

# The Priceline Group Inc. 2018 10-K: For Phones and Tablets

Pages: 276

Format: pdf, epub

Language: English

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The Priceline Group Inc. 2018 10-K

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## Item 1. Business

Our mission is to help people experience the world. We seek to empower people to cut through travel barriers, such as time, money, language and overwhelming options, so they can use our services to easily and confidently stay where they want to stay, do what they want to do and experience what they want to experience.

We operate six primary brands:

- Booking.com - the world's leading brand for booking online accommodation reservations, based on room nights booked.
- KAYAK - a leading online meta-search service allowing consumers to easily search and compare travel itineraries and prices, including airline ticket, accommodation and rental car reservation information, from hundreds of travel websites at once.
- priceline - a leading hotel, rental car, airline ticket and vacation package online reservation service in North America.
- agoda - a leading online accommodation reservation service catering primarily to consumers in the Asia-Pacific region.
- Rentalcars.com - a leading online worldwide rental car reservation service.
- OpenTable - a leading online provider of restaurant reservation and information services to consumers and restaurant reservation management and customer acquisition services to restaurants.

Our business is driven primarily by international results, which consist of the results of Booking.com, agoda and Rentalcars.com and the international businesses of KAYAK and OpenTable. This classification is independent of where the consumer resides, where the consumer is physically located while using our services or the location of the travel service provider or restaurant. For example, a reservation made through Booking.com at a hotel in New York by a consumer in the United States is part of our international results. During the year ended December 31, 2018, our international business (the substantial majority of which is generated by Booking.com) represented approximately 89% of our consolidated revenues. A significant majority of our revenues, including a significant majority of our international revenues, is earned in connection with facilitating accommodation reservations. See Note 16 to the Consolidated Financial Statements for more geographic information.

Booking Holdings Inc. was formed as a Delaware limited liability company in 1997 and was converted into a Delaware corporation named priceline.com Incorporated in July 1998. On April 1, 2014, the Company changed its name from priceline.com Incorporated to The Priceline Group Inc., and, on February 21, 2018, the Company changed its name to Booking Holdings Inc. Our common stock is listed on the NASDAQ Global Select Market under the symbol "BKNG," and traded under the symbol "PCLN" prior to February 27, 2018. Our principal executive offices are located at 800 Connecticut Avenue, Norwalk, Connecticut 06854. We refer to our company and all of our subsidiaries and brands collectively as "Booking Holdings," the "Company," "we," "our" or "us."

## The Booking Holdings Business Model

We derive substantially all of our revenues and, prior to January 1, 2018, gross profit from the following sources:

- Commissions earned from facilitating reservations of accommodations, rental cars and other travel services on an agency basis;
- Travel reservation commissions and transaction net revenues, credit card processing rebates and customer processing fees, in each case in connection with our merchant transactions;
- Advertising revenues primarily earned by KAYAK from sending referrals to online travel companies ("OTCs") and travel service providers, as well as from advertising placements on KAYAK's platforms;
- Reservation revenues paid by restaurants for diners seated through OpenTable's online reservation services, subscription fees for restaurant reservation management services provided

by OpenTable; and

- Ancillary revenues including travel insurance-related revenues and global distribution system ("GDS") reservation booking fees, in each case related to certain of our travel services.

Our priceline brand offers merchant Name Your Own Price opaque travel services, which were previously recorded in revenue on a "gross" basis with the amount remitted to the travel service providers reported as cost of revenues. Under the

current revenue recognition accounting standard, Name Your Own Price revenues are reported on a net basis with the amount remitted to the travel service providers recorded as an offset in merchant revenues. Therefore, for periods beginning after December 31, 2017, we no longer present "Cost of revenues" or "Gross profit" in our Consolidated Statements of Operations. Total revenues for periods beginning after December 31, 2017 are comparable to gross profit reported in prior periods. For further information on the adoption of the current revenue recognition accounting standard, see Note 2 to the Consolidated Financial Statements.

For the year ended December 31, 2018, we had revenues of \$14.5 billion comprised of "agency" revenues, "merchant" revenues and "advertising and other" revenues.

- Agency revenues are derived from travel-related transactions where we do not receive payments from travelers for the services provided. We invoice the travel service providers for our commissions after travel is completed. Agency revenues consist almost entirely of travel reservation commissions, as well as certain GDS reservation booking fees and certain travel insurance fees.

- Merchant revenues are derived from travel-related transactions where we receive payments from travelers for the service provided, generally at the time of booking. Merchant revenues include travel reservation commissions and transaction net revenues (i.e., the amount charged to travelers less the amount owed to travel service providers) in connection with our merchant reservation services; ancillary fees, including travel insurance-related revenues and certain GDS reservation booking fees; and credit card processing rebates and customer processing fees. Substantially all merchant revenues are for merchant services derived from transactions where travelers book accommodation reservations or rental car reservations from travel service providers.

