UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2019

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 1-36691

Booking Holdings Inc.

(Exact name of Registrant as specified in its charter)

Delaware	**06-1528493**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

800 Connecticut Avenue
Norwalk, Connecticut 06854
(address of principal executive offices)

Registrant's telephone number, including area code: **(203) 299-8000**

Former name, former address and former fiscal year, if changed, since last report: **N/A**

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐.

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer ☒	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class:	Trading Symbol	Name of Each Exchange on which Registered:
Common Stock, par value $0.008 per share	BKNG	The NASDAQ Global Select Market
0.800% Senior Notes Due 2022	BKNG 22A	New York Stock Exchange
2.150% Senior Notes Due 2022	BKNG 22	New York Stock Exchange
2.375% Senior Notes Due 2024	BKNG 24	New York Stock Exchange
1.800% Senior Notes Due 2027	BKNG 27	New York Stock Exchange

Number of shares of Common Stock outstanding at May 2, 2019:

Common Stock, par value $0.008 per share	**43,291,345**
(Class)	(Number of Shares)

Booking Holdings Inc.
Form 10-Q

For the Three Months Ended March 31, 2019

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements 3

Consolidated Balance Sheets (unaudited) at March 31, 2019 and December 31, 2018 3
Consolidated Statements of Operations (unaudited) For the Three Months Ended March 31, 2019 and 2018 4
Consolidated Statements of Comprehensive Income (unaudited) For the Three Months Ended March 31, 2019 and 2018 5
Consolidated Statements of Changes in Stockholders' Equity (unaudited) For the Three Months Ended March 31, 2019 and 2018 6
Consolidated Statements of Cash Flows (unaudited) For the Three Months Ended March 31, 2019 and 2018 7
Notes to Unaudited Consolidated Financial Statements 8

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 30

Item 3. Quantitative and Qualitative Disclosures About Market Risk 45

Item 4. Controls and Procedures 46

PART II - OTHER INFORMATION

Item 1. Legal Proceedings 47

Item 1A. Risk Factors 47

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds 69

Item 6. Exhibits 70

SIGNATURES 71

PART I — FINANCIAL INFORMATION
Item 1. Financial Statements

Booking Holdings Inc.
UNAUDITED CONSOLIDATED BALANCE SHEETS
(In millions, except share and per share data)

	March 31, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,334	$ 2,624
Short-term investments in marketable securities	1,981	3,660
Accounts receivable, net of allowance for doubtful accounts of $61 at each date	1,491	1,523
Prepaid expenses and other current assets	1,271	600
Total current assets	7,077	8,407
Property and equipment, net	695	656
Operating lease assets	635	—
Intangible assets, net	2,078	2,125
Goodwill	2,907	2,910
Long-term investments	8,445	8,408
Other assets	529	181
Total assets	$ 22,366	$ 22,687
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 934	$ 1,134
Accrued expenses and other current liabilities	1,877	1,399
Deferred merchant bookings	1,797	1,022
Convertible debt	968	—
Total current liabilities	5,576	3,555
Deferred income taxes	513	370
Operating lease liabilities	488	—
Long-term U.S. transition tax liability	1,166	1,166
Other long-term liabilities	89	162
Long-term debt	7,619	8,649
Total liabilities	15,451	13,902
Commitments and Contingencies (See Note 13)		
Stockholders' equity:		
Common stock, $0.008 par value; authorized 1,000,000,000 shares, 63,121,930 and 62,948,762 shares issued, respectively	—	—
Treasury stock, 18,935,914 and 17,317,126 shares, respectively	(17,567)	(14,711)
Additional paid-in capital	5,519	5,445
Retained earnings	19,132	18,367
Accumulated other comprehensive loss	(169)	(316)
Total stockholders' equity	6,915	8,785
Total liabilities and stockholders' equity	$ 22,366	$ 22,687

See Notes to Unaudited Consolidated Financial Statements.

Booking Holdings Inc.
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except share and per share data)

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Agency revenues	$ 1,949	$ 2,113
Merchant revenues	603	526
Advertising and other revenues	285	289
Total revenues	2,837	2,928
Operating expenses:		
Performance marketing	1,030	1,106
Brand marketing	163	101
Sales and other expenses	215	166
Personnel, including stock-based compensation of $74 and $71, respectively	501	499
General and administrative	191	163
Information technology	65	60
Depreciation and amortization	116	103
Total operating expenses	2,281	2,198
Operating income	556	730
Other income (expense):		
Interest income	35	47
Interest expense	(66)	(70)
Net unrealized gains on marketable equity securities	451	55
Foreign currency transactions and other	(8)	(9)
Total other income	412	23
Earnings before income taxes	968	753
Income tax expense	203	146
Net income	$ 765	$ 607
Net income applicable to common stockholders per basic common share	$ 17.01	$ 12.56
Weighted-average number of basic common shares outstanding (in 000's)	45,007	48,349
Net income applicable to common stockholders per diluted common share	$ 16.85	$ 12.34
Weighted-average number of diluted common shares outstanding (in 000's)	45,436	49,205

See Notes to Unaudited Consolidated Financial Statements.

Booking Holdings Inc.
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)

	Three Months Ended March 31,	
	2019	**2018**
Net income [1]	$ 765	$ 607
Other comprehensive income, net of tax		
Foreign currency translation adjustments, net of tax charge of $8 and tax benefit of $16, respectively [2]	(12)	61
Net unrealized gains on debt securities, net of tax charge of $51 and tax benefit of $2, respectively [1]	159	—
Comprehensive income	$ 912	$ 668

(1) The Company realized net gains of $1 million for the three months ended March 31, 2019 from sales of investments in debt securities.

(2) Foreign currency translation adjustments result from currency fluctuations on the translation of the Company's non-U.S. Dollar denominated net assets, net of the impact of net investment hedges.

During the three months ended March 31, 2019 and 2018, the Company recorded a tax benefit of $11 million and a tax charge of $10 million, respectively, related to foreign currency translation adjustments to its one-time deemed repatriation tax liability recorded at December 31, 2017 and foreign earnings for periods after December 31, 2017 that are subject to U.S. federal and state income tax, resulting from the introduction of the U.S. Tax Cuts and Jobs Act (the "Tax Act").

Foreign currency translation adjustments also include a tax charge of $19 million and a tax benefit of $26 million for the three months ended March 31, 2019 and 2018, respectively, associated with the Company's Euro-denominated debt, which was designated as a net investment hedge against the impact of currency fluctuations on the Company's Euro-denominated net assets (see Note 9).

See Notes to Unaudited Consolidated Financial Statements.

Booking Holdings Inc.
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2019 and 2018
(In millions except share data)

	Common Stock		Treasury Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares (in 000's)	Amount	Shares (in 000's)	Amount				
Balance, December 31, 2018	62,949	$ —	(17,317)	$ (14,711)	$ 5,445	$ 18,367	$ (316)	$ 8,785
Net income	—	—	—	—	—	765	—	765
Foreign currency translation adjustments	—	—	—	—	—	—	(12)	(12)
Net unrealized gains on debt securities	—	—	—	—	—	—	159	159
Exercise of stock options and vesting of restricted stock units and performance share units	173	—	—	—	—	—	—	—
Repurchase of common stock	—	—	(1,619)	(2,856)	—	—	—	(2,856)
Stock-based compensation and other stock-based payments	—	—	—	—	74	—	—	74
Balance, March 31, 2019	63,122	$ —	(18,936)	$ (17,567)	$ 5,519	$ 19,132	$ (169)	$ 6,915

	Common Stock		Treasury Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares (in 000's)	Amount	Shares (in 000's)	Amount				
Balance, December 31, 2017	62,689	$ —	(14,217)	$ (8,699)	$ 5,783	$ 13,939	$ 238	$ 11,261
Cumulative effect of adoption of accounting standards updates	—	—	—	—	—	430	(241)	189
Net income	—	—	—	—	—	607	—	607
Foreign currency translation adjustments	—	—	—	—	—	—	61	61
Reclassification adjustment for convertible debt in mezzanine	—	—	—	—	(48)	—	—	(48)
Exercise of stock options and vesting of restricted stock units and performance share units	149	—	—	—	—	—	—	—
Repurchase of common stock	—	—	(373)	(732)	—	—	—	(732)
Stock-based compensation and other stock-based payments	—	—	—		71	—	—	71
Conversion of debt	—	—	—	—	(773)	—	—	(773)
Balance, March 31, 2018	62,838	$ —	(14,590)	$ (9,431)	$ 5,033	$ 14,976	$ 58	$ 10,636

See Notes to Unaudited Consolidated Financial Statements.

Booking Holdings Inc.
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
OPERATING ACTIVITIES:		
Net income	$ 765	$ 607
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	116	103
Provision for uncollectible accounts	40	29
Deferred income tax expense	89	9
Net unrealized gains on marketable equity securities	(451)	(55)
Stock-based compensation expense and other stock-based payments	78	71
Operating lease amortization	42	—
Amortization of debt discount and debt issuance costs	14	17
Contingent consideration fair value adjustment	7	—
Changes in assets and liabilities:		
Accounts receivable	(24)	(96)
Prepaid expenses and other current assets	(669)	(709)
Accounts payable, accrued expenses and other current liabilities	561	632
Other long-term assets and liabilities	(418)	32
Net cash provided by operating activities	150	640
INVESTING ACTIVITIES:		
Purchase of investments	(445)	(714)
Proceeds from sale and maturity of investments	2,665	2,481
Additions to property and equipment	(111)	(131)
Net cash provided by investing activities	2,109	1,636
FINANCING ACTIVITIES:		
Proceeds from revolving credit facility	250	—
Repayments of short-term borrowings	(25)	—
Payments for conversion of senior notes	—	(1,487)
Payments for repurchase of common stock	(2,773)	(718)
Net cash used in financing activities	(2,548)	(2,205)
Effect of exchange rate changes on cash and cash equivalents and restricted cash and cash equivalents	(2)	11
Net (decrease) increase in cash and cash equivalents and restricted cash and cash equivalents	(291)	82
Total cash and cash equivalents and restricted cash and cash equivalents, beginning of period	2,645	2,563
Total cash and cash equivalents and restricted cash and cash equivalents, end of period	$ 2,354	$ 2,645
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the period for income taxes	$ 816	$ 784
Cash paid during the period for interest	$ 68	$ 74

See Notes to Unaudited Consolidated Financial Statements.

