



07 - 30 - 2025

HBX Group

HBX Group Trading Statement Q3 FY25



CORPORATE SPEAKERS:

Isabel Green

HBX Group; Head of Investor Relations

Nicolas Huss

HBX Group; Chief Executive Officer

Brendan Brennan

HBX Group; Chief Financial Officer

OTHER PARTICIPANTS:

Michael Priest

UBS; Analyst

Victor Cheng

Bank of America; Analyst

Fernando Abril Martorell

Alontra; Analyst

Carlos J. Trevino

Banco Santander; Analyst

Andrew Ross

Barclays; Analyst

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Deutsche Bank; Analyst

Thomas Poutrieux

BNP Paribas Exane; Analyst

PRESENTATION:

Operator:

Hello and welcome to HBX Group Trading Statement Third Quarter 2025 Conference Call. Please note that this call is being recorded.

I'd now like to hand the call over to Isabel Green, Head of Investor Relations. You may now go ahead, please.

Isabel Green:

Thank you, Ellie, and thank you everyone for joining us today on our Q3 Trading Update Call. With



me today are Nicolas Huss, our CEO; and Brendan Brennan, our CFO. We're going to start the call today with a short overview of trading for the quarter and the outlook for the remainder of the year. And after that, we're going to open the call for your questions.

If you're listening on the webcast, you can type your questions into the Q&A box, and if you're on the conference call, you can register for a question at any time by pressing star one on your keypad.

Finally, before I hand over to Nicholas, a reminder that in our call today, we will be making forward-looking statements, which are by their nature uncertain and actual outcomes may differ. Thank you very much.

Over to you, Nicolas.

Nicolas Huss:

Morning, everyone.

HBX Group delivered a robust performance in Q3 despite the challenging macroeconomic and geopolitical environments underpinned by strategic execution, commercial agility, and our commitment to long-term growth.

Group revenue for the quarter reached EUR 182 million, representing a 3% increase year-on-year or 6% in constant currency. The timing of Easter contributed approximately to 1 percentage points to this growth. For the nine-month period, revenue grew 7% or 8% in constant currency.

Total transaction value or TTV grew 5% in Q3, slightly ahead of revenue. Constant currency growth of 8% was well ahead of the accommodation market, which was up just under 5% on the same basis.

Revenue growth was driven by increased accommodation volumes, which grew faster than average daily rates. ADRs reflected deeper discounting in softer markets, a shift in geographic mix toward markets with a lower ADRs, Latin America, Asia Pacific, and the transactional impact, of course, of the weaker U.S. dollar.

Despite the market challenges, activity was resilient with a new peak of 7.4 billion daily searches on our platform in the quarter. We also saw a material increase in short lead time searches as consumer confidence started to return and promotional activities were effecting in generating demand. This dynamic favored the larger OTAs where their ability to drive high volumes of B2C activity at the last minute.



In comparison, our data showed stronger growth for arrival in the three to six-month window reflecting the strength of our business model with a higher value customers who books earlier, stay longer and spend more.

In our Mobility and Experiences product, performance was impacted by competition in the B2B space where scale and connectivity are increasingly important. The software performance in M&A had around a 1% headwind effect on our group revenue growth in the quarter, and performance in this area is something we're very focused on improving.

We acted early in the quarter to capture growth opportunities. Our actions included targeted geographic expansion. For example, the addition of Hesperia branded hotels in Spain. We have also joined forces with Bakuun to integrate its channel management into our distribution. This will help hotels to connect and grow faster with less complexity.

In total, we onboarded around 3,000 new hotels in Q3. Cross-selling and branding of ancillary products such as signing a new partnership with the travel insurance specialist in Tourmundial to enable our TravelTech Roiback hotels to offer consolation, insurance and travel assistance to guests, tactical pricing actions using our extensive data and insight to support commercial decision that optimized overall profitability and continued investment in new products, which included the acquisition of Civitfun to enhance our ability to automate the guest experience with features such as mobile check-in, the launch of our AI-powered luxury product, The Luxurist in new markets and its successful integration into our retail platforms bets online making it now accessible to all partners via web and API.

We will of course continue to seek opportunities to develop and expand our business with a particular focus on the scale, geographic reach and technical capabilities that differentiate us in a competitive marketplace.

I'll now hand over to Brendan to discuss our Q3 performance and full-year outlook in more detail.

Brendan Brennan:

Thank you, Nicolas.

We have delivered 3% revenue growth in Q3, 6% in constant currency with significant regional variations. Taking each region in turn, firstly, Spain saw 4% revenue increases driven by strong growth in arrivals from the U.K. up 13% and China, which almost doubled year-on-year from a fairly low base partly offset by weaker domestic travel in the quarter and fewer visitors from Germany.