- Advertising and other revenues are derived primarily from revenues earned by KAYAK for sending referrals to OTCs and travel service providers and for advertising placements on its platforms and revenues earned by OpenTable for its restaurant reservation services and subscription fees for restaurant management services.

## The Booking Holdings Strategy

We aim to achieve our mission to help people experience the world through global leadership in online travel and restaurant reservation and related services by:

- providing consumers with the best choices and prices at any time, in any place, on any device;
- making it easy for people to find, book and experience their travel desires; and
- providing platforms, tools and insights to our business partners to help them be successful.

We focus on relentless innovation and execution and a commitment to serve both consumers and our travel service provider and restaurant partners with unmatched service and best-in-class digital technology. The online travel and dining categories continue to grow as consumer purchasing shifts from traditional offline channels to interactive online channels, including mobile channels. Our strategy is to continue to participate broadly in this online growth by expanding our service offerings and markets. In particular, we aim to be the world leader in online travel and restaurant reservation and related services by (a) leveraging technology to provide consumers with the best experience, (b) partnering with travel service providers and

restaurants to our mutual benefit, (c) operating multiple brands that collaborate with each other, and (d) investing in profitable and sustainable growth.

- Providing the best consumer experience. We believe that offering consumers an outstanding online experience is essential for our future success. To accomplish this, we focus on providing consumers with: (a) a variety of intuitive, easy-to-use online travel and restaurant reservation and search services; (b) a continually increasing number, location and variety of accommodations, other travel offerings and restaurants available through our services; (c) informative and useful

content, such as pictures, accommodation and restaurant details and reviews; and (d) excellent customer service. Our goal is to make travel easy, frictionless and personal and to offer consumers the most trusted brand, the most personalized experience and the most extensive, varied and comprehensive accommodation selection in every geography at the best prices. For example, Booking.com increasingly provides reservation services for accommodations other than hotels. Booking.com included approximately 2,180,000 properties on its website at December 31, 2018, consisting of approximately 436,000 hotels, motels and resorts and approximately 1,744,000 homes, apartments and other unique places to stay. Further, we endeavor to provide excellent customer service in a variety of ways, including through our call centers and online platforms and the use of chatbots and other technologies, so that consumers can be confident that booking reservations through us will be a positive experience. We are constantly innovating in order to provide a best-in-class user experience with intuitive, easy-to-use online platforms (i.e., websites and mobile apps) to ensure that we are meeting the needs of online consumers while aiming to exceed their expectations.

- Partnering with travel service providers and restaurants. We aim to establish mutually beneficial relationships with travel service providers and restaurants around the world. We believe that travel service providers and restaurants benefit from participating in our services by increasing their distribution channels, demand and inventory utilization in an efficient and cost-effective manner. Travel service providers and restaurants benefit from our well-known brands and online marketing efforts, expertise in offering an excellent consumer experience through our online platforms and ability to offer their inventory in markets and to consumers that the travel service provider or restaurant may otherwise be unable or unlikely to reach. For example, an independent hotel may not have the means or expertise to market itself to international travelers, including in other languages, to build and operate effective online reservation services, or to engage in sophisticated online marketing techniques. Further, we are increasingly providing services, other than online reservation services, designed to help our partners grow their businesses. For example, OpenTable is continuously working to improve its reservation management software services to help restaurants more effectively manage their reservations and more efficiently market their available tables to diners.

- Maintaining multiple brands. We employ a strategy of operating multiple brands, which we believe allows us the opportunity to offer our services in ways that appeal to different consumers, pursue different marketing and business strategies, encourage experimentation and innovation, provide different service offerings and focus on different markets, while benefiting all of our brands from opportunities to share best practices and learnings and to collaborate. We intend to invest resources to support organic growth by all of our brands, whether through increased marketing, geographic expansion, technology innovation or increased access to accommodations, rental cars, restaurants, airline tickets or other services. We spend significant and increasing amounts on performance and brand marketing to acquire customers and establish and strengthen our brands. We intend to continue efforts to share best practices, access to travel service provider offerings and customers across our brands and to collaborate for the benefit of consumers. For example, on January 1, 2018, we began operating our Rentalcars.com business as part of Booking.com, which we believe will enable us to more effectively offer Rentalcars.com's services to address the ground transportation needs of Booking.com's customers. We believe that by

promoting our brands worldwide, sharing travel service reservation availability and customer demand, and applying our industry experiences across brands and markets, we can more effectively expand our services globally and maintain and grow our position as a leading provider of worldwide online travel and restaurant reservation and related services.

