revenue"	Long-term algorithm	Long-term ambition is constant-currency 8% revenue, 8% gross bookings and 15% adjusted EPS.

Transcript date check: FMP returned 2025-07-29 for Q2 FY2025, 2025-10-28 for Q3 FY2025, 2026-02-18 for Q4 FY2025, and 2026-04-28 for Q1 FY2026. Booking is a calendar-fiscal company, so these dates match the expected post-quarter earnings-call windows. The Q1 FY2026 transcript date is exactly the same date as the Q1 2026 earnings release.

7. Capital allocation history

Year	Capex ($B)	Capex / revenue (%)	R&D ($B)	R&D / revenue (%)	Buybacks ($B)	Dividends ($B)	M&A ($B)	Source
2021	0.30	2.8%	n/disc	n/disc	0.16	0.00	-1.19	FMP cash flow annual; FMP /stable/cash-flow-statement?symbol=BKNG&period=annual
2022	0.37	2.2%	n/disc	n/disc	6.62	0.00	0.60	FMP cash flow annual; FMP /stable/cash-flow-statement?symbol=BKNG&period=annual
2023	0.34	1.6%	n/disc	n/disc	10.38	0.00	0.00	FMP cash flow annual; FMP /stable/cash-flow-statement?symbol=BKNG&period=annual
2024	0.43	1.8%	n/disc	n/disc	6.51	1.17	0.00	FMP cash flow annual; FMP /stable/cash-flow-statement?symbol=BKNG&period=annual
2025	0.32	1.2%	n/disc	n/disc	6.44	1.25	0.00	FMP cash flow annual; FMP /stable/cash-flow-statement?symbol=BKNG&period=annual

Capital-allocation interpretation: Booking is an asset-light, high-FCF business with low capex intensity and very large repurchases. Dividends began appearing in the FMP cash-flow history in FY2024. R&D is not separately disclosed as a GAAP line; technology and AI spend flows through personnel, IT, cloud and other operating lines. M&A cash flow is signed as reported by FMP; FY2021 was a material acquisition outflow, while later years were not major acquisition-outflow years in the annual cash-flow statement.

8. Balance sheet snapshot, latest quarter

Item	$B	Source
Cash and equivalents	16.02	SEC Q1 2026 10-Q
Short-term investments	0.00	SEC Q1 2026 10-Q; none disclosed separately
Long-term investments	0.47	SEC Q1 2026 10-Q
Total debt, current plus LT	18.41	SEC Q1 2026 10-Q
Net debt, cash only	2.39	calc: debt less cash
Net debt after long-term investments	1.92	calc: debt less cash and LT investments
Net debt / TTM Adj. EBITDA less Capex	0.19x	calc using QF TTM bridge
Goodwill plus intangibles	3.54	FMP Q1 balance sheet, SEC 10-Q tie
Tangible book value	-12.27	calc: equity less goodwill and intangibles

Balance-sheet interpretation: the company remains close to net-debt neutral after including long-term investments despite a negative book equity base caused by cumulative repurchases. Tangible book value is not a useful valuation anchor for this business. The more useful leverage anchor is net debt relative to TTM Segment Adjusted EBITDA less Capex, which is about 0.19x using the QF bridge and cash plus long-term investments.

9. Recent corporate actions, last 12 months

- 2025-07-29: Q2 release disclosed $1.3B of repurchases in Q2 2025, $24.6B remaining authorization, and a $9.60 per-share Q3 dividend payable 2025-09-30; source https://www.sec.gov/Archives/edgar/data/1075531/000107553125000035/bkngq22025earningspressr.htm.
- 2025-10-28: Q3 release disclosed $0.7B of repurchases in Q3 2025, $23.9B remaining authorization, $9.60 per-share Q4 dividend, and a $457M impairment in GAAP operating expenses; source https://www.sec.gov/Archives/edgar/data/1075531/000107553125000050/q3-25bkngearningsrelease.htm.
- 2026-02-18: Q4/FY2025 release disclosed $2.1B of repurchases in Q4 2025, a 9.4% dividend increase to $10.50 per pre-split share, the 25-for-1 stock split approval, and FY2025 transformation-program run-rate savings of about $550M expected by end-2026; source https://www.sec.gov/Archives/edgar/data/1075531/000107553126000008/q4-25bkngearningsrelease.htm.
- 2026-04-01: Booking appointed Kurt Sievers, retired CEO of NXP Semiconductors, to the Board of Directors effective the same day; source SEC 8-K exhibit raw/d_BKNG_20260401_new_director_sec.htm.
- 2026-04-02: Booking appointed Caroline Sullivan as Senior Vice President, Chief Accounting Officer, and Controller effective 2026-04-29; source SEC 8-K raw/d_BKNG_20260402_8k_sec.htm.
- 2026-04-02: Booking effected the 25-for-1 common-stock split; the Q1 release states all share and per-share information was retroactively adjusted; source https://www.sec.gov/Archives/edgar/data/1075531/000107553126000024/q1-26bkngearningsrelease.htm.
- 2026-04-28: Q1 release disclosed $3.6B of repurchases in Q1 2026, $18.2B remaining authorization, and a $0.42 per split-adjusted share Q2 dividend payable 2026-06-30; source https://www.sec.gov/Archives/edgar/data/1075531/000107553126000024/q1-26bkngearningsrelease.htm.
- 2026-05-07: Booking issued $750M aggregate principal amount of 5.375% Senior Notes due 2036; source SEC 8-K raw/d_BKNG_20260507_debt_8k_sec.htm.
- 2026-05-11: Booking issued EUR1.9B aggregate principal amount of euro senior notes: EUR600M 3.500% due 2030, EUR700M 4.000% due 2034, and EUR600M 4.500% due 2039; source SEC 8-K raw/d_BKNG_20260511_debt_8k_sec.htm.
- No live-fetched filing or release in this run showed a CEO or CFO transition, major acquisition closing, or divestiture in the last 12 months.