Secondly, rest of Europe was down 3%. Good growth in France was more than offset by lower growth in destinations such as Greece, Portugal, and Turkey and reduced travel to the U.K. down 1% and



Germany down 12%. U.S. revenues declined 3% reflecting lower demand and translational impact of a weaker dollar. Domestic travel outperformed international corridors with double-digit declines in arrivals from Canada, Spain, France, and Germany.

The rest of Americas grew 15% with strong growth in domestic and inter-regional travel. Mexico was up 12% while Brazil and the Dominican Republic both increased by around a third on the prior year, helped by our recent agreement with Despegar. Canada was up 9% mostly due to a strong increase in domestic travel that replaced U.S. trips.

MEAPAC delivered 14% growth supported by economic growth, airline expansion, and operational investments in Japan. However, growth in the Middle East deteriorated during the quarter with double-digit declines traveled to Saudi Arabia and Jordan due to the increased unrest and conflict in the region.

These shifts in travel corridors are challenging the industry and highlighting the importance of our global network and the agility of our systems and teams to respond quickly to changing travel patterns.

Late notice changes and large swings in demand to lead to short booking windows and less differentiation in the near term. However, the lower visibility can help us to build market share longer term with our SPA model and global network. In Q3, we added 400 hotels to our SPA network.

Being laser focused on profitable growth is even more important in times like these. We are leveraging AI and machine learning to enhance decision-making and operational efficiency. Seven percent (7%) of customer service volumes are now automated, and we have built new models that generate content for the hotels. This has enabled us to achieve historically high customer satisfaction scores while also reducing costs.

Next steps will be activating voice bots for some of our hotel interactions.

We've tightened cost controls particularly around variable and discretionary spending while continuing to invest in strategic initiatives to keep us at the top of our game. As a result, we've protected our margin expansion and continued to see strong cash conversion.

This brings me to our full year guidance.

We have seen volatile trading this year, but we are performing resiliently and working to capture the available growth opportunities. We have 20 years of experience trading through cycles, and we have been quick to respond to the incremental opportunities and been agile on the elements within our control like pricing and costs.



We now expect mid-to-high single-digit TTV growth and mid-single-digit revenue growth for the full year, both lower than previous guidance to reflect the market headwinds and currency impacts. We have narrowed our adjusted EBITDA guidance at the lower-end of the previous range, implying annual growth of at least 8%. Our cash conversion guidance of c.100% is unchanged and we are on track to end the year with leverage of around 1.7 times adjusted net debt to adjusted EBITDA.

In this dynamic industry, our midterm outlook is unchanged supported by our strategic initiative and operational discipline. It's early days, but bookings for '26 are encouraging.

In closing Q3, we demonstrated the resilience of our business, the strength of our platform, and the value of our strategic focus. We're confident in our ability to navigate near-term challenges and continue delivering sustainable, high profitable and cash generative growth.

Thank you. We'll now open the floor to questions.

Operator:

Thank you. We are now opening the floor for question-and-answer session.

Your first question comes from the line of Michael Priest of UBS. Your line is now open.

Michael Priest: Yes, good morning. It's been a busy day for results. Apologies if I missed some of the comments you made at the beginning, but just in terms of the currency impact for Q4, you're obviously giving TTV growth for the year in euros, but can you maybe say how much of an FX effect in Q4 we should be anticipating in that?

And then in terms of next year, you talked about getting back to trend volume growth. You mentioned just now, I think, that booking for early '25 looks -- '26 looks encouraging. Can you say whether in the first half you would expect to be back at that trend rate? Thank you.

Brendan Brennan: Yes, I'll take that one. Thank you, Michael, for your questions.

At the moment, we're anticipating in our guidance and not dissimilar levels of FX impacts from Q3 into Q4. Obviously, you saw in the quarter a 5% to 8% impact from a TTV perspective and 3% to 6% on our group revenue in the quarter. While we do see the dollar strengthening obviously that we do know that markets are quite volatile on the FX ranges at the moment and so we've kind of anticipated in our guidance a similar outturn turn in terms of the Q4 FX impact.

Yes, it's early days in terms of our '26 outlook. It's been a quick changing market, and we believe that we have reacted to that fast-paced market particularly to insulate our results from an EBITDA perspective as I think you'll appreciate in our renewed guidance. We're going to keep a close eye. The initial signs are positive but, of course, we'll come back to you with more details around '26 as



we close out our current year, fiscal year, which will be in , obviously, closing out September, and give you much more detail at that point given the dynamic nature of the market.

Michael Priest: Thanks. And then just actually a follow up on the Experience, the Mobility market. Nicolas, you made some comments about large players having some sort of advantage. Can you maybe quantify the level of slowdown you've seen in that business? I think pre-IPO, it was quite weak in fiscal '24. And what you've done and how that's maybe affected the performance since the end of the quarter?

Brendan Brennan: Sorry, could you just repeat, so we know that your question is in relation to the M&E business and the large players impacting performance. There was a second part as well. My apologies.

Michael Priest: Yes. What have you done to sort of try and address that and has there been any impact positively already or is it too early?