- Investing in profitable and sustainable growth. We seek to offer online services that meet the needs and the expectations of consumers, travel service providers and restaurants and that we believe will result in long-term profitability and growth. We intend to accomplish this through continuous investment and innovation, growing our businesses in new and current markets, expanding our services and ensuring that we provide an appealing, intuitive and easy-to-use consumer experience. We have made significant investments in people, technology, marketing and expanded, new or additional services, such as increasing our extensive collection of accommodations including homes, apartments and other unique places to stay, insurance products and other offerings. We also may pursue strategic transactions. For example, we expanded our KAYAK meta-search

business, particularly in Europe and Asia, through the acquisitions of the Momondo Group in 2017 and HotelsCombined in 2018. We also strengthened our ability to offer in-destination activities by acquiring FareHarbor, a leading provider of business-to-business activity distribution services, in 2018. We regularly evaluate, and may pursue and consummate, other potential strategic acquisitions, partnerships, joint ventures or investments, whether to expand our businesses into complementary areas, expand our current businesses, acquire innovative technology or for other reasons. For example in July 2018, we made an investment in Didi Chuxing, the leading mobile transportation and ride-hailing platform in China, and in October 2018, we made an investment in Grab, a leading on-demand transportation and mobile service platform in Southeast Asia.

## Service Offerings

We connect consumers wishing to make travel reservations with providers of travel services around the world through our online platforms. Through one or more of our brands, consumers can: book a broad array of accommodations (including hotels, motels, resorts, homes, apartments, bed and breakfasts, hostels and other properties); make a car rental reservation or arrange for an airport taxi; make a dinner reservation; or book a cruise, flight, vacation package, tour or activity. Consumers can also use our meta-search services to easily compare travel reservation information, such as airline ticket, hotel reservation and rental car reservation information, from hundreds of online travel platforms at once. In addition, we offer various other services to consumers, such as certain insurance products and restaurant management services to restaurants.

Booking.com and Rentalcars.com. Booking.com is the world's leading brand for booking online accommodation reservations, based on room nights booked, with operations worldwide and headquarters in the Netherlands. At December 31, 2018, Booking.com offered accommodation reservation services for approximately 2,180,000 properties in over 230 countries and territories and in over 40 languages, consisting of approximately 436,000 hotels, motels and resorts and approximately 1,744,000 homes, apartments and other unique places to stay.

Booking.com has expanded its offerings to better help consumers experience the world. For example, Booking.com offers in-destination tours and activities in more than 100 cities around the world. On January 1, 2018, we began operating our Rentalcars.com business as part of Booking.com to more effectively offer Rentalcars.com's rental car and other ground transportation services to Booking.com's customers. Rentalcars.com offers online rental car reservation services and allows consumers to make rental car reservations in over 55,000 locations throughout the world, with customer support in over 40 languages. Booking.com and Rentalcars.com also offer pre-booked taxi and black car services at over 900 airports throughout the world.

KAYAK. KAYAK, headquartered in Stamford, Connecticut, provides an online price comparison service (often referred to as "meta-search") that allows consumers to easily search and compare travel itineraries and prices, including airline ticket, accommodation reservation and rental car reservation information, from hundreds of travel websites at once. KAYAK derives revenues from sending referrals to OTCs and travel service providers and from advertising placements on its platforms. KAYAK offers its services in over 60 countries, with the United States being its largest market, through various websites, including Momondo, Cheapflights and HotelsCombined.

Priceline. Priceline offers online travel reservation services primarily in North America and is headquartered in Norwalk, Connecticut. Priceline offers consumers hotel, rental car and airline ticket reservation services, as well as vacation packages and cruises. Priceline is a leader in the discount travel reservation business, in particular through its Express Deals "opaque" offerings where certain elements of the service, including the identity of the travel service provider, are not disclosed to the consumer prior to making a reservation.

Agoda. Agoda is a leading online accommodation reservation service catering primarily to consumers in the Asia-Pacific region, with headquarters in Singapore and operations in Bangkok, Thailand and elsewhere.

OpenTable. OpenTable is a leading brand for booking online restaurant reservations. With significant operations in San Francisco, California, OpenTable provides online restaurant reservation services to consumers and reservation management services to restaurants. OpenTable does business primarily in the United States, though it continues to invest in expanding its international offerings.

## Marketing and Brand Awareness

We have established widely used and recognized e-commerce brands through marketing and promotional campaigns. Both our performance and brand marketing expenses have increased significantly in recent years, and we expect our performance and brand marketing expenses to continue to increase. During 2018, our total performance marketing expense was approximately \$4.4 billion, mostly related to the use of online search engines (primarily Google), meta-search and travel research services and affiliate marketing to generate traffic to our platforms. Growth of some of these channels has slowed. We also invested \$509 million in brand marketing during 2018, primarily related to costs associated with producing and airing television advertising, online video advertising (for example, on YouTube and Facebook), online display advertising and other brand marketing. We intend to continue a strategy of promoting brand awareness through both online and offline marketing efforts, including by expanding brand campaigns into additional markets, which may significantly increase our brand marketing expenses.

## Competition

We compete globally with both online and traditional travel and restaurant reservation and related services. The markets for the services we offer are intensely competitive, constantly evolving and subject to rapid change, and current and new competitors can launch new services at a relatively low cost. Some of our current and potential competitors, such as Google, Apple, Alibaba, Tencent, Amazon and Facebook, have significantly more customers or users, consumer data and financial and other resources than we do, and they may be able to leverage other aspects of their businesses (e.g., search or mobile device businesses) to enable them to compete more effectively with us. For example, Google has entered various aspects of the online travel market, including by establishing a flight meta-search product ("Google Flights") and a hotel meta-search product ("Google Hotel Ads") that are growing rapidly, as well as its "Book on Google" reservation functionality and its Google Trips app.