Booking Holdings Inc.
Notes to Unaudited Consolidated Financial Statements

1. BASIS OF PRESENTATION

Management of Booking Holdings Inc. (the "Company") is responsible for the Unaudited Consolidated Financial Statements included in this document. The Unaudited Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and include all normal and recurring adjustments that management of the Company considers necessary for a fair presentation of its financial position and operating results. The Company prepared the Unaudited Consolidated Financial Statements following the requirements of the Securities and Exchange Commission for interim reporting. As permitted under those rules, the Company condensed or omitted certain footnotes or other financial information that are normally required by GAAP for annual financial statements. These statements should be read in combination with the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

The Unaudited Consolidated Financial Statements include the accounts of the Company and its wholly-owned subsidiaries, including its primary brands of Booking.com, KAYAK, priceline, agoda, Rentalcars.com and OpenTable. All inter-company accounts and transactions have been eliminated in consolidation. The functional currency of the Company's subsidiaries is generally the respective local currency. For international operations, assets and liabilities are translated into U.S. Dollars at the rate of exchange existing at the balance sheet date. Income statement amounts are translated at monthly average exchange rates applicable for the period. Translation gains and losses are included as a component of "Accumulated other comprehensive loss" in the accompanying Unaudited Consolidated Balance Sheets. Foreign currency transaction gains and losses are included in "Foreign currency transactions and other" in the Unaudited Consolidated Statements of Operations.

Revenues, expenses, assets and liabilities can vary during each quarter of the year. Therefore, the results and trends in these interim financial statements may not be the same as those for any subsequent quarter or the full year.

Unaudited Consolidated Statements of Comprehensive Income

Subsequent to the issuance of the Company’s unaudited interim consolidated financial statements for the three and nine months ended September 30, 2018, the Company identified an error in the previously issued Unaudited Consolidated Statements of Comprehensive Income associated with the Company’s adoption of a new accounting update during the first quarter of 2018. This new accounting update amended the guidance on the recognition and measurement of financial instruments. The effect of adopting this new accounting update resulted in an increase of $241 million to the Company’s retained earnings for the net unrealized gain, net of tax, related to marketable equity securities, with an offsetting adjustment to accumulated other comprehensive income as of January 1, 2018. However, in the Unaudited Consolidated Statements of Comprehensive Income for the three months ended March 31, 2018, six months ended June 30, 2018 and nine months ended September 30, 2018, the Company incorrectly presented the $241 million as a component of other comprehensive income (referred to as “Reclassification of net unrealized gains on marketable equity securities to retained earnings, net of tax charge”). Accordingly, the Company corrected the foregoing presentation error in the accompanying Unaudited Consolidated Statement of Comprehensive Income for the three months ended March 31, 2018. As a result of this correction, total comprehensive income in the Company’s previously reported Unaudited Consolidated Statements of Comprehensive Income increased from $427 million to $668 million for the three months ended March 31, 2018. The correction of this error had no effect on the Company’s previously reported Unaudited Consolidated Balance Sheets, Unaudited Consolidated Statements of Operations, Unaudited Consolidated Statements of Changes in Stockholders’ Equity and Unaudited Consolidated Statements of Cash Flows. The effect of adopting this new accounting update has been presented correctly in the audited Consolidated Statement of Comprehensive Income included in the Consolidated Financial Statements in the Form 10-K for the year ended December 31, 2018. The Company will present the correction in the Unaudited Consolidated Statements of Comprehensive Income for the six months ended June 30, 2018 and the nine months ended September 30, 2018 to be included in the Form 10-Qs for the second and third quarters of 2019.

Reclassifications — Certain amounts from prior periods have been reclassified to conform to the current year presentation.

Restricted Cash and Cash Equivalents: Restricted cash and cash equivalents at March 31, 2019 and December 31, 2018 principally relates to the minimum cash requirement for Rentalcars.com's insurance business established in 2017. The following table reconciles cash and cash equivalents and restricted cash and cash equivalents reported in the Unaudited Consolidated Balance Sheets to the total amount shown in the Unaudited Consolidated Statements of Cash Flows (in millions):

	March 31, 2019	December 31, 2018
As included in the Unaudited Consolidated Balance Sheets:		
Cash and cash equivalents	$ 2,334	$ 2,624
Restricted cash and cash equivalents included in prepaid expenses and other current assets	20	21
Total cash and cash equivalents and restricted cash and cash equivalents as shown in the Unaudited Consolidated Statements of Cash Flows	$ 2,354	$ 2,645

Recent Accounting Pronouncements Adopted

Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract

In August 2018, the Financial Accounting Standards Board ("FASB") issued a new accounting update to address a customer's accounting for implementation costs incurred in a cloud computing arrangement that is a service contract and also added certain disclosure requirements related to implementation costs incurred for internal-use software and cloud computing arrangements. The amendment aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The Company utilizes various third-party computer systems and third-party service providers, including global distribution systems serving the accommodation, rental car and airline industries. The Company uses both internally-developed systems and third-party systems to operate its services, including transaction processing, order management and financial systems. The Company adopted this update on January 1, 2019 and applied it on a prospective basis. The adoption of this update did not have a material impact to the Unaudited Consolidated Financial Statements.

Leases

In February 2016, the FASB issued a new accounting standard which requires lessees to recognize an asset and a liability on the balance sheet for the rights and obligations created by entering into lease transactions. The new standard retains the dual-model concept by requiring entities to determine if a lease is an operating or financing lease. The new standard also expands qualitative and quantitative disclosures for lessees.

The Company adopted this new standard on January 1, 2019 on a modified retrospective basis and has elected not to restate comparative periods. The Company elected other options, which allow the Company to use its previous evaluations regarding if an arrangement contains a lease, if a lease is an operating or financing lease and what costs are capitalized as initial direct costs prior to adoption. The Company also elected to combine lease and non-lease components.

Upon the adoption of the new lease standard, on January 1, 2019, the Company recognized operating lease assets of $646 million and total operating lease liabilities of $646 million (including a current liability of $152 million) in the consolidated balance sheet and reclassified certain balances related to existing leases. There was no impact to retained earnings at adoption. See Note 7 for more information on leases.

Other Recent Accounting Pronouncements

Simplifying the Test for Goodwill Impairment

In January 2017, the FASB issued a new accounting update to simplify the test for goodwill impairment by eliminating Step 2, which measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill, which requires a hypothetical purchase price allocation, with the carrying amount of that reporting unit's goodwill. Under this update, an entity would perform its quantitative annual or interim goodwill impairment test using the current Step 1 test and recognize an impairment charge for the excess of the carrying value of a reporting unit over its fair value.

For public business entities, this update is effective for their annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests occurring after January 1, 2017. The update will be applied prospectively. The Company plans to adopt this update in the first quarter of 2020.

Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued a new accounting update on the measurement of credit losses for financial assets measured at amortized cost, which includes accounts receivable and available-for-sale debt securities. For financial assets measured at amortized cost, this update requires an entity to (1) estimate its lifetime expected credit losses upon recognition of the financial assets and establish an allowance to present the net amount expected to be collected, (2) recognize this allowance and changes in the allowance during subsequent periods through net income and (3) consider relevant information about past events, current conditions and reasonable and supportable forecasts in assessing the lifetime expected credit losses. For available-for-sale debt securities, this update made several targeted amendments to the existing other-than-temporary impairment model, including (1) requiring disclosure of the allowance for credit losses, (2) allowing reversals of the previously recognized credit losses until the entity has the intent to sell, is more-likely-than-not required to sell the securities or the maturity of the securities, (3) limiting impairment to the difference between the amortized cost basis and fair value and (4) not allowing entities to consider the length of time that fair value has been less than amortized cost as a factor in evaluating whether a credit loss exists.

This update is effective for public business entities for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Entities are required to apply this update on a modified retrospective basis with a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. The Company is currently evaluating the impact to its Consolidated Financial Statements of adopting this update and does not expect it to have a material impact.

2. REVENUE RECOGNITION

Disaggregation of revenue

Geographic Information

The Company's international information consists of the results of Booking.com, agoda and Rentalcars.com and the results of the international businesses of KAYAK and OpenTable. This classification is independent of where the consumer resides, where the consumer is physically located while using the Company's services or the location of the travel service provider or restaurant. For example, a reservation made through Booking.com (which is domiciled in the Netherlands) at a hotel in New York by a consumer in the United States is part of the Company's international results. The Company's geographic information is as follows (in millions):

		International		
Total revenues for the three months ended March 31,	**United States**	**The Netherlands**	**Other**	**Total**
2019	$ 380	$ 2,005	$ 452	$ 2,837
2018	379	2,123	426	2,928

Revenue by Type of Service

Approximately 84% and 85% of the Company's revenue for the three months ended March 31, 2019 and 2018, respectively, relates to online accommodation reservation services. Revenue from all other sources of online travel reservation services or advertising and other revenues each represent less than 10% of the Company's total revenues.

Deferred Revenue

Cash payments received from travelers in advance of the Company completing its service obligations are included in "Deferred merchant bookings" in the Company's Unaudited Consolidated Balance Sheets and are comprised principally of amounts owed to the travel service providers as well as the Company's deferred revenue for its commission or margin and fees.

At March 31, 2019 and December 31, 2018, deferred merchant bookings includes deferred revenue of $246 million and $149 million, respectively. The Company expects to complete its service obligation within one year of booking. In the three months ended March 31, 2019, the Company recognized revenue of $97 million and cancellations of $10 million related to the deferred revenue balance at December 31, 2018. The offsetting increase of $204 million in the deferred revenue balance for the three months ended March 31, 2019 is principally driven by payments received from travelers, net of amounts payable to travel service providers, in the period for those online travel reservations that the Company receives cash payments in advance of completing its service obligations.

Loyalty Programs

The Company provides loyalty programs, where participating consumers are awarded loyalty points on current transactions that can be redeemed in the future. At March 31, 2019 and December 31, 2018, liabilities of $80 million and $73 million, respectively, for loyalty program incentives were included in "Accrued expenses and other current liabilities" in the Unaudited Consolidated Balance Sheets. The Company’s largest loyalty program is at OpenTable, where points can be redeemed for qualifying reservations at participating restaurants, third-party gift cards and accommodation reservations booked through some of the Company’s other platforms. The estimated fair value of the incentives that are expected to be redeemed is recognized as a reduction of revenues at the time the incentives are granted. In the first quarter of 2018, OpenTable introduced a three-year time-based expiration for points earned by diners, which reduced its loyalty program liability by $27 million.

3. STOCK-BASED EMPLOYEE COMPENSATION

Stock-based compensation expense included in personnel expenses in the Unaudited Consolidated Statements of Operations was $74 million and $71 million for the three months ended March 31, 2019 and 2018, respectively.