Nicolas Huss: Yes. We saw M&E being very volatile in this market with a shorter lead time. We saw, for instance, also adapting and being more aggressive on prices and therefore impacting on the overall prices from the business but also other activities. What we've done is that we have focused a lot on the more important business, the one that has a strong track record like impart packages, and we've also focused on negotiating long-term deals with key players that hopefully we will be able to announce soon.

So, we try in a nutshell not only to address the tactical situation for the quarter but make sure that we also have the right growth rates for the future and the coming years to your question before.

Michael Priest: Thank you.

Operator: Question comes from the line of Victor Cheng of Bank of America.

Victor Cheng: Hi, good morning. Thanks for asking my questions.

Maybe two from my side. I guess if I look at your TVV guidance for full year kind of implies at midpoint maybe roughly 3% growth for Q4. Are you kind of seeing, I think earlier that H1, you see some stabilization in U.S. already. The kind of guidance for Q4 implies maybe a bit of a slow growth as well. Kind of what are latest trends you're seeing in the quarter? You're just being a bit more conservative or any other factors you're considering?

And then secondly on, again, on M&E. If I heard correctly, you said there was a 1% quite headwind to the group. I guess that's slowed down quite materially. And then thinking about long-term though, you talked a bit about more competition in that space. Are you still positive on M&E potentially



growing faster in the medium term and still kind of can have a positive contribution to take rate in the medium term as well?

Nicolas Huss: Okay. So listen, if I start maybe by what we see in Q4 from a growth perspective, I think that the July trends in terms of TTV are supportive with improvements in demand from U.S. and Northern Europe compared to June. However, what we were saying is that the timing of the trading disruption, the fact that it happened when we were building our books for the summer through a long lead time was unhelpful in building the base demand for Q4.

And therefore, we have more reliance on the short lead times booking, which typically we said that also are less differentiated and probably with lower margin in a competitive environment. And that's why Brendan was also cautious about the Q4 numbers.

Brendan Brennan: Yes. I think just to add to that, obviously, as we said, we saw quite a dynamic market shift during the course of our book building period, an important period for us in the springtime into the summer. We reacted to that but some of those market pieces were more of that short lead time piece. And, of course, we are really kind of experts in the slightly longer lead time curated experience and so consumer pattern shifted slightly away from us during that point.

I do think it is fair to emphasize and re-emphasize Nicolas's point, which is we have seen stabilizing trends in the very recent half albeit it continues to be a dynamic environment. And as I said on my earlier comments, we very much looked at what we can do, what's in our control in terms of maximizing the markets that we look to. You saw us go very well in the rest of Americas and MEAPAC, which were both in the mid- teens in terms of our growth even in Q3 year-over-year.

So we're seeing to continue to see some slowness obviously in some of our more traditional markets. Good growth in our newer markets.

I would also just to finalize on the comments, add that we have taken a hard look at our guidance profile now as you guys can see and obviously reflected in that, as you mentioned, that more cautious outlook for Q4. That is kind of very much in line with where we kind of think is a relatively conservative position at this point.

Nicolas Huss: So Mobility and Experiences (M&E), I think we addressed this in Michael question before. So there was a more volatile environment in the last quarter, which we think was driven by shorter lead times, which forced some of the mobility and experiences operators to react. It was, I think it impacted our volume.

But as I was saying earlier on, I think we have both short-term tactical actions to recover over the summer but also longer-term actions to make sure that we keep growing this business, which you will remember as a good profitability for us, and therefore is important.



Sorry, I should have said that we also saw, you guys are certainly aware of that. We also saw some new entrants into this field with being probably more aggressive on pricing on a tougher quarter. So, a lot has been happening but, once again, we have been in this for some time now. We know that this market it's true for accommodation, it's true for Mobility and Experiences, it's sometime very volatile, but we also know that it recovers very quickly, and we are convinced that we have strong fundamentals as a company.

Victor Cheng: Maybe I can follow up a bit on that. You said about some of the new entrants coming with a bit more aggressive on pricing. Are they kind of small players or large players entering that space? I think you mentioned earlier as well that scale matters in this business.

Nicolas Huss: Yes, for instance, the one that I have in mind between others, the fact that Expedia as you may have seen is entering this field, which is, by definition, Expedia is one of the key players in the market. There are also, of course, as usual, new entrants. It's a mix of the two but the key event of the quarter was, of course, Expedia entering the field.

Victor Cheng: Got it. Thank you.

Operator: Your next question comes from the line of Fernando Abril Martorell of Alanttra.

Fernando Abril Martorell: Yes. Hello. Good morning.

A couple of questions from my side. So first, you mentioned that you suffered from weaker U.S. arrivals into Europe and negatively impacted your revenue in rest of Europe. However, I've seen that one of your B2B peers actually cited a strong U.S. travel trends into Europe in April and May. I don't know if this point to a tougher also competitive environment for HBX and what are you doing to attract more U.S. demand?