We currently, or may in the future, compete with a variety of companies, including:

- online travel reservation services such as Expedia, Hotels.com, Hotwire, Orbitz, Travelocity, Wotif, Cheaptickets, ebookers, HotelClub, RatesToGo and CarRentals.com, which are owned by Expedia

Group; Hotel Reservation Service (HRS) and hotel.de, which are owned by Hotel Reservation Service; and AutoEurope, CarTrawler, Ctrip (in which we hold a minority interest) and Trip.com (which is owned by Ctrip), Tongcheng-eLong (in which Ctrip holds a significant minority interest), ezTravel (in which Ctrip holds a majority interest), Meituan Dianping (in which we hold a small minority interest), MakeMyTrip, Traveloka (in which Expedia Group holds a minority interest), Webjet, Rakuten, Jalan (which is owned by Recruit), Despegar/Decolar (in which Expedia Group holds a minority interest), Fliggy (which is owned by Alibaba), HotelTonight, CheapOair, and eDreams ODIGEO;

- online accommodation search and/or reservation services, such as Airbnb, HomeAway (which is owned by Expedia Group), Tujia (in which Ctrip and Expedia Group hold investments) and Xiaozhu, currently focused primarily on alternative accommodations, including individually owned properties such as homes and apartments;

- large online companies, including search, social networking and marketplace companies such as Google, Facebook, Alibaba, Tencent, Amazon and Baidu;

- traditional travel agencies, travel management companies, wholesalers and tour operators, many of which combine physical locations, telephone services and online services, such as Carlson Wagonlit, American Express, BCD Travel, Egencia (which is owned by Expedia Group), Concur (which is owned by SAP), Thomas Cook, TUI and Hotelbeds Group, as well as thousands of individual travel agencies around the world;

- travel service providers such as accommodation providers, rental car companies and airlines, many of which have their own branded online platforms to which they drive business, including large hotel chains such as Marriott International, Hilton and Intercontinental Hotel Group and emerging hotel chains such as OYO Rooms, as well as joint efforts by travel service providers such as Room Key, an online hotel reservation service owned by several major hotel companies;

- online travel search and price comparison services (generally referred to as "meta-search" services), such as Google Flights, Google Hotel Ads, TripAdvisor, trivago (in which Expedia Group holds a majority interest), Qunar (which is controlled by Ctrip) and Skyscanner (in which Ctrip holds a majority interest);

- online restaurant reservation services, such as TripAdvisor's LaFourchette, Yelp's SeatMe, Zomato, Bookatable (which is owned by Michelin), Quandoo (which is owned by Recruit) and Resy (in which Airbnb holds a minority interest);

- companies offering new rental car business models or car- or ride-sharing services that affect demand for rental cars, some of which have developed innovative technologies to improve efficiency of point-to-point transportation and extensively utilize mobile platforms, such as Uber, Lyft, Gett, Zipcar (which is owned by Avis), Turo, BlaBlaCar, Didi Chuxing (in which we hold a small minority interest), Grab (in which we hold a small minority interest), Go-Jek and Ola; and

- companies offering technology services and software solutions to travel service providers, including large global distribution systems, or GDSs, such as Amadeus, Sabre and Travelport, and hospitality software platforms, such as Oracle and Shiji.

## Operations and Technology

Our business is supported by multiple systems and platforms, which were designed with an emphasis on scalability, performance, reliability, redundancy and security. These systems and platforms are generally independent among our brands, though some have become increasingly connected or shared. Our software systems, platforms and architecture use a variety of widely-used software tools and database systems.

These internal systems and platforms are designed to include open application protocol interfaces that can provide connectivity to vendors in the industries in which we operate. These include large global systems, such as accommodation, airline ticket and rental car reservation systems and financial service providers, as well as individual accommodation service providers, such as independent hotels. Our applications utilize digital certificates to help us conduct secure communications and transactions, as appropriate. The systems infrastructure and web and database servers of our worldwide operations are primarily hosted in the United Kingdom, Switzerland, the Netherlands, Germany, Singapore, Hong Kong and four locations in the United States, each of which provides network connectivity, networking infrastructure and 24-hour monitoring and engineering support typical of hosted data centers. All data center facilities have a continuous power supply system, generators, redundant servers and multiple back-up systems.

Although we take steps to mitigate the effects of any loss or reduction in service at one of our hosting facilities, if a hosting facility were inaccessible or otherwise experienced a disruption in service for any reason, we could experience a disruption to our services, loss of transactions and revenue and consumer complaints.

We provide customer service through a mix of in-house call centers and outsourced third-party services.