Stock-based compensation expense is recognized in the consolidated financial statements based upon fair value. Fair value is recognized as an expense on a straight-line basis over the employee's requisite service period and forfeitures are accounted for when they occur. The fair value on the grant date of performance share units and restricted stock units is determined based on the number of units granted and the quoted price of the Company's common stock. Stock-based compensation expense related to performance share units reflects the estimated probable outcome at the end of the performance period. The fair value of employee stock options assumed in acquisitions was determined using the Black-Scholes model and the market value of the Company's common stock at the respective acquisition dates.

Restricted Stock Units and Performance Share Units

The following table summarizes the activity of restricted stock units and performance share units ("share-based awards") during the three months ended March 31, 2019:

Share-Based Awards	Shares	Weighted-average Grant Date Fair Value
Unvested at December 31, 2018	511,562	$ 1,713
Granted	192,775	$ 1,714
Vested	(172,432)	$ 1,443
Performance shares adjustment	127	$ 1,580
Forfeited/Canceled	(8,093)	$ 1,823
Unvested at March 31, 2019	523,939	$ 1,802

At March 31, 2019, there was $663 million of total future compensation cost related to unvested share-based awards to be recognized over a weighted-average period of 2.3 years.

During the three months ended March 31, 2019, the Company made broad-based grants of 131,683 restricted stock units that generally vest over a three-year period, subject to certain exceptions for terminations other than for "cause," for "good reason" or on account of death or disability. These share-based awards had a total grant date fair value of $226 million based on a weighted-average grant-date fair value per share of $1,714.

Performance share units are payable in shares of the Company's common stock upon vesting. Subject to certain exceptions for terminations other than for "cause," for "good reason" or on account of death or disability, recipients of these performance share units generally must continue their service through the requisite service period in order to receive any shares. Stock-based compensation related to performance share units reflects the estimated probable outcome at the end of the performance period.

2019 Performance Share Units

During the three months ended March 31, 2019, the Company granted 61,092 performance share units to executives and certain other employees. The performance share units had a total grant-date fair value of $105 million based on a weighted-average grant-date fair value per share of $1,714. The actual number of shares to be issued on the vesting date will be determined upon completion of the performance period which generally ends December 31, 2021, assuming there is no accelerated vesting for, among other things, a termination of employment under certain circumstances. At March 31, 2019, the estimated number of probable shares to be issued is a total of 61,092 shares, net of performance share units that were forfeited or vested since the grant date, including 47,674 shares that are not subject to the achievement of minimum performance thresholds. If the maximum performance thresholds are met at the end of the performance period, a maximum number of 122,184 total shares could be issued.

2018 Performance Share Units

During the year ended December 31, 2018, the Company granted 49,721 performance share units with a grant-date fair value of $101 million, based on a weighted-average grant-date fair value per share of $2,034. The actual number of shares to be issued will be determined upon completion of the performance period which generally ends December 31, 2020, assuming there is no accelerated vesting for, among other things, a termination of employment under certain circumstances.

At March 31, 2019, there were 44,900 unvested 2018 performance share units outstanding, net of performance share units that were forfeited or vested since the grant date. At March 31, 2019, the number of shares estimated to be issued pursuant to these performance share units at the end of the performance period is a total of 86,157 shares, including 33,590 shares that are not subject to the achievement of minimum performance thresholds. If the maximum performance thresholds are met at the end of the performance period, a maximum of 89,800 shares could be issued pursuant to these performance share units.

2017 Performance Share Units

During the year ended December 31, 2017, the Company granted 73,893 performance share units with a grant-date fair value of $128 million, based on a weighted-average grant date fair value per share of $1,735. The actual number of shares to be issued will be determined upon completion of the performance period which generally ends December 31, 2019, assuming there is no accelerated vesting for, among other things, a termination of employment under certain circumstances.

At March 31, 2019, there were 56,506 unvested 2017 performance share units outstanding, net of performance share units that were forfeited or vested since the grant date. At March 31, 2019, the number of shares estimated to be issued pursuant to these performance share units at the end of the performance period is a total of 88,098 shares, including 45,843 shares that are not subject to the achievement of minimum performance thresholds. If the maximum thresholds are met at the end of the performance period, a maximum of 113,012 shares could be issued pursuant to these performance share units.

Stock Options

All outstanding employee stock options were assumed in acquisitions. The following table summarizes the activity for stock options during the three months ended March 31, 2019:

Employee Stock Options	Number of Shares	Weighted-average Exercise Price	Aggregate Intrinsic Value (in millions)	Weighted-average Remaining Contractual Term (in years)
Balance, December 31, 2018	27,263	$ 387	$ 36	2.8
Exercised	(1,164)	$ 317		
Balance, March 31, 2019	26,099	$ 404	$ 35	2.5
Vested and exercisable at March 31, 2019	26,099	$ 404	$ 35	2.5

The aggregate intrinsic value of employee stock options exercised during the three months ended March 31, 2019 and 2018 was $2 million and $4 million, respectively. During the three months ended March 31, 2019 and 2018, stock options vested for 73 and 83 shares, respectively.

4. NET INCOME PER SHARE

The Company computes basic net income per share by dividing net income applicable to common stockholders by the weighted-average number of common shares outstanding during the period. Diluted net income per share is based upon the weighted-average number of common and common equivalent shares outstanding during the period.

Common equivalent shares related to stock options, restricted stock units, and performance share units are calculated using the treasury stock method. Performance share units are included in the weighted-average common equivalent shares based on the number of shares that would be issued if the end of the reporting period were the end of the performance period, if the result would be dilutive.

The Company's convertible notes have net share settlement features requiring the Company upon conversion to settle the principal amount of the debt for cash and the conversion premium for cash or shares of the Company's common stock, at the Company's option. The convertible notes are included in the calculation of diluted net income per share if their inclusion is dilutive under the treasury stock method.

A reconciliation of the weighted-average number of shares outstanding used in calculating diluted earnings per share is as follows (in thousands):

	Three Months Ended March 31,	
	2019	2018
Weighted-average number of basic common shares outstanding	45,007	48,349
Weighted-average dilutive stock options, restricted stock units and performance share units	229	282
Assumed conversion of Convertible Senior Notes	200	574
Weighted-average number of diluted common and common equivalent shares outstanding	45,436	49,205
Anti-dilutive potential common shares	1,282	1,432

Anti-dilutive potential common shares for the three months ended March 31, 2019 include approximately 1 million shares that could be issued under the Company's outstanding convertible notes. Under the treasury stock method, the convertible notes will generally have an anti-dilutive impact on net income per share if the conversion prices for the convertible notes exceed the Company's average stock price.

5. INVESTMENTS

Short-term and Long-term Investments in Marketable Securities

The Company has classified its investments in marketable debt securities as available-for-sale securities. These securities are reported at estimated fair value with the aggregate unrealized gains and losses related to these investments, net of taxes, reflected as a part of "Accumulated other comprehensive loss" in the Unaudited Consolidated Balance Sheets. Classification as a short-term or long-term investment is based upon the maturity of the debt securities. Investments of a strategic nature that have been made for the purpose of affiliation or potential business advantage are included in "Long-term investments" in the Unaudited Consolidated Balance Sheets. As of March 31, 2019, the Company does not consider any of its investments to be other-than-temporarily impaired.

The Company's investments in marketable equity securities, which are included in "Long-term investments" in the Unaudited Consolidated Balance Sheets, are reported at estimated fair value with changes in fair value of these equity securities recognized in "Net unrealized gains on marketable equity securities" in the Unaudited Consolidated Statements of Operations.

The following table summarizes, by major security type, the Company's investments in marketable securities at March 31, 2019 (in millions):

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Short-term investments in marketable securities:				
Debt securities:				
International government securities	$ 218	$ —	$ —	$ 218
U.S. government securities	242	—	(1)	241
Corporate debt securities	1,519	1	(6)	1,514
U.S. government agency securities	1	—	—	1
Commercial paper	4	—	—	4
Time deposits and certificates of deposit	3	—	—	3
Total	$ 1,987	$ 1	$ (7)	$ 1,981
Long-term investments in marketable securities:				
Debt securities:				
International government securities	$ 879	$ 5	$ —	$ 884
U.S. government securities	250	—	(4)	246
Corporate debt securities	3,794	12	(23)	3,783
Ctrip convertible debt securities	1,275	69	—	1,344
Marketable equity securities	1,105	383	(1)	1,487
Total	$ 7,303	$ 469	$ (28)	$ 7,744

The Company's investment policy seeks to preserve capital and maintain sufficient liquidity to meet operational and other needs of the business. At March 31, 2019, the weighted-average life of the Company's investments in marketable debt securities, excluding its investment in Ctrip.com International Ltd. ("Ctrip") convertible debt securities, was approximately 1.4 years with an average credit quality of A+/A1/A+.

The Company invests in international government securities with high credit quality. At March 31, 2019, investments in international government securities principally included debt securities issued by the governments of the Netherlands, France, Belgium, Germany, Austria and Finland.

The following table summarizes, by major security type, the Company's investments in marketable securities at December 31, 2018 (in millions):

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Short-term investments in marketable securities:				
Debt securities:				
International government securities	$ 314	$ —	$ —	$ 314
U.S. government securities	658	—	(2)	656
Corporate debt securities	2,693	—	(12)	2,681
U.S. government agency securities	1	—	—	1
Commercial paper	7	—	—	7
Time deposits and certificates of deposit	1	—	—	1
Total	$ 3,674	$ —	$ (14)	$ 3,660
Long-term investments in marketable securities:				
Debt securities:				
International government securities	$ 797	$ 3	$ —	$ 800
U.S. government securities	299	—	(6)	293
Corporate debt securities	4,445	4	(48)	4,401
Ctrip Convertible debt securities	1,275	—	(98)	1,177
Marketable equity securities	1,105	3	(72)	1,036
Total	$ 7,921	$ 10	$ (224)	$ 7,707

Investments in Ctrip

In May 2015 and August 2014, the Company invested $250 million and $500 million, respectively, in five-year senior convertible notes issued at par value by Ctrip. In December 2015, the Company invested $500 million in a Ctrip ten-year senior convertible note issued at par value, which included a put option allowing the Company, at its option, to require a prepayment in cash from Ctrip at the end of the sixth year of the note. In September 2016, the Company invested $25 million in a Ctrip six-year senior convertible note issued at par value, which included a put option allowing the Company, at its option, to require prepayment in cash from Ctrip at the end of the third year of the note. The Company determined that the economic characteristics and risks of the put option are clearly and closely related to the note, and therefore did not meet the requirement for separate accounting as embedded derivatives. The Company evaluated the conversion features for all Ctrip senior convertible notes and only the conversion feature associated with the September 2016 investment met the definition of an embedded derivative (see Note 6). The Company monitors the conversion features of these notes to determine whether they meet the definition of an embedded derivative during each reporting period. The Ctrip convertible notes have been marked-to-market in accordance with the accounting guidance for available-for-sale securities. At March 31, 2019, the Company had also invested $655 million in Ctrip American Depositary Shares ("ADSs"). For the three months ended March 31, 2019 and 2018, "Net unrealized gains on marketable equity securities" in the Unaudited Consolidated Statements of Operations included a net unrealized gain of $360 million and $55 million, respectively, related to Ctrip ADSs. At March 31, 2019, the Company did not have significant influence over Ctrip.