And then second on the FDA guidance and cost flexibility. So the midpoint of your revised guidance suggests broadly flat OpEx in H2 compared to a plus 6% in H1. So could you elaborate a little bit on which cost items are more flexible or being actively reduced and how confident you are in delivering on this revised EBITDA outlook? Thank you.

Nicolas Huss: Thank you very much for the second question.

It's a very important topic for us because, clearly, we deliver on our EBITDA and commitment something that has been very important for us in terms of focus in Q2. So, we will address that maybe we can start by the U.S.



I think that I kind of have in mind the competitor that you're referring to. Well, I think it's probably a different situation. I don't know the very specific detail but what we saw in the U.S. is that domestic travel outperformed international corridors and we saw a strong decline at the beginning of the quarter and some recovery afterwards, which I think could go in the same direction that you were just mentioning. And I was saying earlier on that in July, we saw the last day of the month, some positive number on this site.

Do we want to focus on EBITDA, maybe delivering a level of confidence?

Brendan Brennan: Yes, absolutely.

So yes, we did. I mean, it was very important. As Nicolas said at the outset and I think as we said and I'll refer back to our comments that the half one position, we were very clear that we said that if we did not see the market moving in the direction that we would like that we would remain very focused on cost control and delivering our EBITDA, and I think that's exactly what we have been doing.

We obviously saw some unfavorable market trends as we've referenced during the first few minutes of this call. But what we have done is make sure that we have been efficient across our organization in terms of our cost base.

In terms of those discretionary elements, obviously we're looking at good controls from a cost perspective in terms of headcount, in terms of kind of other discretionary costs, travel costs, other elements like that.

But I'll bring you back to some of the more important pieces that were really moving as an organization that I mentioned in my script, which is around our use of artificial intelligence and machine learning.

We've seen a significant improvement as I referenced in terms of some of our interactive chat bots and web-based bots that we have in terms of managing the flow of our information through our organization. The efficiency has increased in terms of delivery but also significantly from a cost-based perspective. This is an area where I kind of referenced we're now dealing with 7%.

So, we really feel that this has been ramping quickly and will continue to ramp indeed during the second half of the year.

So yes, we are absolutely doing all the things you would expect, looking closely at headcount, looking closely at discretionary cost, looking closely at items like travel and other pieces like that.



We are also changing the shape of the organization. And at the time of the IPO, this is something we spoke to that this was an ambition of ours and something we really wanted to try to deliver on in really leveraging our cost base.

You quite rightly point out that our expectations for the second half of the year is flat in terms of our cost-based perspective, having grown actually in the first half. However, we feel that this is a manageable goal and something that beyond '25, we want to continue to challenge ourselves with to ensure that we're really leveraging that EBITDA and it's part of, of course, our long-term story, which remains unchanged.

Fernando Abril Martorell: thank you very much for the answer. Just only one follow-up. You've also maintained the operating cash flow conversion at 100%, however, with a, I would say, softer TTV growth and therefore I understand that softer working capital inflows. So I don't know if you are managing better the working capital or are you reducing your Capex expectations for the year to keep the guidance unchanged?

Brendan Brennan: No, we were certainly not reducing our capital expenditure. Continuing to invest, as I said, whether it's internally in the organization or ensuring that we have market leading platforms is extremely important to us as a tech organization, of course. So, it's not that. We certainly think we have enough pieces within our working capital mix to be able to manage to the 100% expectation.

And as you know, coming into this year, we've often done well in excess of 100% in terms of cash conversion in the past. So, it still feels like a target that's doable. We're still seeing solid growth year-to-date. Our expectation is that we should be able to come out of that.

Nicolas Huss: Yes. Sorry. Maybe, Fernando, because I see your questions, I think the key comments that I have in mind is the market has become, at least in this quarter, more volatile and we have reacted to protecting the P&L. The way I look at it, we have this high single-digit topline TTV growth, which I think is, I would say, robust versus what we've seen, for instance, from booking in terms of room nights yesterday, et cetera.

We have a take rate, which is only going down by 20 bps when the market has moved to something, which is shorter lead times, therefore a lower level of differentiation for us. We've always been very clear and very transparent about that and probably a more competitive market. And we're protecting absolutely our EBITDA commitment. We have key focus on cash. We keep our eyes on the ball really on a very volatile market.

Fernando Abril Martorell: Okay. Thank you very much.

Operator: Your next question comes from the line of Carlos J. Trevino of Banco Santander.



Carlos J. Trevino: Yes. Good morning and thanks for taking my questions.

I missed one of your initial comments, I'm sorry, you had explained before. I will have two questions. The first one, which part of the [revenues] of the guidance prediction is coming purely by forex? Which part is explained by forex and which part will be explained by the business environment?

And my second question will be in accommodation, you have said that growth is mainly coming from volumes more than from prices. I would like to ask you if how do you see this in the comparison with the industry, do you think that this is a general trend or this has been impacted more by your business mix? Thank you.