## Intellectual Property

Over time and through acquisitions, we have assembled a portfolio of patents, trademarks, service marks, copyrights, domain names and trade secrets covering our services. We regard the protection of our intellectual property as critical to our success. We protect our intellectual property rights by relying on national, federal, state and common law rights in the United States and internationally, as well as a variety of administrative procedures, regulations, conventions and treaties. We also rely on contractual restrictions to protect our proprietary rights in our services. We enter into confidentiality and invention assignment agreements with employees and contractors and nondisclosure agreements with parties with whom we conduct business in order to limit access to and disclosure of our proprietary information. We also have procured various intellectual property licenses from third parties.

As we deem appropriate, we pursue the registration of our intellectual property, such as domain names, trademarks and service marks, in the United States and internationally. We currently hold various issued patents and pending patent applications. We file additional patent applications on new inventions, as we deem appropriate. Effective trademark, copyright, patent, domain name, trade dress and trade secret protection is expensive to maintain and may require litigation. As we continue to expand internationally, protecting our intellectual property rights and other proprietary rights involves an increasing number of jurisdictions, a process that is expensive and time-consuming and may not be successful in every location. See Part I Item 1A Risk Factors - "We face risks related to our intellectual property."

## Seasonality

A meaningful amount of our gross bookings is generated early in the year, as customers plan and reserve their spring and summer vacations in Europe and North America. However, historically we generally have not recognized revenue from these bookings until the travel is completed (at "check-out") or, for periods beginning after December 31, 2017, when the travel

begins (at "check-in"), which, in either case, can be in a quarter other than when the reservation is booked. In contrast, we expense the substantial majority of our marketing activities as the expense is incurred, which, in the case of performance marketing in particular, is typically in the quarter in which associated reservations are booked. As a result of this potential timing difference between when we record marketing expense and when we recognize associated revenue, we experience our highest levels of profitability in the third quarter of the year, which is when we experience the highest levels of accommodation check-ins for the year for our European and North American businesses. The first quarter of the year is typically our lowest level of profitability and may experience additional volatility in earnings growth rates due to these seasonal timing factors. For our Asia-Pacific business, we experience the highest levels of accommodation bookings in the third and fourth quarters of the year, and the highest levels of accommodation check-ins in the fourth quarter. As the relative growth rates for our businesses fluctuate, the quarterly distribution of our operating results may vary.

For several years, we experienced an expansion of the booking window (the average time between the making of a travel reservation and the travel), which impacts the relationship between our gross bookings (recognized at the time of booking) and our revenues (recognized at the time of check-out or, for periods beginning after December 31, 2017, at the time of check-in). However, in 2018 we saw a contraction of the booking window. Future changes in the length of the booking window will affect the degree to which our gross bookings and revenues occur in the same period and, as a result, whether our gross bookings growth rates and revenue growth rates converge or diverge.

In addition, the date on which certain holidays fall can have an impact on our quarterly results. For example, in 2017, our second quarter year-over-year growth rates in revenue, gross profit, operating income and operating margins were positively impacted by Easter falling in the second quarter instead of the first quarter, as it did in 2016. Conversely, our first quarter 2017 year-over-year growth rates in revenue, gross profit, operating income and operating margins were adversely impacted by Easter falling in the second quarter instead of the first quarter, as it did in 2016. Similar to 2017, in 2018 Easter fell in the second quarter instead of the first quarter. However, because Easter was on April 1, 2018 and a meaningful amount of Easter travel commenced in the week leading up to Easter (i.e., during the first quarter), Easter had a positive effect on our first quarter 2018 year-over-year growth rates and had a negative effect on our second quarter 2018 year-over-year growth rates due to the change in our revenue recognition policy from "check-out" to "check-in." In 2019, Easter will be on April 21, and the associated Easter-related travel will generally begin in the second quarter of 2019. As a result, the shift in timing of Easter relative to 2018 will have a negative effect on our year-over-year growth rates in the first quarter of 2019 and a positive effect on our year-over-year growth rates in the second

quarter of 2019. The timing of other holidays such as Ramadan can also impact our quarterly year-over-year growth rates.

The impact of seasonality can be exaggerated in the short term by the gross bookings growth rate of the business. For example, in periods where our gross bookings growth rate substantially decelerates, our operating margins typically benefit from relatively less variable marketing expense. In addition, revenue growth is typically less impacted by decelerating gross bookings growth in the near term due to the benefit of revenue related to reservations booked in previous quarters, but any such deceleration would negatively impact revenue growth in subsequent periods. Conversely, in periods where our gross bookings growth rate accelerates, our operating margins are typically negatively impacted by relatively more variable marketing expense. In addition, revenue growth is typically less impacted by accelerating gross bookings growth in the near term, but any such acceleration would positively impact revenue growth in subsequent periods as a portion of the revenue recognized from such gross bookings will occur in future quarters.

## Employees

At December 31, 2018, we employed approximately 24,500 employees, of which approximately 4,200 were based in the United States and approximately 20,300 were based outside the United States. We also retain independent contractors to support our customer service, website content translation and system support functions.