Investment in Meituan Dianping

In October 2017, the Company invested $450 million in preferred shares of Meituan Dianping, the leading e-commerce platform for local services in China. The investment has been classified as a marketable equity security since Meituan Dianping's initial public offering in September 2018. For the three months ended March 31, 2019, "Net unrealized gains on marketable equity securities" in the Unaudited Consolidated Statement of Operations included an unrealized gain of $91 million related to this investment. At March 31, 2019, the Company did not have significant influence over Meituan Dianping.

Long-term Investments without Readily Determinable Fair Value

The Company held investments in equity securities of private companies, which are typically at an early stage of development, of $501 million at both March 31, 2019 and December 31, 2018, principally related to the Company's investment of $500 million in July 2018 in preferred shares of Didi Chuxing, the leading mobile transportation and ride-hailing platform in China. These investments are measured at cost less impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer and are included in "Long-term investments" in the Company's Unaudited Consolidated Balance Sheets. The Company determined that no adjustments were required to the carrying value of these investments at March 31, 2019.

Other Long-term Investments

The Company held an investment of $200 million in preferred shares of Grab, a leading on-demand transportation and mobile service platform in Southeast Asia, which is included in "Long-term investments" in the Company's Unaudited Consolidated Balance Sheets at March 31, 2019 and December 31, 2018. The preferred shares are convertible to ordinary shares at the Company's option and are mandatorily convertible upon an initial public offering. The preferred shares also contain a redemption feature that can be exercised by the Company after June 2023. These features have been evaluated as embedded derivatives, however, they do not meet the requirements to be accounted for separately. The investment is classified as a debt security for accounting purposes and categorized as available-for-sale. The investment is reported at estimated fair value with the aggregate unrealized gains and losses, net of taxes, reflected as a part of "Accumulated other comprehensive loss" in the Unaudited Consolidated Balance Sheet.

6. FAIR VALUE MEASUREMENTS

Financial assets and liabilities carried at fair value at March 31, 2019 are classified in the categories described in the table below (in millions):

	Level 1	Level 2	Level 3	Total
ASSETS:				
Cash and restricted cash equivalents:				
Money market funds	$ 1,727	$ —	$ —	$ 1,727
Time deposits and certificates of deposit	26	—	—	26
Short-term investments in marketable securities:				
International government securities	—	218	—	218
U.S. government securities	—	241	—	241
Corporate debt securities	—	1,514	—	1,514
U.S. government agency securities	—	1	—	1
Commercial paper	—	4	—	4
Time deposits and certificates of deposit	3	—	—	3
Long-term investments in marketable securities:				
International government securities	—	884	—	884
U.S. government securities	—	246	—	246
Corporate debt securities	—	3,783	—	3,783
Ctrip convertible debt securities	—	1,344	—	1,344
Marketable equity securities	1,487	—	—	1,487
Other long-term investment	—	—	200	200
Derivatives:				
Currency exchange derivatives	—	1	—	1
Total assets at fair value	$ 3,243	$ 8,236	$ 200	$ 11,679
LIABILITIES				
Currency exchange derivatives	$ —	$ 2	$ —	$ 2

The table above does not include contingent consideration related to a business acquisition (see Note 13).

Financial assets carried at fair value at December 31, 2018 are classified in the categories described in the table below (in millions):

	Level 1	Level 2	Level 3	Total
Cash and restricted cash equivalents:				
Money market funds	$ 2,061	$ —	$ —	$ 2,061
International government securities	—	21	—	21
U.S. government securities	—	1	—	1
Commercial paper	—	2	—	2
Time deposits and certificates of deposit	25	—	—	25
Short-term investments in marketable securities:				
International government securities	—	314	—	314
U.S. government securities	—	656	—	656
Corporate debt securities	—	2,681	—	2,681
U.S. government agency securities	—	1	—	1
Commercial paper	—	7	—	7
Time deposits and certificates of deposit	1	—	—	1
Long-term investments in marketable securities:				
International government securities	—	800	—	800
U.S. government securities	—	293	—	293
Corporate debt securities	—	4,401	—	4,401
Ctrip convertible debt securities	—	1,177	—	1,177
Marketable equity securities	1,036	—	—	1,036
Other long-term investment	—	—	200	200
Derivatives:				
Currency exchange derivatives	—	4	—	4
Total assets at fair value	$ 3,123	$ 10,358	$ 200	$ 13,681

The table above does not include contingent consideration related to a business acquisition (see Note 13).

There are three levels of inputs to measure fair value. The definition of each input is described below:

Level 1: Quoted prices in active markets that are accessible by the Company at the measurement date for identical assets and liabilities.

Level 2: Inputs that are observable, either directly or indirectly. Such prices may be based upon quoted prices for identical or comparable securities in active markets or inputs not quoted on active markets, but corroborated by market data.

Level 3: Unobservable inputs are used when little or no market data is available.

Investments in corporate debt securities, U.S. and international government securities, commercial paper, government agency securities and certain convertible debt securities are considered "Level 2" valuations because the Company has access to quoted prices, but does not have visibility into the volume and frequency of trading for all of these investments. For the Company's investments, a market approach is used for recurring fair value measurements and the valuation techniques use inputs that are observable, or can be corroborated by observable data, in an active marketplace. See Note 5 for information on the carrying value of the Company's investments in marketable securities.

The investment in Grab, reported at a fair value of $200 million at both March 31, 2019 and December 31, 2018, is considered a "Level 3" valuation and measured using management's estimates that incorporate current market participant expectations of future cash flows considered alongside recent financing transactions of the investee and other relevant information.

The Company's derivative instruments are valued using pricing models. Pricing models take into account the contract terms as well as multiple inputs where applicable, such as interest rate yield curves, option volatility and currency rates.

Derivatives are considered "Level 2" fair value measurements. The Company's derivative instruments are typically short-term in nature.

At March 31, 2019 and December 31, 2018, the Company's cash consisted of bank deposits. Other financial assets and liabilities, including restricted cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and deferred merchant bookings, are carried at cost which approximates their fair value because of the short-term nature of these items. See Note 9 for the estimated fair value of the Company's outstanding Senior Notes.

In the normal course of business, the Company is exposed to the impact of foreign currency fluctuations. The Company mitigates these risks by following established risk management policies and procedures, including the use of derivatives. The Company does not use derivatives for trading or speculative purposes. All derivative instruments are recognized in the Unaudited Consolidated Balance Sheets at fair value. Gains and losses resulting from changes in the fair value of derivative instruments that are not designated as hedging instruments for accounting purposes are recognized in the Unaudited Consolidated Statements of Operations in the period that the changes occur. Changes in the fair value of derivatives designated as net investment hedges were recorded as foreign currency translation adjustments to offset a portion of the foreign currency translation adjustment from Euro-denominated net assets held by certain subsidiaries and were recognized in the Unaudited Consolidated Balance Sheets in "Accumulated other comprehensive loss."

Derivatives Not Designated as Hedging Instruments — The Company is exposed to adverse movements in currency exchange rates as the operating results of its international operations are translated from local currency into U.S. Dollars upon consolidation. The Company enters into average-rate derivative contracts to hedge translation risks from short-term currency exchange rate fluctuations for the Euro, British Pound Sterling and certain other currencies versus the U.S. Dollar. At March 31, 2019 and December 31, 2018, there were no outstanding derivative contracts related to foreign currency translation risks.

The Company also enters into foreign currency forward contracts to hedge its exposure to the impact of movements in currency exchange rates on its transactional balances denominated in currencies other than the functional currency. Derivative assets are included in "Prepaid expenses and other current assets" and derivative liabilities are included in "Accrued expenses and other current liabilities" in the Unaudited Consolidated Balance Sheets. Derivatives associated with these transaction risks resulted in foreign currency losses of $13 million and foreign currency gains of $21 million for the three months ended March 31, 2019 and 2018, respectively. These mark-to-market adjustments on the derivative contracts, offset by the effect of changes in currency exchange rates on transactions denominated in currencies other than the functional currency, resulted in net losses of $8 million and $5 million for the three months ended March 31, 2019 and 2018, respectively. The net impacts related to these derivatives are reported in "Foreign currency transactions and other" in the Unaudited Consolidated Statements of Operations.

The settlement of derivative contracts not designated as hedging instruments resulted in net cash inflows of $1 million and $18 million for the three months ended March 31, 2019 and 2018, respectively, and are reported within "Net cash provided by operating activities" in the Unaudited Consolidated Statements of Cash Flows.

Embedded Derivative — In September 2016, the Company invested $25 million in a Ctrip convertible note (see Note 5). The Company determined that the conversion option for this note met the definition of an embedded derivative that required separate accounting. At March 31, 2019 and December 31, 2018, the embedded derivative had an estimated fair value of $0.9 million and $0.1 million, respectively, and is reported in the Unaudited Consolidated Balance Sheets with its host contract in "Long-term investments." The embedded derivative is bifurcated for fair value measurement purposes only. The mark-to-market adjustments are included in "Foreign currency transactions and other" in the Company's Unaudited Consolidated Statements of Operations.

7. LEASES

Adoption of ASC Topic 842, Leases

On January 1, 2019, the Company adopted ASC 842, *Leases*, using a modified retrospective method applied to all contracts as of January 1, 2019. Therefore, for reporting periods beginning after December 31, 2018, the financial statements are prepared in accordance with the current lease standard and the financial statements for all periods prior to January 1, 2019 are presented under the previous lease standard ("ASC 840").

The Company determines if an arrangement is a lease, or contains a lease, when a contract is signed. The Company determines if a lease is an operating or financing lease and records a lease asset and a lease liability upon lease commencement, which is the date when the underlying asset is made available for use by the lessor. The Company has operating leases for office space, data centers and one land lease for Booking.com's headquarters (see Note 13). The Company has no finance leases as of March 31, 2019. For office space, data centers and land, the Company has elected to combine the fixed payments to lease the asset and any fixed non-lease payments (such as maintenance or utility charges) when calculating the lease asset and lease liability.