Nicolas Huss: Yes, I'll start. We are focused on driving the business and I think we try to avoid the comments on the environment, et cetera, but it is absolutely true that the market has been changing fast. It was relatively unpredictable on the back as of the macroeconomic changes, the geopolitical tension, and most of our competitors are reporting in dollars, which is probably they are seeing more tailwind and we're seeing more headwind right now. But we know these things, they evolve as time goes by.

So what you will see is that foreign exchange has had a significant impact for us in this quarter results. And it's the same for the prices. We mentioned it but briefly and I'm conscious that you guys are on tons of calls at the same time, but actually our growth overall was slowed down by prices going down in some countries like the U.S. It's a mix probably of foreign exchange and some of the global [trends] and other [trends] being more aggressive on price.

Brendan, maybe we can give details there.

Brendan Brennan: Yes, certainly. Maybe I'll start off on the FX piece and then we'll come to more into the pricing piece.

Just to mention because you asked the question in terms of the split of the FX element versus the operational performance of the outlook for the guidance, and I think what we saw obviously in the quarter just to refer to the TTV was a 3% headwind in the quarter in Q3. I mentioned earlier that we expected a similar outturn in terms of our guidance. And, of course, I'll remind you guys, but you know that our second half of the year is much more impactful than the first half.



So, we do see that being - a that drag effect being significant enough in terms of the overall revenue generation and outlook for the company. So certainly, something in that 2% to 3% range for the full year is probably not -- or to be expected.

In terms of the pricing piece, yes, I think it's been a competitive market, and we have certainly been reactive to that market. But one of the points that Nicolas made at the earlier part of the conversation is that our margins and our take rates have been relatively robust. And so, we've been very efficient at actually finding the growth.

As I mentioned earlier on, some good growth in rest of Americas and MEAPAC. And also being able to then optimize our margin flows even in a more competitive pricing environment, and I think that's really kudos to the experience of the company and the ability of us to flex in our markets either through our different supply and distribution channels or indeed, as I said, through the different geographical pieces that we have as a global organization.

So, I do think, even though we have seen and we're certainly dealing with a very dynamic marketplace, I think we have reacted quickly and reacted well from a shielding our EBITDA and our overall pricing environment perspective.

Carlos J. Trevino: Thank you.

Operator: Your next question comes from the line of Andrew Ross of Barclays.

Andrew Ross: Great. Good morning, all.

My first one is just to double-click a bit on what you're describing about the shorter booking cycle and more volume flowing through the OTAs. Can you just help us to understand as to kind of why you're weak in that area? What can you do to fix that longer term and then anything you're thinking about shorter term, more tactically to try and drive share in that area? That's the first question.

Second question, I appreciate that you're not here to talk about FY '26 today. When we kind of look at consensus, 10% TTV growth kind of [485] of EBITDA. I also appreciate a lot of the FY '26 year is not going to be made until next summer. But how do you feel about that consensus as it sits today given the kind of exit run rate in the business and then the visibility you have around costs? Thank you.

Nicolas Huss: Yes. Thank you, Andrew. So maybe I'll take the first one, Brendan.

So, if I look at the sequence of events, if you remember, we started to see some impacts in the U.S. in March, a lot in April and May, et cetera, and then like some form of recovery June and July. And for us, the impact was absolutely not ideal because you may remember that we insisted on the fact



that we have longer lead times and therefore we're building our books three to six months before the date. And so, we had said previously that we had a very strong book of orders when we entered the calendar Q2, our financial Q3, and then we saw some drops on the demand, and that's what we were saying last time we spoke.

The second comment is what happened there because of the macroeconomic uncertainty, because of all of the events that you see from a trade perspective and also some geopolitical events in the Middle East. What we saw is that people expected longer before buying, possibly expecting to see a lower price or to be able to decide where to go and how to travel.

And the third aspect that happened is that in significant countries, people shifted to domestic travel rather than international travel. It's the case, for instance, in the U.S. or Canada, etc. as we commented. But also, often in times of uncertainty, people don't travel that far away from home. And this combination of a higher short-lead time and domestic travel or nearby travel makes it more difficult for us. You may remember that we insisted on that during IPO time. We have a differentiation on long lead time, long hold travels, our client's book long in advance, et cetera.

And last comments, and, of course, in a market which is less differentiated, we again insisted on that again and again as many time as we could at IPO time. The way to differentiate is pricing and also which is putting probably more pressure on revenue for possibly most of the players. That's the way I would explain it. I don't know if it's clear, Andrew.

Andrew Ross: Yes, that is helpful. And I guess as a follow-up to that, is there anything you can do to change that or are we just kind of stuck now in this tricky cycle until the macro gets a bit easier for you guys?