We have never had a work stoppage and we consider our relations with our employees to be good. Although we have works councils or employee representatives in certain countries, our U.S. employees are not represented by a labor union and are not covered by a collective bargaining agreement. Our future success will depend, in part, on our ability to continue to attract, integrate, retain and motivate highly qualified technical and managerial employees, for whom competition is intense. See Part I Item 1A Risk Factors - "We rely on the performance of highly skilled employees; and, if we are unable to retain or motivate key employees or hire, retain and motivate qualified employees, our business would be harmed."

## Company Websites

We maintain websites with the addresses [www.bookingholdings.com](http://www.bookingholdings.com), [www.booking.com](http://www.booking.com), [www.priceline.com](http://www.priceline.com), [www.kayak.com](http://www.kayak.com), [www.agoda.com](http://www.agoda.com), [www.rentalcars.com](http://www.rentalcars.com), [www.opentable.com](http://www.opentable.com) and [www.momondo.com](http://www.momondo.com), among others. We are

not including the information contained on our websites as a part of, or incorporating it by reference into, this Annual Report on Form 10-K. We make available free of charge through the [www.bookingholdings.com](http://www.bookingholdings.com) website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the SEC. These reports and other information are also available, free of charge, at [www.sec.gov](http://www.sec.gov). In addition, the Company's Code of Conduct is available through the [www.bookingholdings.com](http://www.bookingholdings.com) website and any amendments to or waivers of the Code of Conduct will be disclosed on that website.

## Item 1A. Risk Factors

The following risk factors and other information included in this Annual Report should be carefully considered. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently believe are immaterial may also impair our business, results of operations or financial condition. If any of the following risks occur, our business, financial condition, operating results and cash flows could be materially adversely affected.

Declines or disruptions in the travel industry could adversely affect our business and financial performance.

Our financial results and prospects are almost entirely dependent upon the sale of travel services. Travel, including accommodation (including hotels, motels, resorts, homes, apartments and other unique places to stay), rental car and airline ticket reservations, is significantly dependent on discretionary spending levels. As a result, sales of travel services tend to decline during general economic downturns and recessions and times of political or economic uncertainty as consumers engage in less discretionary spending, are concerned about unemployment or inflation, have reduced access to credit or experience other concerns or effects that reduce their ability or willingness to travel.

Perceived or actual adverse economic conditions, including slow, slowing or negative economic growth, high or rising unemployment rates, inflation and weakening currencies, and concerns over government responses such as higher taxes or tariffs, increased interest rates and reduced government spending, could impair consumer spending and adversely affect travel demand.

Political uncertainty, conditions or events, such as the United Kingdom's decision to leave the European Union ("Brexit"), including uncertainty or delays in the implementation of Brexit and concerns regarding certain E.U. members with sovereign debt default risks, can also negatively affect consumer spending and adversely affect travel demand. At times, we have experienced volatility in transaction growth rates, increased cancellation rates and weaker trends in hotel average daily rates ("ADRs") across many regions of the world, particularly in those countries that appear to be most affected by economic and political uncertainties, which we believe are due at least in part to these macro-economic conditions and concerns. Economic or political disruptions could cause, contribute to or be indicative of deteriorating macro-economic conditions, which in turn could negatively affect travel to or from such countries or the travel industry in general and therefore have an adverse impact on our results of operations. While lower occupancy rates have historically resulted in accommodation providers increasing their distribution of accommodation reservations through third-party intermediaries such as us, our remuneration for accommodation reservation transactions changes proportionately with price, and therefore, lower ADRs generally have a negative effect on our accommodation reservation business and a negative effect on our revenues.

These and other macro-economic uncertainties, such as oil prices, geopolitical tensions and differing central bank monetary policies, have led to significant volatility in the exchange rates between the U.S. Dollar and the Euro, the British Pound Sterling and other currencies. Significant fluctuations in currency exchange rates, stock markets and oil prices can also impact consumer travel behavior. For example, although lower oil prices may lead to increased travel activity as consumers have more discretionary funds and airline fares decrease, declines in oil prices may be indicative of broader macro-economic weakness, which in turn could negatively affect the travel industry and our business. Conversely, higher oil prices may result in higher airfares, which can negatively affect the travel industry and our business.

Since the United Kingdom's Brexit vote, global markets and foreign exchange rates have experienced increased volatility, including a decline in the value of the British Pound Sterling as compared to the U.S. Dollar. Upon leaving the European Union, among other things, the United Kingdom could lose access to the single European Union market and travel between the United Kingdom and European Union countries could be restricted. We could face new regulatory costs and challenges if U.K. regulations and policies diverge from those of the European Union. Since the terms of the United Kingdom's exit from the European Union and/or the European Economic Area are uncertain, we are unable to predict the effect Brexit will have on our business and results of operations. The United Kingdom's decision to leave the European Union could result in other member countries also determining to leave, which could lead to added economic and political uncertainty and devaluation or eventual abandonment of the Euro common currency, any of which could have a negative impact on travel and therefore our business and results of operations.