The Company recognizes lease expense on a straight-line basis over the lease term. Certain of our lease agreements include rent payments which are adjusted periodically for inflation. Any change in payments due to changes in inflation rates are recognized as variable lease expense as they are incurred. Variable lease expense also includes costs for property taxes, insurance and services provided by the lessor which are charged based on usage or performance.

Most leases have one or more options to renew, with renewal terms that can initially extend the lease term for various periods up to 9 years. The exercise of renewal options for office space and data centers is at the Company's discretion and are included if they are reasonably certain to be exercised. The land lease for Booking.com's headquarters has an initial term which expires in 2065, at which time the lease payments will be adjusted based on the value of the land on the reassessment date. The Company considered the initial term of the land lease to be its expected period of use. As of March 31, 2019, the Company's weighted-average remaining lease term for all leases was approximately 8.2 years.

When the rate implicit in the lease is not readily determinable, the Company uses its incremental borrowing rate as its discount rate to determine the present value of its lease payments. The incremental borrowing rates approximate the rate the Company would pay to borrow in the currency of the lease payments on a collateralized basis for the weighted-average life of the lease. As of March 31, 2019, the Company's weighted-average discount rate was approximately 2.0%.

The Company recognized the following related to leases in its Unaudited Consolidated Balance Sheet at March 31, 2019 (in millions):

Leases	**Classification in Consolidated Balance Sheet**	**March 31, 2019**
Operating lease assets	Operating lease assets	$ 635
Lease Liabilities:		
Current operating lease liabilities	Accrued expenses and other current liabilities	$ 153
Non-current operating lease liabilities	Operating lease liabilities	488
Total operating lease liabilities		$ 641

As of March 31, 2019, the operating lease liabilities will mature over the following periods (in millions):

Remainder of 2019	$ 123
2020	152
2021	119
2022	73
2023	54
2024	36
Thereafter	154
Total remaining lease payments	$ 711
Less: Imputed interest	(70)
Total operating lease liabilities	$ 641

As of March 31, 2019, the Company has entered into leases that have not yet commenced with future lease payments of approximately $7 million which are not reflected in the table above. These operating leases will commence in 2019 with lease terms of up to 5 years and will be recognized upon lease commencement. In addition, the Company signed an agreement for a lease in the city of Manchester in the United Kingdom for the headquarters of Rentalcars.com (see Note 13).

At December 31, 2018, minimum lease payments for operating leases having an initial term in excess of one year under ASC 840 were as follows (in millions):

2019	$ 164
2020	142
2021	110
2022	66
2023	52
Thereafter	190
Total minimum lease payments	$ 724

The Company recognized the following related to operating leases in its Unaudited Consolidated Statement of Operations (in millions):

Leases	**Classification in Unaudited Consolidated Statement of Operations**	**Three Months Ended March 31, 2019**
Lease expense	General and administrative and Information technology	$ 45
Variable lease expense	General and administrative and Information technology	13
Less: Sublease income	General and administrative	(1)
Total lease expense, net of sublease income		$ 57

Supplemental cash flow information related to operating leases are as follows (in millions):

Leases	**Three Months Ended March 31, 2019**
Cash paid for amounts included in the measurement of lease liabilities	$ 47
Operating lease assets obtained in exchange for operating lease liabilities	42

"Operating lease amortization" presented in the operating activities section of the Unaudited Consolidated Statement of Cash Flows reflects the portion of the operating lease expense that amortized the operating lease asset.

8. INTANGIBLE ASSETS AND GOODWILL

The Company's intangible assets at March 31, 2019 and December 31, 2018 consisted of the following (in millions):

	March 31, 2019			**December 31, 2018**			
	Gross Carrying Amount	**Accumulated Amortization**	**Net Carrying Amount**	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Carrying Amount**	**Amortization Period**
Supply and distribution agreements	$ 1,095	$ (422)	$ 673	$ 1,099	$ (408)	$ 691	3 - 20 years
Technology	173	(125)	48	173	(121)	52	1 - 7 years
Patents	2	(2)	—	2	(2)	—	15 years
Internet domain names	40	(30)	10	41	(30)	11	5 - 20 years
Trade names	1,810	(463)	1,347	1,810	(439)	1,371	4 - 20 years
Non-compete agreements	—	—	—	1	(1)	—	
Total intangible assets	$ 3,120	$ (1,042)	$ 2,078	$ 3,126	$ (1,001)	$ 2,125	

Intangible assets are amortized on a straight-line basis. Amortization expense was $45 million and $47 million for the three months ended March 31, 2019 and 2018, respectively.

A substantial portion of the Company's intangibles and goodwill relates to the acquisitions of OpenTable in July 2014 and KAYAK in May 2013. There were no events or changes in circumstances to indicate a potential impairment to goodwill or intangible assets at March 31, 2019.

Acquisition

In November 2018, the Company paid $134 million, net of cash acquired, to complete the acquisition of HotelsCombined, a hotel meta-search company. The purchase price allocation has not been completed at March 31, 2019. The Company's Unaudited Consolidated Financial Statements include the accounts of this business starting at the acquisition date. Revenues and earnings of this business since the acquisition date and pro forma results of operations have not been presented separately as such financial information is not material to the Company's results of operations.

9. DEBT

Short-term Borrowing

On December 31, 2018, the Company had a bank overdraft of $25 million which was reported in "Accrued expenses and other current liabilities" in the Consolidated Balance Sheet at December 31, 2018 and was repaid in January 2019.

Revolving Credit Facility

In June 2015, the Company entered into a $2.0 billion five-year unsecured revolving credit facility with a group of lenders. Borrowings under the revolving credit facility will bear interest, at the Company’s option, at a rate per annum equal to either (i) the adjusted London Inter-bank Offered Rate ("LIBOR") for the interest period in effect for such borrowing plus an applicable margin ranging from 0.875% to 1.50%; or (ii) the greatest of (a) Bank of America, N.A.'s prime lending rate, (b) the federal funds rate plus 0.50%, and (c) an adjusted LIBOR for an interest period of one month plus 1.00%, plus an applicable margin ranging from 0.00% to 0.50%. Undrawn balances available under the revolving credit facility are subject to commitment fees at the applicable rate ranging from 0.085% to 0.20%.

The revolving credit facility provides for the issuance of up to $70 million of letters of credit as well as borrowings of up to $50 million on same-day notice, referred to as swingline loans. Borrowings under the revolving credit facility may be made in U.S. Dollars, Euros, British Pounds Sterling and any other foreign currency agreed to by the lenders. The proceeds of loans made under the facility would be used for working capital and general corporate purposes, which could include acquisitions, share repurchases or debt repayments. There were $5 million of letters of credit issued under the facility at both March 31, 2019 and December 31, 2018. There were no borrowings outstanding under this revolving credit facility at December 31, 2018. At March 31, 2019, there were $250 million of borrowings outstanding with a weighted-average interest rate of 3.5% due in the second quarter of 2019, which is included in "Accrued expenses and other current liabilities" in the Unaudited Consolidated Balance Sheet. In addition, in April 2019, the Company borrowed an additional $150 million under this revolving credit facility, which is due in May 2019 with an interest rate of 3.5%.

Outstanding Debt

Outstanding debt at March 31, 2019 consisted of the following (in millions):

March 31, 2019	Outstanding Principal Amount	Unamortized Debt Discount and Debt Issuance Cost	Carrying Value
Current liabilities:			
0.35% Convertible Senior Notes due June 2020	$ 1,000	$ (32)	$ 968
Long-term debt:			
0.9% Convertible Senior Notes due September 2021	$ 1,000	$ (56)	$ 944
0.8% (€1 Billion) Senior Notes due March 2022	1,123	(4)	1,119
2.15% (€750 Million) Senior Notes due November 2022	842	(3)	839
2.75% Senior Notes due March 2023	500	(3)	497
2.375% (€1 Billion) Senior Notes due September 2024	1,123	(10)	1,113
3.65% Senior Notes due March 2025	500	(3)	497
3.6% Senior Notes due June 2026	1,000	(6)	994
1.8% (€1 Billion) Senior Notes due March 2027	1,123	(4)	1,119
3.55% Senior Notes due March 2028	500	(3)	497
Total long-term debt	$ 7,711	$ (92)	$ 7,619

Outstanding debt at December 31, 2018 consisted of the following (in millions):

December 31, 2018	Outstanding Principal Amount	Unamortized Debt Discount and Debt Issuance Cost	Carrying Value
Long-term debt:			
0.35% Convertible Senior Notes due June 2020	$ 1,000	$ (39)	$ 961
0.9% Convertible Senior Notes due September 2021	1,000	(61)	939
0.8% (€1 Billion) Senior Notes due March 2022	1,143	(5)	1,138
2.15% (€750 Million) Senior Notes due November 2022	858	(4)	854
2.75% Senior Notes due March 2023	500	(3)	497
2.375% (€1 Billion) Senior Notes due September 2024	1,143	(10)	1,133
3.65% Senior Notes due March 2025	500	(3)	497
3.6% Senior Notes due June 2026	1,000	(6)	994
1.8% (€1 Billion) Senior Notes due March 2027	1,143	(4)	1,139
3.55% Senior Notes due March 2028	500	(3)	497
Total long-term debt	$ 8,787	$ (138)	$ 8,649

Based on the closing price of the Company's common stock for the prescribed measurement periods for the three months ended March 31, 2019 and December 31, 2018, the contingent conversion thresholds on the 2020 Notes (as defined below) and 2021 Notes (as defined below) were not exceeded, therefore, these notes were not convertible at the option of the holder. The 2020 Notes were reported as non-current liabilities in the Unaudited Consolidated Balance Sheet at December 31, 2018 and reclassified as current liabilities at March 31, 2019 since the holders will have the right to convert all or any portion of the 2020 Notes at March 15, 2020 regardless of the Company's stock price.

Fair Value of Debt

At March 31, 2019 and December 31, 2018, the estimated fair value of the outstanding Senior Notes was approximately $9.5 billion and $9.3 billion, respectively, and was considered a "Level 2" fair value measurement (see Note 6). Fair value was estimated based upon actual trades at the end of the reporting period or the most recent trade available as well as the Company's stock price at the end of the reporting period. A substantial portion of the market value of the Company's debt in excess of the outstanding principal amount relates to the conversion premium on the Convertible Senior Notes.

Convertible Senior Notes

If the note holders exercise their option to convert, the Company delivers cash to repay the principal amount of the notes and delivers shares of common stock or cash, at its option, to satisfy the conversion value in excess of the principal amount. If the Company's convertible debt is redeemed or converted prior to maturity, a gain or loss on extinguishment is recognized. The gain or loss is the difference between the fair value of the debt component immediately prior to extinguishment and its carrying value. To estimate the fair value of the debt at the conversion date, the Company estimates its straight debt borrowing rate, considering its credit rating and straight debt of comparable corporate issuers.