Nicolas Huss: No. What we do is two-folds, of course. The first one is to work on grabbing as much as the short lead time demand as we can. And I have the feeling that we have done this in Q3. We reacted, we mentioned that, and we grabbed some of this. At the same time, what is very important if you think about it is that we want to make sure that we keep on rebuilding our books for next year as Brendan was saying. And for the moment, we see a very positive trend on this.

Well, a last comment, but I wouldn't want this to sound at all as an excuse because it is not, but this substitution away from long lead booking to also a shorter lead time driven by the events of this year, they may have taken some demand away from some of our key channels of clients. So that's an industry event.

Brendan Brennan: Maybe just to comment on your second question, Andrew, on the '26 consensus position and outlook. I mean, it is early as you imagine for us to be commenting too much on 2026. And you're quite right, our bookings will be developed certainly over the winter period into summer spring for the '26 period.



What we do see, of course, and I referenced in my prepared remarks is we see positive trends in relation to our '26 bookings period at this point. And we do feel that we are a resilient organization in a resilient marketplace with a lot of experience in dealing with that.

We have seen fast movements. It has been a very dynamic marketplace over the last couple of months. We feel that we've responded to that. It is not perhaps the second half of the year that we would have liked. However, we do feel that we are responding. We are being agile. And that, as I said, the outlook for '26 is looking better.

Nicolas Huss: Yes. And I think, just one last sentence on that to Andrew's point and I think we're closing the loop here. Domestic and short lead times, we always see this pressure when things go wrong. We saw that in COVID times a lot, but we also know that the normal market recovery leads normally to longer haul travel and also a longer lead time. So, we're confident for '26.

Andrew Ross: Thank you.

Operator: Your next question comes from the line of Nizla Naizer of Deutsche Bank.

Nizla Naizer: Thanks. I have two questions on the first one. Nicolas, I think you partially answered but it was really on have you seen a volatile market like this in HBX's recent history and how long did it take for those short-term booking shares to sort of normalize and for the longer lead bookings to come back? So maybe a bit more elaboration on that would be great.

And I guess connected to that in terms of what you're seeing right now, the stronger growing markets like MEAPAC, the rest of Americas, outside of the U.S., they grew by double-digits. Are they continuing to grow at these levels even in Q4 sort of supporting maybe the rest -- the weakness in other markets? So that would be question one.

And question two is in terms of your EBITDA margin expansion in the midterm. You're still referring to that guidance and it was sort of 62% or north of 60% going forward, and the implied midpoint for this year is already at around 59% when I look at your guidance range, if I'm right. So what more measures do you have in place to sort of reach that 60% plus? Some color there would be great. Thank you.

Nicolas Huss: Okay. Maybe, I'll start with the market recovering and what we see in recent trends.

So, as I was saying earlier on, I think that the July trends in TTV are supportive in terms of topline. We see improvements from some of the market that were impacted for us like U.S. and Northern Europe compared to June. We have seen encouraging signs for next year in the recent weeks like a



strong double-digit increase in booking for FY '26. So that's something which I feel is important in terms of sustainable growth.

When it comes to volatile markets, this is our industry. We have been there for a long time, and some of you have been following this industry for a long time. There is some volatility, and it happens often. It's driven by a lot of different reasons, and we are seeing some of them here. But we also know that usually the recovery doesn't take more than a season, and which means give or like a window of six months historically. We've seen that during COVID where in '21, we had a beginning of recovery with a lot of domestic, a lot of short-hauls travel if you remember, and then a very strong acceleration.

My last comment if I may to nuance from a market perspective is that the market is stabilizing for the moment at very high levels. You may remember that last year was one of the peak years in the market history. So I would say that there is market resistance and, of course, you are being impacted differently based on your structure of demand. That's very normal. EBITDA?

Brendan Brennan: Yes. Just actually before I go to EBITDA, you also asked around the regional performance in relation to MEAPAC and LATAM, which was very strong during the quarter as I mentioned kind of both in the mid-teens where we saw some very solid performance both from those regions being hot regions from a perspective of travel but also from some of our new relationships that we've developed over time and, obviously, Despegar being a part of that story in the rest of Americas region.

We still see continued good trends from them. And so, we do think that in Q4, they will continue to be help us very much so in terms of the balance of our growth and, again, reflects the importance of our global nature of our organization. So thank you for that question.

On EBITDA, yes, we are making, obviously, probably faster progress actually than we probably initially anticipated from the margin EBITDA expansion. Of course, some of that is related to the fact that we said we would be more careful with our cost base in the second half. We did not see the trends that we were looking for from a growth perspective and, obviously, we are now implementing those changes and seeing that flow through EBITDA.

You're quite right that we said that in the medium term that we would be in the low 60s from our margin profile perspective. That's still very much on track. Our expectation is we can still develop our leverage in our business as we go forward into '26 and in '27. And obviously, the EBITDA trend is one that's making good progress towards hitting that objective.

I think in terms of the additional pieces, it echoes some of the points I made earlier on. We will continue to look at our machine learning. We will continue to look at AI. We are a technology-driven company. And so, we're really trying to be as efficient as we possibly can be.