The uncertainty of macro-economic factors and their impact on consumer behavior, which may differ across regions, makes it more difficult to forecast industry and consumer trends and the timing and degree of their impact on our markets and business, which in turn could adversely affect our ability to effectively manage our business and adversely affect our results of operations.

In addition, unforeseen events beyond our control, such as oil prices, stock market volatility, terrorist attacks, unusual or extreme weather or natural disasters such as earthquakes, hurricanes, tsunamis, floods, fires, droughts and volcanic eruptions, travel-related health concerns including pandemics and epidemics such as Ebola, Zika and MERS, political instability, changes in economic conditions, regional hostilities, imposition of taxes, tariffs or surcharges by regulatory authorities, changes in trade policies or trade disputes, changes in immigration policies or travel-related accidents can disrupt travel, limit the ability or willingness of travelers to visit certain locations or otherwise result in declines in travel demand. Because these events or concerns, and the full impact of their effects, are largely unpredictable, they can dramatically and suddenly affect travel behavior by consumers, and therefore demand for our services, which can adversely affect our business and results of operations. Also, as European countries respond to an increased flow of migrants from the Middle East, travel between countries within the European Union and to and from the region could be subject to increased restrictions or the closing of borders, which could negatively impact travel to, from or within the European Union and adversely affect our business and results of operations. Certain jurisdictions, particularly in Europe, are considering regulations intended to address the issue of "overtourism," including by restricting access to city centers or popular tourist destinations or limiting accommodation offerings in surrounding areas, such as by restricting construction of new hotels or the renting of homes or apartments. Such regulations could adversely affect travel to, or our ability to offer accommodations in, such markets, which could negatively impact our business, growth and results of operations. The United States has implemented or proposed, or is considering, various travel restrictions and actions that could affect U.S. trade policy or practices, which could also adversely affect travel to or from the United States. Future terrorist attacks, natural disasters, travel advisories or restrictions, health concerns, civil or political unrest or other events outside our control could disrupt our business and operations and adversely affect our results of operations.

Intense competition could reduce our market share and harm our financial performance.

We compete globally with both online and traditional travel and restaurant reservation and related services. The markets for the services we offer are intensely competitive, constantly evolving and subject to rapid change, and current and new competitors can launch new services at a relatively low cost. Some of our current and potential competitors, such as Google, Apple, Alibaba, Tencent, Amazon and Facebook, have significantly more customers or users, consumer data and financial and other resources than we do, and they may be able to leverage other aspects of their businesses (e.g., search or mobile device businesses) to enable them to compete more effectively with us. For example, Google has entered various aspects of the online travel market, including by establishing a flight meta-search product ("Google Flights") and a hotel meta-search product ("Google Hotel Ads") that are growing rapidly, as well as its "Book on Google" reservation functionality and its Google Trips app.

We currently, or may in the future, compete with a variety of companies, including:

- online travel reservation services such as Expedia, Hotels.com, Hotwire, Orbitz, Travelocity, Wotif, Cheaptickets, ebookers, HotelClub, RatesToGo and CarRentals.com, which are owned by Expedia Group; Hotel Reservation Service (HRS) and hotel.de, which are owned by Hotel Reservation Service; and AutoEurope, CarTrawler, Ctrip (in which we hold a minority interest), and Trip.com (which is owned by Ctrip), Tongcheng-eLong (in which Ctrip holds a significant minority interest), ezTravel (in which Ctrip holds a majority interest), Meituan Dianping (in which we hold a small minority interest), MakeMyTrip, Traveloka (in which Expedia Group holds a minority interest), Webjet, Rakuten, Jalan (which is owned by Recruit), Despegar/Decolar (in which Expedia Group holds a minority interest), Fliggy (which is owned by Alibaba), HotelTonight, CheapOair and eDreams ODIGEO;

- online accommodation search and/or reservation services, such as Airbnb, HomeAway (which is owned by Expedia Group), Tujia (in which Ctrip and Expedia Group hold investments) and Xiaozhu, currently focused primarily on alternative accommodations, including individually owned properties such as homes and apartments;

- large online companies, including search, social networking and marketplace companies such as Google, Facebook, Alibaba, Tencent, Amazon and Baidu;

- traditional travel agencies, travel management companies, wholesalers and tour operators, many of which combine physical locations, telephone services and online services, such as Carlson Wagonlit, American Express, BCD Travel, Egencia (which is owned by Expedia Group), Concur (which is owned by SAP), Thomas Cook, TUI, and Hotelbeds Group, as well as thousands of individual travel agencies around the world;

- travel service providers such as accommodation providers, rental car companies and airlines, many of which have their own branded online platforms to which they drive business, including large hotel chains such as Marriott International, Hilton and Intercontinental Hotel Group and emerging hotel chains such as OYO Rooms, as well as joint efforts by

travel service providers such as Room Key, an online hotel reservation service owned by several major hotel companies;