Description of Convertible Senior Notes

In August 2014, the Company issued in a private placement $1.0 billion aggregate principal amount of Convertible Senior Notes due September 15, 2021, with an interest rate of 0.9% (the "2021 Notes"). The Company paid $11 million in debt issuance costs during the year ended December 31, 2014 related to this offering. The 2021 Notes are convertible, subject to certain conditions, into the Company's common stock at a conversion price of $2,055.50 per share. The 2021 Notes are convertible, at the option of the holder, prior to September 15, 2021, upon the occurrence of specific events, including but not limited to a change in control, or if the closing sales price of the Company's common stock for at least 20 trading days in the period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is more than 150% of the conversion price in effect for the notes on the last trading day of the immediately preceding quarter. In the event that all or substantially all of the Company's common stock is acquired on or prior to the maturity of the 2021 Notes in a transaction in which the consideration paid to holders of the Company's common stock consists of all or substantially all cash, the Company would be required to make additional payments in the form of additional shares of common stock to the holders of the 2021 Notes in an aggregate value ranging from $0 to $375 million depending upon the date of the transaction and the then current stock price of the Company. At June 15, 2021, holders will have the right to convert all or any portion of the 2021 Notes, regardless of the Company's stock price. The 2021 Notes may not be redeemed by the Company prior to maturity. The holders may require the Company to repurchase the 2021 Notes for cash in certain circumstances. Interest on the 2021 Notes is payable on March 15 and September 15 of each year.

In May 2013, the Company issued in a private placement $1.0 billion aggregate principal amount of Convertible Senior Notes due June 15, 2020, with an interest rate of 0.35% (the "2020 Notes"). The 2020 Notes were issued with an initial discount of $20 million. The Company paid $1 million in debt issuance costs during the year ended December 31, 2013 related to this offering. The 2020 Notes are convertible, subject to certain conditions, into the Company's common stock at a conversion price of $1,315.10 per share. The 2020 Notes are convertible, at the option of the holder, prior to June 15, 2020, upon the occurrence of specific events, including but not limited to a change in control, or if the closing sales price of the Company's common stock for at least 20 trading days in the period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is more than 150% of the conversion price in effect for the notes on the last trading day of the immediately preceding quarter. In the event that all or substantially all of the Company's common stock is acquired on or prior to the maturity of the 2020 Notes in a transaction in which the consideration paid to holders of the Company's common stock consists of all or substantially all cash, the Company would be required to make additional payments in the form of additional shares of common stock to the holders of the 2020 Notes in an aggregate value ranging from $0 to $397 million depending upon the date of the transaction and the then current stock price of the Company. At March 15, 2020, holders will have the right to convert all or any portion of the 2020 Notes, regardless of the Company's stock price. The 2020 Notes may not be redeemed by the Company prior to maturity. The holders may require the Company to repurchase the 2020 Notes for cash in certain circumstances. Interest on the 2020 Notes is payable on June 15 and December 15 of each year.

In March 2012, the Company issued in a private placement $1.0 billion aggregate principal amount of Convertible Senior Notes due March 15, 2018, with an interest rate of 1.0% (the "2018 Notes"). The 2018 Notes were convertible, subject to certain conditions, into the Company's common stock at a conversion price of $944.61 per share. In March 2018, in connection with the maturity of the remaining outstanding 2018 Notes, the Company paid $714 million to satisfy the aggregate principal amount due and paid an additional $773 million in satisfaction of the conversion value in excess of the principal amount.

Cash-settled convertible debt, such as the Company's Convertible Senior Notes, is separated into debt and equity components at issuance and each component is assigned a value. The value assigned to the debt component is the estimated fair value, at the issuance date, of a similar bond without the conversion feature. The difference between the bond cash proceeds and this estimated fair value, representing the value assigned to the equity component, is recorded as a debt discount. Debt discount is amortized using the effective interest rate method over the period from the origination date through the stated maturity date. The Company estimated the straight debt borrowing rates at debt origination to be 3.18% for the 2021 Notes, 3.13% for the 2020 Notes and 3.50% for the 2018 Notes. The yield to maturity was estimated at an at-market coupon priced at par.

Debt discount after tax of $83 million ($143 million before tax) related to the 2021 Notes, $92 million ($154 million before tax) related to the 2020 Notes and $81 million ($135 million before tax) related to the 2018 Notes less financing costs associated with the equity component of the respective convertible notes was recorded in additional paid-in capital in the balance sheet at debt origination.

For the three months ended March 31, 2019 and 2018, the Company recognized interest expense of $15 million and $20 million, respectively, related to convertible notes, which was almost entirely comprised of the amortization of debt discount of $12 million and $14 million, respectively, and the contractual coupon interest of $3 million and $5 million, respectively. The remaining interest expense relates to the amortization of debt issuance costs. For the three months ended March 31, 2019 and 2018, included in the amortization of debt discount mentioned above was $1 million of original issuance discount related to the 2020 Notes for each period. The remaining period for amortization of debt discount and debt issuance costs is the period until the stated maturity date for the respective debt. The weighted-average effective interest rates for the three months ended March 31, 2019 and 2018 are 3.2% and 3.3%, respectively.

Other Long-term Debt

Other long-term debt had a total carrying value of $6.7 billion at both March 31, 2019 and December 31, 2018. Debt discount is amortized using the effective interest rate method over the period from the origination date through the stated maturity date. The Company estimated the effective interest rates at debt origination to be 0.84% for the Senior Notes maturing in March 2022 (the "March 2022 Notes"), 2.20% for the Senior Notes maturing in November 2022 (the "November 2022 Notes"), 2.78% for the Senior Notes maturing in March 2023, 2.48% for the Senior Notes maturing in September 2024 (the "September 2024 Notes"), 3.68% for the Senior Notes maturing in March 2025, 3.62% for the Senior Notes maturing in June 2026, 1.80% for the Senior Notes maturing in March 2027 (the "March 2027 Notes") and 3.56% for the Senior Notes maturing in March 2028.

For the three months ended March 31, 2019 and 2018, the Company recognized interest expense of $42 million and $43 million, respectively, related to other long-term debt, which was almost entirely comprised of $40 million and $42 million, respectively, related to the contractual coupon interest. The remaining interest expense relates to the amortization of debt discount and debt issuance costs. The remaining period for amortization of debt discount and debt issuance costs is the period until the stated maturity dates for the respective debt.

The aggregate principal value of the Euro-denominated March 2022 Notes, November 2022 Notes, September 2024 Notes and March 2027 Notes and accrued interest thereon was designated as a hedge of the Company's net investment in certain Euro functional currency subsidiaries. The foreign currency transaction gains or losses on these liabilities are measured based upon changes in spot rates and are recorded in "Accumulated other comprehensive loss" in the Unaudited Consolidated Balance Sheets. The Euro-denominated net assets of these subsidiaries are translated into U.S. Dollars at each balance sheet date, with the effects of foreign currency changes also reported in "Accumulated other comprehensive loss" in the Unaudited Consolidated Balance Sheets. Since the notional amount of Euro-denominated debt and related interest have been less than the notional amount of the Company's net investment, the Company has not incurred any ineffectiveness on this hedge. The Company plans to dedesignate a portion of this hedge in the second quarter of 2019. The foreign currency transaction gains or losses on the Euro-denominated debt that is not designated as hedging instruments for accounting purposes will be recognized in net income.

10. TREASURY STOCK

At March 31, 2019 and December 31, 2018, the Company had a total remaining authorization of $1.8 billion and $4.5 billion, respectively, to repurchase its common stock related to a program authorized by the Company's Board of Directors in 2018 for $8.0 billion. In the second quarter of 2019, the Company's Board of Directors authorized an additional program to repurchase up to $15.0 billion of the Company's common stock. The Company has continued to make repurchases of its common stock in the second quarter of 2019 and may continue to make repurchases of shares under its stock repurchase program, depending on prevailing market conditions, alternate uses of capital and other factors. Whether and when to initiate and/or complete any repurchase of common stock and the amount of common stock repurchased will be determined at the Company's discretion. Additionally, the Board of Directors has given the Company the general authorization to repurchase shares of its common stock withheld to satisfy employee withholding tax obligations related to stock-based compensation.

The following table summarizes the Company's stock repurchase activities during the three months ended March 31, 2019 and 2018, respectively (in millions, except for shares):

	Three Months Ended March 31, 2019		Three Months Ended March 31, 2018	
	Shares	Amount	Shares	Amount
Authorized stock repurchase programs	1,548,083	$ 2,735	314,076	$ 612
General authorization for shares withheld on stock award vesting	70,705	121	59,043	120
Total	1,618,788	$ 2,856	373,119	$ 732

In the three months ended March 31, 2019, stock repurchases in March 2019 of 84,229 shares for an aggregate cost of $147 million were settled in April 2019. Stock repurchases in December 2018 of 42,939 shares for an aggregate cost of $74 million were settled in January 2019.

For the three months ended March 31, 2019 and 2018, the Company remitted employee withholding taxes of $111 million and $103 million, respectively, to the tax authorities, which is different from the aggregate cost of the shares withheld for taxes for each period due to the timing in remitting the taxes. The cash remitted to the tax authorities is included in financing activities in the Unaudited Consolidated Statements of Cash Flows.

At March 31, 2019, there were 18,935,914 shares of the Company's common stock held in treasury.

11. INCOME TAXES

Income tax expense consists of U.S. and international income taxes, determined using an estimate of the Company's annual effective tax rate, which is based upon the applicable tax rates and tax laws of the countries in which the income is generated. A deferred tax liability is recognized for all taxable temporary differences, and a deferred tax asset is recognized for all deductible temporary differences and operating loss and tax credit carryforwards. A valuation allowance is provided when it is more likely than not that some portion or all of a deferred tax asset will not be realized. The Company considers many factors when assessing the likelihood of future realization of the deferred tax assets, including its recent cumulative earnings experience by taxing jurisdiction, expectations of future income, tax planning strategies, the carryforward periods available for tax reporting purposes, and other relevant factors.

The Company's effective tax rate for the three months ended March 31, 2019 was 21.0% compared to 19.4% for the three months ended March 31, 2018. The Company's 2018 effective tax rate differs from the U.S. federal statutory tax rate of 21%, primarily due to the benefit of the Netherlands Innovation Box Tax (discussed below) and current year excess tax benefits recognized from the vesting of equity awards, partially offset by the effect of higher international tax rates and U.S. federal and state tax associated with the Company's current year international earnings, resulting from the introduction of the Tax Act.