Don't forget the numbers of searches and the number of transactions that we transact on a daily basis. It is -- there's an element of relationship of what we do but there's a huge, huge part of our company that is very much platform-based and technology-driven, and it's the automation and further automation through AI of that platform where we feel we can really continue to drive that leverage ability.

So we still have feel that we have a lot of ability to continue to look at that and continue to variable the whole cost space but also make sure we get significant good leverage out of the fixed element that we do have.

Nizla Naizer: Very helpful. Thank you.

Operator: Next question comes from the line of Thomas Poutrieux of BNP Paribas.

Thomas Poutrieux: Hello, good morning. Thanks for taking the question.

I have a couple of questions if I may. First of all maybe on the sequence of growth within the third quarter. I think you mentioned in May when you reported the H1 results that April was trending in line with H1 with -- from a topline perspective and I think the message was also quite constructive on May. So I just wanted to make sure, does that mean that June was just flat year-on-year the topline basis at constant currency?

And then secondly on promotional activity. You're mentioning promotional activity from hotels as a headwind to revenue growth in the U.S. in particular in the quarter. But on the H1 result call, you mentioned how important HBX platform was for hotels to optimize their promotional offer. So what has changed in the quarter versus H1 for promotions to turn from a tailwind perhaps to your business in H1 to a headwind in the third quarter?

Nicolas Huss: Yes. Maybe I'll start by the sequence of growth. If you remember, what we explained back then is that we had enter April with a very strong book of orders but the -- on the month booking were well lower than what we had seen on previous year. And I think we had the same sequence for May. We were back then early May so it was hard to predict the same month.

Brendan Brennan: I think that was some of those pieces. That trend, obviously, as you referenced, did -- we derived as we came into June. It was a much more challenging month for us. And I suppose that really set up the sequence of our caution around -- or, sorry, some of the headwinds we saw particularly in the third quarter and obviously then colored our kind of bookings period as we came into the fourth quarter as well.



So yes, the trend was becoming more positive. You recall we talked about it earlier in the year where we said we had seen a dip obviously around early April, which was a challenging period. We did say we had some tailwind in April, of course, because of the timing of Easter, and then May was recovering. We just never saw it kind of come back to the levels we would have wanted to and June was a much flatter period. So that unfortunately was the sequence of events.

As I said earlier in my comments, it was a very dynamic change in the marketplace, and there was that element of speed that impacted our ability to make our previous guidance.

Nicolas Huss: And on the promos, actually, if you remember, we did say back then that we saw a lot of promotional activities from the hotels going on trying to adapt and adjust, which I think is reflected in the average daily rates impact that we've mentioned earlier on. Our intention and support is always to help hotels to optimize, but they can only optimize to the extent that there is a demand and they have to do their own arbitrage between volume and margin optimization. So we leave it to them to answer.

On our side, what we see is that we -- we'll discuss that afterwards, but we have a strong demand for 2026 like a strong pipeline when it comes to SPAs, our preferential agreement, which I think is a good sign of what you were just mentioning right now.

Thomas Poutrieux: All right. That's it. Thank you.

Operator: Thank you. I will now pass the call over to Isabel to read the questions from the webcast.

Isabel Green: Thank you very much, Ellie. And, yes, it will be verbatim to honor the analysts that have written them in, but in some cases they read them a little while ago. So if you think you've already answered this, then please excuse me.

So, I'm going to start with Nik Kershaw from Redburn who is asking what led to weaker trading in Europe in more detail. Booking last night reported strong E.U. environments. I think we covered some of those points. If you have anything extra to add? That's for Nik.

Brendan Brennan: I'll start off on that one. I spoke to it a little bit in the script. We did see a mix of performance across our European territories, and what we saw specifically was very good trading in France obviously, which had a very good season.

But obviously, that wasn't enough really to offset some of the weaker elements of what we saw across that book of business particularly in places like Turkey and Greece were impacted during the course of this season and that has been a more difficult season for them, and there are some



important markets for us in terms of our overall geographical distribution from a coverage perspective.

So while we did see a mix of performance, I would say that some of our primary markets just weren't quite where we would have liked to see them during the course of this summer.

Nicolas Huss: Yes. And it's true that for us, Turkey, of course, being in Europe, then it does play a role. Yes.

Isabel Green: Squeeze in a couple more. I know we're running a little low on time, but I'm going to read out the ones we got for the sales side of these. So we've got Guilherme Sampaio from Caixa. He says, "Could you provide some more color of what is considered for the low and the high end of guidance in terms of underlying demand? Can we quantify the FX impact in the guidance cut? And is the fiscal Q4 run rate good reference for the coming quarters based on visibility you have at the moment?"

Brendan Brennan: Okay. So, I'll ask you maybe to repeat the last one again, Isabel, in a moment.