- online travel search and price comparison services (generally referred to as "meta-search" services), such as Google Flights, Google Hotel Ads, TripAdvisor, trivago (in which Expedia Group holds a majority interest), Qunar (which is controlled by Ctrip) and Skyscanner (in which Ctrip holds a majority interest);

- online restaurant reservation services, such as TripAdvisor's LaFourchette, Yelp's SeatMe, Zomato, Bookatable (which is owned by Michelin), Quandoo (which is owned by Recruit) and Resy (in which Airbnb holds a minority interest);

- companies offering new rental car business models or car- or ride-sharing services that affect demand for rental cars, some of which have developed innovative technologies to improve efficiency of point-to-point transportation and extensively utilize mobile platforms, such as Uber, Lyft, Gett, Zipcar (which is owned by Avis), Turo, BlaBlaCar, Didi Chuxing (in which we hold a small minority interest), Grab (in which we hold a small minority interest), Go-Jek and Ola; and

- companies offering technology services and software solutions to travel service providers, including large global distribution systems, or GDSs, such as Amadeus, Sabre and Travelport, and hospitality software platforms, such as Oracle and Shiji.

Google, the world's largest search engine and one of the world's largest companies and other large, established companies with substantial resources and expertise in developing online commerce and facilitating internet traffic offer travel or travel-related search, meta-search and/or reservation booking services and may create additional inroads into online travel. Google's travel meta-search services, Google Hotel Ads and Google Flights, are growing rapidly and have achieved significant market share in a relatively short time. Meta-search services leverage their search technology to aggregate travel search results for the consumer's specific itinerary across travel service provider (e.g., accommodations, rental car companies or airlines), online travel company ("OTC") and other online platforms and, in many instances, compete directly with us for customers. Meta-search services intend to appeal to consumers by showing broader travel search results than may be available through OTCs or other online platforms, which could lead to travel service providers or others gaining a larger share of search traffic. Google leverages its general search business to promote its meta-search offerings by showing meta-search results at the top of its organic search results. Further, TripAdvisor and trivago, two other leading meta-search companies, support their meta-search services with significant brand and performance marketing. Through our KAYAK meta-search service, we compete directly with these and other meta-search

services. If we are unable to compete with these companies, our business and results of operations could be harmed.

Consumers may favor travel services offered by meta-search platforms or search companies over OTCs, which could reduce traffic to our travel reservation platforms, increase consumer awareness of our competitors' brands and services and increase our marketing and other customer acquisition costs. To the extent any such consumer behavior leads to growth in our KAYAK meta-search business, such growth may not result in sufficient increases in revenues from our KAYAK meta-search business to offset any related decrease in revenues or increase in marketing and other customer acquisition costs experienced by our OTC brands. Further, meta-search services may evolve into more traditional OTCs by offering consumers the ability to make travel reservations directly through their platforms. For example, TripAdvisor allows consumers to make a reservation at some accommodations while staying on TripAdvisor through its "Instant Booking" offering, which includes participation by many of the leading global hotel chains. We have been participating in Instant Booking since 2015, however such participation may not result in substantial incremental bookings and could cannibalize business that would otherwise come to us through other ad offerings on TripAdvisor, directly (including after a consumer first visits TripAdvisor) or through other channels, some of which may be more profitable to us than reservations generated through Instant Booking. To the extent consumers book travel services through a service such as TripAdvisor's Instant Booking, Google's "Book on Google," a meta-search website or directly with a travel service provider after visiting a meta-search platform or using a meta-search utility on a traditional search engine without using an OTC like us, or if meta-search services limit our participation within their search results or evolve into more traditional OTCs, we may need to increase our marketing or other customer acquisition costs to maintain or grow our reservation bookings and our business and results of operations could be adversely affected.

There has been a proliferation of new channels through which accommodation providers can offer reservations. For example, companies such as Airbnb and HomeAway (which is owned by Expedia Group) offer services providing alternative accommodation property owners, particularly individuals, an online place to list their accommodations where travelers can search and book such properties and compete directly with our alternative accommodation services. In addition, Airbnb offers some hotel reservations through its online platforms. Further, meta-search services may lower the cost for new companies to enter the market by providing a distribution channel without the cost of promoting the new entrant's brand to drive consumers

directly to its platform. Some of our competitors and potential competitors offer a variety of online services, such as food delivery, shopping, gaming or search services, many of which are used by consumers more frequently than online travel services. As a result, a competitor or potential competitor that has established other, more frequent online interactions with consumers may be able to more easily or cost-effectively acquire customers for its online travel services than we can. For example, some competitors or potential competitors with more frequent online interactions with consumers are seeking to create "super-apps" where consumers can use many online services without leaving that company's app, in particular in markets such as Asia where online activity (including e-commerce) is conducted primarily through apps on mobile devices. If any of these

platforms are successful in offering services similar to ours to consumers who would otherwise use our platforms or if we are unable to offer our services to consumers within these super-apps, our customer acquisition efforts could be less effective and our customer acquisition costs, including our brand and performance marketing expenses, could increase, either of which would harm our business and results of operations.

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