The Company's effective tax rate was higher for the three months ended March 31, 2019, compared to the three months ended March 31, 2018, primarily as a result of lower excess tax benefits recognized from the vesting of equity awards and higher discrete tax charges related to unrealized gains on equity securities, partially offset by lower U.S. federal and state tax associated with the Company’s current year international earnings, resulting from the introduction of the Tax Act.

During the three months ended March 31, 2019 and 2018, a substantial majority of the Company's income was generated in the Netherlands, where Booking.com is based. According to Dutch corporate income tax law, income generated from qualifying innovative activities is taxed at a rate of 7% ("Innovation Box Tax") rather than the Dutch statutory rate of 25%. A portion of Booking.com's earnings during the three months ended March 31, 2019 and 2018 qualified for Innovation Box Tax treatment, which had a significant beneficial impact on the Company's effective tax rate for those periods.

12. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The table below provides the balances for each classification of accumulated other comprehensive loss at March 31, 2019 and December 31, 2018 (in millions):

	March 31, 2019	December 31, 2018
Foreign currency translation adjustments, net of tax (1)	$ (141)	$ (129)
Net unrealized losses on debt securities, net of tax (2)	(28)	(187)
Accumulated other comprehensive loss	$ (169)	$ (316)

(1) Foreign currency translation adjustments, net of tax, at March 31, 2019 and December 31, 2018, include accumulated net losses from fair value adjustments of $35 million after tax ($53 million before tax) associated with previously settled derivatives that were designated as net investment hedges.

Foreign currency translation adjustments, net of tax, include foreign currency transaction gains of $31 million after tax ($56 million before tax) and foreign currency transaction losses of $26 million after tax ($20 million before tax) at March 31, 2019 and December 31, 2018, respectively, associated with the Company's Euro-denominated debt. The Company's Euro-denominated debt is designated as a hedge against the impact of currency fluctuations on its Euro-denominated net assets (see Note 9).

The remaining balance in foreign currency translation adjustments relates to the cumulative impacts of currency fluctuations on the Company's non-U.S. Dollar denominated net assets. At March 31, 2019 and December 31, 2018, the Company had deferred tax benefits of $52 million and $41 million, respectively, related to foreign currency translation adjustments to its one-time deemed repatriation tax liability recorded at December 31, 2017 and foreign earnings for periods after December 31, 2017 that are subject to U.S. federal and state income tax, resulting from the introduction of the Tax Act.

(2) Net unrealized losses on debt securities, net of tax, includes cumulative tax charges of $81 million and $30 million at March 31, 2019 and December 31, 2018, respectively.

13. COMMITMENTS AND CONTINGENCIES

Competition Reviews

At times, online platforms, including online travel platforms, have been the subject of investigations or inquiries by various national competition authorities ("NCAs") or other governmental authorities regarding competition law matters, consumer protection issues or other areas of concern. The Company is or has been involved in many such investigations. For example, the Company has been and continues to be involved in investigations related to whether Booking.com's contractual parity arrangements with accommodation providers, sometimes also referred to as "most favored nation" or "MFN" provisions, are anti-competitive because they require accommodation providers to provide Booking.com with room rates, conditions or availability that are at least as favorable as those offered to other online travel companies ("OTCs") or through the accommodation provider's website. To resolve and close certain of the investigations, the Company has from time to time made commitments to the investigating authorities regarding future business practices or activities. For example, Booking.com has made commitments to several NCAs, including agreeing to narrow the scope of its parity clauses, in order to resolve parity-related investigations. In addition, in September 2017, the Swiss Price Surveillance Office opened an investigation into the level of commissions of Booking.com in Switzerland and the investigation is ongoing. Some authorities are reviewing the online hotel booking sector more generally through market inquiries and the Company cannot predict the outcome of such inquiries or any resulting impact on its business, results of operations, cash flows or financial condition.

NCAs or other governmental authorities are continuing to review the activities of online platforms, including through the use of consumer protection powers. In October 2017, the United Kingdom's NCA (the Competition and Markets Authority, or CMA) launched a consumer protection law investigation into the clarity, accuracy and presentation of information on hotel booking sites with a specific focus on the display of search results (e.g., ranking), claims regarding discounts, methods of "pressure selling" (such as allegedly creating false impressions regarding room availability) and failure to disclose hidden charges. In connection with this investigation, in June 2018, the CMA announced that it would proceed with enforcement action against a number of hotel booking sites. Booking.com, agoda and KAYAK, along with a number of other OTCs, have voluntarily agreed to certain commitments with the CMA addressing its concerns in resolution of this investigation, which will take effect on September 1, 2019. Among other things, the commitments provided to the CMA include showing prices inclusive of all mandatory taxes and charges, providing information about the effect of commissions on search result rankings on or before the search results page and making certain adjustments to how discounts and statements concerning popularity or availability are shown to consumers. The CMA has stated that it expects all participants in the online travel market to adhere to the same standards, regardless of whether they formally signed the commitments. The commitments conclude the CMA's investigation without finding an infringement or an admission of wrongdoing of the OTCs involved. The Company is unable to predict what, if any, effect the commitments made to the CMA, will have on its business, industry practices or online commerce more generally.

The Company is unable to predict how any current or future investigations or litigation may be resolved or the long-term impact of any such resolution on its business. For example, competition and consumer-law related investigations, legislation or issues have and could in the future result in private litigation. More immediate results could include, among other things, the imposition of fines, commitments to change certain business practices or reputational damage, any of which could harm the Company's business, results of operations, brands or competitive position.

Tax Matters

French tax authorities conducted an audit of Booking.com for the years 2003 through 2012. They are asserting that Booking.com has a permanent establishment in France and are seeking to recover what they claim are unpaid income and value-added taxes. In December 2015, the French tax authorities issued Booking.com assessments related to those tax years for approximately 356 million Euros, the majority of which would represent penalties and interest. The Company believes that Booking.com has been, and continues to be, in compliance with French tax law, and the Company is contesting the assessments. The Company has not recorded a liability in connection with these assessments. In December 2018, the French tax authorities issued a formal demand for payment of the amounts assessed. As a result, in January 2019, the Company paid the assessment of approximately 356 million Euros ($403 million) in order to preserve its right to contest the assessments in court, which is included in "Other assets" in the Unaudited Consolidated Balance Sheet at March 31, 2019. Such payment does not constitute an admission that the Company owes the taxes and will be refunded (with interest) to the Company to the extent the Company prevails. If the Company is unable to resolve the matter with the French tax authorities, the Company plans to challenge the assessments in the French courts. The French tax authorities have begun a similar audit of the tax years 2013 through 2015, which could result in additional assessments.

Italian authorities are reviewing Booking.com's activities for the years 2011 through 2015. They are reviewing whether Booking.com has a permanent establishment in Italy and Booking.com's transfer pricing practices in Italy. The Company believes that Booking.com has been, and continues to be, in compliance with Italian tax law. The Company is cooperating with the investigation but intends to contest any allegation that Booking.com has a permanent establishment in Italy or that its transfer pricing policies are inappropriate. In December 2018, the Italian tax authorities issued an assessment on the Italian Booking.com subsidiary for approximately 48 million Euros for the 2013 tax year, asserting that its transfer pricing policies were inadequate. The Company has not recorded a liability in connection with this assessment. It is unclear what further actions, if any, the Italian authorities will take. Such actions could include closing the investigation, assessing Booking.com additional taxes, as well as the imposition of interest, fines and penalties, or even bringing criminal charges.

In addition, Turkish tax authorities have asserted that Booking.com has a permanent establishment in Turkey and have issued tax assessments for the years 2012 through 2017 for approximately 433 million Turkish Lira, including interest and penalties. The Company believes that Booking.com has been, and continues to be, in compliance with Turkish tax law, and the Company is contesting these assessments. The Company has not recorded a liability in connection with these assessments.

As a result of an internal review of tax policies and positions at one of the Company's smaller subsidiaries, the Company identified two issues related to the application of certain non-income-based tax laws to that subsidiary's business. In the third and fourth quarters of 2018, the Company accrued related travel transaction taxes totaling approximately $46 million, based on the Company's estimate of the probable travel transaction tax owed for the prior periods, including interest and penalties, as applicable. This expense is included in "General and administrative" expense in the Consolidated Statement of Operations for the year ended December 31, 2018. The Company currently estimates that the reasonably possible loss related to these matters in excess of the amount accrued is approximately $20 million. The Company's internal review is ongoing, and, to the extent the Company determines that the probable taxes owed related to these matters exceed what has already been accrued or new issues are identified during this review, the Company may need to accrue additional amounts, which could adversely affect the Company’s business, results of operations, financial condition and cash flows.

From time to time, the Company is involved in other tax-related audits, investigations or proceedings, which could relate to income taxes, value-added taxes, sales taxes, employment taxes, etc. For example, the Company is subject to legal proceedings in the United States related to travel transaction taxes (e.g., hotel occupancy taxes, sales taxes, etc.).

Any taxes or other assessments in excess of our current tax provisions, whether in connection with the foregoing or otherwise (including the resolution of any tax proceedings), could have a material adverse effect on our business, effective tax rate, results of operations and financial condition.

Turkish Matter

From time to time the Company has been subject to legal proceedings and claims regarding whether it is subject to local registration requirements, such as requirements to register as a travel agent. In March 2017, in connection with a lawsuit begun in 2015 by the Association of Turkish Travel Agencies claiming that Booking.com is required to meet certain registration requirements in Turkey, a Turkish court ordered Booking.com to suspend offering Turkish hotels and accommodations to Turkish residents. Although Booking.com is appealing the order and believes it to be without basis, this order has had a negative impact on the Company's growth and results of operations, and is expected to continue to negatively impact the Company's results of operations.

Other Matters

The Company accrues for certain legal contingencies where it is probable that a loss has been incurred and the amount can be reasonably estimated. Such accrued amounts are not material to the Company's balance sheets and provisions recorded have not been material to the Company's results of operations or cash flows. An estimate of a reasonably possible loss or range of loss cannot be reasonably made.

From time to time, the Company has been, and expects to continue to be, subject to legal proceedings and claims in the ordinary course of business, including claims of alleged infringement of third-party intellectual property rights. Such claims, even if not meritorious, could result in the expenditure of significant financial and managerial resources, divert management's attention from the Company's business objectives and adversely affect the Company's business, results of operations, financial condition and cash flows.

Liability associated with the Earnout Arrangement for Business Acquisition

At December 31, 2018, the Company's Consolidated Balance Sheets included a liability of $28 million for contingent consideration related to a business acquisition in 2015. The fair value of the liability, which had been considered a "Level 3" fair value measurement (see Note 6), was based upon probability-weighted average payments for specific performance factors from the acquisition date through the performance period which ended on March 31, 2019. At March 31, 2019, the estimated payout is approximately $35 million based on the actual results of the acquired business. The associated expense related to the increase in the liability of $7 million was included in "General and administrative" expense in the Company's Unaudited Consolidated Statement of Operations for the three months ended March 31, 2019.