But in terms of the low and high ends of our guidance, we obviously feel that, as always, we're looking towards the midpoint and trying to achieve that -- those numbers. While particularly on the topline, we need to see continued decent trading. We've seen that we have had a quick to change environment. We're going to have a keep a close eye to that. We're obviously only a couple of months left in the year to go, but we need to see it's continued positive trend, I would say, to get to that mid to high end of our range. Obviously, the other end of the spectrum is what you would expect.

So, if we continue to see or if -- I should say, we should see a slowdown again. As I mentioned in my previous comments, June was relatively flat, July has been better, if we need to see that continuing trend as we go through August and September to fill out the year.

The FX impact, we've said obviously in the quarter, we were impacted by circa 3% from an FX perspective. Obviously, we've included in guidance something similar in terms of our mindset for what will happen in Q4 given the proportion of our H2 versus our H1 that has a more of a 3% overall, certainly 2.5% to 3% overall impact to our full year guidance. So that has not been an unsubstantial element to the overall impact on guidance.

Nicolas Huss: And Q4, maybe I'll start and then you'll go through the numbers.

So I think Q4 is always a tougher quarter for us. I think we explained that last year. We see usually that in H2, we have a lower margin because of the usually hotel-like occupancy, because of the geo mix, some of the regions like Mediterranean having a higher share, et cetera.



And so I don't think that you should take Q4 as a proxy for FY '26. And we mentioned it a couple of times, the new financial year is performing significantly better than Q4 as we have said here.

Isabel Green: And the last question I'm going to fit in today, in fact it's like a four-part question, but the first part is on one theme and the last questions on a different theme. So the first part is has there been a channel shift -- I'm sorry, that's from Leo Carrington at Citi. Has there been a channel shift at the demand level. Delayed bookings tend to come through direct or OTA channels that bypass HBX Group. And can you -- I'm sorry, that's the first part I'm going to come in. I'm going to give it in three go but I'll stop with that one to start.

Nicolas Huss: I would say that the second part of the question is accurate. We've always said very clear that when you go into shorter lead times, it's usually because it's a less complex travel. And therefore, it's usually more domestic, more short-haul and people would need less of our traditional intermediaries and would build it directly through B2C. And we say it ourselves in the original opening that we think that this favors OTAs versus ourselves.

Is there an industry and market shift? I'm not certain. What we see is that, first of all, I said that earlier on, when the market gets tougher, people tend to revert to flying closer from home or going - - sometime not even flying, staying in the same region or same country. And then when there is a better macro or geopolitical, then they start to go long-haul, which I think plays in our favor.

If you allow me just one additional comments, we see for instance that the younger generation, they tend to book at a short lead time but with a very different characteristic that the one that we've heard. They do not trust very much established brands. They have this brand skepticism, which is very important. They fly more often and experiences is a key part of the travel. And therefore, we see that we grab a lot of them. You remember, we've said that they are already a very important part of our bookings.

Isabel Green: And the final part of Leo's question and our last question that we have time for today is does competition in mobility and experiences change your appetite to invest in this area?

Nicolas Huss: A short answer is not at all. We still see mobility and experiences as a very interesting market for the future. We see that the connected trip is part of it. Every time when we launch our ecosystem approach two years ago, not every one of the key players was interested in distributing mobility and experiences.

But today, what we see is that we have a strong demand for very established players that like the fact that they have a contract with us, we work well together, and they're asking us if they could buy this from us. So we see summarizing a shift in the market, which is probably important for a further acceleration. We want to keep investing in that market.



Isabel Green: Thank you very much, guys. I'm going to leave the Q&A from the web there, but if anybody wants to come back with extra questions to the Investor Relations team, please do send me an e-mail directly or via the IR inbox and I'll be happy to help.

Nicolas, any final words before we finish the call?

Nicolas Huss: Yes, I think summarizing what the key messages that we have tried to pass on and hopefully through our answers to the question, the market has been changing fast. I think it was unpredictable this evolution on the -- and this is on the back of the macroeconomic uncertainty and the geopolitical tension.

As we've just said in the last question, domestic travel and short lead times have outperformed international corridors and longer lead times. And this evolution at least for the summer as we were saying, maybe has taken away some demand from our key channels.

What we did at HBX is that we reacted fast to protect the P&L. We -- as I said in Q3 in constant currency, we have high single-digit TTV growth, which I think is good if I compare with some of the other players. Our tech rate has been going down but very slightly versus last year, which was a very strong Q3 for the travel industry and this is despite a more competitive market and some promotional activities that we have done.

So I think that we've managed it. And as Brendan was saying, we're absolutely focused on protecting our ability commitments and the cash flow as we've been saying.

So last comment, if I may. I think that we have a solid EBITDA outlook for the year. Our company is profitable and that's important. And if I look at '26, I think my key message here is that, fundamentally, the growth potential for the business is there. It's based on very strong fundamentals and that's something that I would want to reiterate to close this call.

Isabel Green: Thank you very much and thank you everyone for dialing in. We'll now disconnect.