10. Open data gaps and downstream flags

- Flights, attractions, ground transportation, packages, payments, Connected Trip, Genius, mobile app, direct channel and AI/Penny do not have separately disclosed revenue dollars. Use only the KPI growth rates and mix disclosures above.
- Segment operating income is not separately disclosed because Booking has one reportable segment and reports Segment Adjusted EBITDA less Capex as the official segment profit measure. Consolidated GAAP operating income is shown for the one-segment table but should not be described as a separately reported segment operating-income line.
- FY2025 and Q3 2025 GAAP operating income must include the $457M impairment. FMP operating income excludes it, creating a known mismatch; SEC GAAP controls.
- R&D is not separately disclosed as a GAAP line. Do not fabricate an R&D series; technology and AI investment is embedded in personnel, IT, cloud and operating expenses.
- Geographic revenue is disclosed as U.S. versus outside U.S., with a Netherlands-domiciled entity footnote. Consumer region revenue by Europe, Asia, U.S. and rest of world is not dollar-disclosed in the live sources fetched here.

- ROIC using book invested capital becomes not meaningful after FY2022 because large repurchases drive negative book equity and negative invested capital. Use FCF yield, incremental margins, or adjusted returns instead of forcing a positive ROIC.
- TTM anchor remains Q2 2025 plus Q3 2025 plus Q4 2025 plus Q1 2026. The live QF bridge gives TTM revenue $27.687B, GAAP operating income $9.034B, net income $6.154B and FCF $9.033B.
- Legacy FMP 2018 Online Accommodation Reservation Services row is old taxonomy and excluded. Do not blend it with current merchant, agency and advertising/other rows.

Additional source-handling notes for reviewers

The SEC earnings-release HTML files are used for the last-four-quarter headline KPIs because they are the primary public documents filed with the 8-Ks and include the exact quarterly growth rates. FMP quarterly statements are used as a mechanical cross-check for revenue, net income, cash flow and product revenue, but SEC controls where FMP disagrees with GAAP operating income. The Booking IR PDF is supporting evidence for the long-term algorithm and platform strategy; it is not used to override SEC or FMP historical financials.

The FMP transcript endpoint is used only after confirming each returned date. For a calendar-fiscal company like Booking, Q2 FY2025, Q3 FY2025, Q4 FY2025 and Q1 FY2026 should map to call dates in July 2025, October 2025, February 2026 and April 2026. The live responses matched those dates, so the stale-cache failure mode described in the Data Source Rule was not observed. No transcript quote in this package is sourced from a local transcript cache.

The balance-sheet table uses carrying-value debt from the Q1 2026 10-Q. FMP's `totalDebt` field can include lease-related items differently from the debt subtotal used in the QF bridge; for leverage and net-debt calculations here, the SEC current debt plus long-term debt amounts control. Long-term investments are shown separately because the QF bridge treats cash plus long-term investments as available liquidity for net-debt framing.

Self-verification checks

Check	Value checked	Live evidence
Largest segment latest-quarter growth	Q1 2026 revenue grew 16% YoY and gross bookings grew 15% YoY	Confirmed in live SEC Q1 2026 earnings release fetched in this run: https://www.sec.gov/Archives/edgar/data/1075531/000107553126000024/q1-26bkngearningsrelease.htm
Management quote date	Q1 FY2026 transcript date returned by FMP is 2026-04-28	Confirmed in raw/d_BKNG_transcript_2026_Q1.json; within zero days of expected call date
Most recent FY revenue	FY2025 revenue is $26.917B	Confirmed in fresh FMP annual income-statement pull and SEC 2025 10-K

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