Building Construction

In September 2016, the Company signed a turnkey agreement to construct an office building for Booking.com's headquarters in the Netherlands for 270 million Euros. Upon signing this agreement, the Company paid 43 million Euros for the acquired land-use rights, which was included in "Other assets" in the Unaudited Consolidated Balance Sheets for periods prior to January 1, 2019. The land-use rights were reclassified from "Other assets" to "Operating lease assets" on January 1, 2019 as part of the adoption of ASC 842, *Leases* (see Note 1). In addition, since signing the turnkey agreement the Company has made several progress payments principally related to the construction of the building, which are included in "Property and equipment, net" in the Unaudited Consolidated Balance Sheets. At March 31, 2019, the Company has a remaining obligation of 156 million Euros ($175 million) related to the building construction, which will be paid through 2021, when the Company anticipates construction will be complete.

In addition to the turnkey agreement, the Company has a remaining obligation at March 31, 2019 to pay 73 million Euros ($82 million) over the remaining term of the acquired land lease. The Company will also make additional capital expenditures to fit out and furnish the office space.

Other Contractual Obligation

In 2018, the Company signed an agreement for a lease related to approximately 222,000 square feet of office space in the city of Manchester in the United Kingdom for the headquarters of Rentalcars.com. The Company's obligation to execute the lease is conditional upon the lessor completing certain activities, which are expected to be completed in 2020. If these activities are completed, the lease will commence for a term of approximately 13 years and the Company will have a lease obligation of approximately 65 million British Pounds Sterling, excluding lease incentives. The Company will also make capital expenditures to fit out and furnish the office space.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our Unaudited Consolidated Financial Statements, including the notes to those statements, included elsewhere in this Quarterly Report on Form 10-Q, and the Section entitled "Special Note Regarding Forward-Looking Statements" at the end of this Item 2. As discussed in more detail in the Section entitled "Special Note Regarding Forward-Looking Statements," this discussion contains forward-looking statements, which involve risks and uncertainties. Our actual results may differ materially from the results discussed in the forward-looking statements. Factors that might cause those differences include those discussed in "Risk Factors" and elsewhere in this Quarterly Report. The information on our websites is not a part of this Quarterly Report and is not incorporated herein by reference.

We evaluate certain operating and financial measures on both an as-reported and constant-currency basis. We calculate constant currency by converting our current-year period financial results for transactions recorded in currencies other than U.S. Dollars using the corresponding prior-year period monthly average exchange rates rather than the current-year period monthly average exchange rates.

Overview

Our mission is to help people experience the world. 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 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 results include FareHarbor and HotelsCombined since they were acquired in April 2018 and November 2018, respectively. We refer to our company and all of our subsidiaries and brands collectively as "Booking Holdings," the "Company," "we," "our" or "us."

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 (which is domiciled in the Netherlands) 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 2 to the Unaudited Consolidated Financial Statements for more geographic information.

We derive substantially all of our revenues 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.

Trends

Over the last several years, we have experienced significant growth in our accommodation reservation services. We believe this growth is the result of, among other things, the broader shift of travel purchases from offline to online, the widespread adoption of mobile devices and the growth of travel overall. We also believe this growth is the result of the continued innovation and execution by our teams around the world to increase the number and the variety of accommodations we offer our travelers, increase and improve content, build distribution and improve the consumer experience on our online platforms, as well as consistently and effectively marketing our brands through performance and brand marketing efforts. These year-over-year growth rates have generally decelerated. Given the size of our accommodation reservation business, we expect that our year-over-year growth rates will generally continue to decelerate, though the rate of deceleration may fluctuate and there may be periods of acceleration from time to time.

We are a global business, and online travel growth rates vary across the world depending on numerous factors, including local and regional economic conditions, individual disposable income, access to the internet and adoption of e-commerce. Online travel growth rates have generally slowed in markets such as North America and Europe where online activity is high and consumers have been engaging in e-commerce transactions for many years, while online travel growth rates remain relatively high in markets such as Asia-Pacific where incomes are rising more quickly and the increased availability and use of mobile devices has accelerated the growth of internet usage and travel e-commerce transactions. Over the long-term, we expect online travel growth rates to slow as markets continue to mature. However, we believe that the opportunity to continue to grow our business exists for the markets in which we operate, including in both mature and fast-growing markets. Further, we believe that this opportunity for growth exists because we believe we provide significant value to travel service providers, regardless of size or geography, due to our brands, global reach and online marketing expertise. For example, we believe that accommodation providers of all sizes, from large hotel chains to small, independent hotels and alternative accommodations such as homes and apartments, benefit from using our services, which enable them to reach a broader audience of potential customers.

Our growth has primarily been generated by our worldwide accommodation reservation service brand, Booking.com, which is our most significant brand, and has been due, in part, to the availability of a large and growing number of properties through Booking.com. Booking.com included approximately 2,290,000 properties on its website at March 31, 2019, consisting of approximately 438,000 hotels, motels and resorts and approximately 1,852,000 homes, apartments and other unique places to stay, compared to approximately 1,740,000 properties (including approximately 415,000 hotels, motels and resorts and approximately 1,325,000 homes, apartments, and other unique places to stay) at March 31, 2018. Booking.com categorizes properties listed on its website as either (a) hotels, motels and resorts, which groups together more traditional accommodation types (including hostels and inns), or (b) homes, apartments and other unique places to stay, also referred to as alternative accommodations, which encompasses all other types of accommodations, including bed and breakfasts, villas, apart-hotels and beyond.

We intend to continue to invest in adding accommodations available for reservation on our platforms, such as hotels, motels, resorts, homes, apartments and other unique places to stay, however the growth rate of our accommodations may vary in part as a result of removing accommodations from our platforms from time to time. Many of the newer accommodations we add to our travel reservation services, especially in highly-penetrated markets, may have fewer rooms or higher credit risk and may appeal to a smaller subset of consumers (e.g., hostels and bed and breakfasts). Because alternative accommodations are often either a single unit or a small collection of independent units, these properties generally represent more limited booking opportunities than hotels, motels and resorts, which generally have more units to rent per property. Further, alternative accommodations in general may be subject to increased seasonality due to local tourism seasons, weather or other factors or may not be available at peak times due to use by the property owners. We may also experience lower profit margins with respect to these properties due to certain additional costs, such as increased customer service costs, related to offering these accommodations on our platforms. As we increase our alternative accommodation business, these different characteristics could negatively impact our profit margins; and, to the extent these properties represent an increasing percentage of the properties added to our platforms, we expect that our gross bookings growth rate and property growth rate will continue to diverge over time (since each such property has fewer booking opportunities). As a result of the foregoing, as the percentage of alternative accommodation properties increases, the number of reservations per property will likely continue to decrease. We believe that continuing to expand the number and variety of accommodations available through our services, in particular Booking.com, will help us to continue to grow our accommodation reservation business.

As part of our strategy to provide more payment options to our customers and travel service providers, increase the number and variety of accommodations available on Booking.com and enable the growth of our in-destination activities businesses, Booking.com is increasingly processing transactions on a merchant basis, where it receives payments on behalf of customers. This allows Booking.com to process transactions for travel service providers and to increase its ability to offer secure and flexible transaction terms to consumers, such as the form and timing of payment. We believe that adding these types of service offerings will benefit our customers and partners, as well as our gross bookings, room night and earnings growth rates. However, this results in additional expenses for personnel, payment processing, customer chargebacks (including those related to fraud) and other expenses related to these transactions, which are recorded in "Personnel" and "Sales and other expenses" in our Unaudited Statements of Operations, as well as associated incremental revenues in the form of credit card rebates, for example, which are recorded in "Merchant revenues." As this business continues to grow, we may experience a significant increase in these expenses, which would negatively impact our operating margins despite increases in associated incremental revenues. Each of the revenue and expense items associated with our merchant business may be recognized in different periods. These timing factors could impact our operating margins as well as the relationship between our gross bookings and revenue in a particular period, especially as our merchant business increases as a percentage of our overall business.

We compete globally with both online and traditional providers of 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 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 and has grown rapidly in this area, including by establishing a flight meta-search product (Google Flights) and a hotel meta-search product (Google Hotel Ads), as well as its "Book on Google" reservation functionality and its Google Trips app. Our markets are also subject to rapidly changing conditions, including technological developments, consumer behavior changes, regulatory changes and travel service provider consolidation. We expect these trends to continue. For example, we have experienced a significant shift of both direct and indirect business to mobile platforms and our advertising partners are also seeing a rapid shift of traffic to mobile platforms. Advertising and distribution opportunities may be more limited on mobile devices given their smaller screen sizes. In addition, the revenue earned on a mobile transaction may be less than a typical desktop transaction due to different consumer purchasing patterns. For example, accommodation reservations made on a mobile device typically are for shorter lengths of stay, have lower accommodation average daily rates ("ADRs") and are not made as far in advance. For more detail regarding the competitive trends and risks we face, see Part II Item 1A Risk Factors - "*Intense competition could reduce our market share and harm our financial performance.*" and "*Consumer adoption and use of mobile devices creates challenges and may enable device companies such as Google and Apple to compete directly with us.*" and "*We may not be able to keep up with rapid technological or other market changes.*"

Although we believe that providing an extensive collection of properties, excellent customer service and an intuitive, easy-to-use consumer experience are important factors influencing a consumer's decision to make a reservation, for many consumers, particularly in certain markets, the price of the travel service is the primary factor determining whether a consumer will book a reservation. As a result, it is increasingly important to offer travel services, such as accommodation reservations, at competitive prices, whether through discounts, coupons, closed-user group rates or loyalty programs, or otherwise. These initiatives may result in lower revenue as a percentage of gross bookings. Discounting and couponing coupled with a high degree of consumer shopping behavior is particularly common in Asian markets. In some cases, our competitors are willing to make little or no profit on a transaction, or offer travel services at a loss, in order to gain market share.

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 generally expect our performance and brand marketing expenses to continue to increase. Our performance marketing expense is primarily related to the use of online search engines (primarily Google), meta-search and travel research services and affiliate marketing to generate traffic to our websites. Growth of some of these channels has slowed. Performance marketing expenses decreased to $1.0 billion for the three months ended March 31, 2019 from $1.1 billion for the three months ended March 31, 2018. We also invested $163 million and $101 million in brand marketing for the three months ended March 31, 2019 and 2018, respectively, 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. We have observed increased brand marketing by OTCs, meta-search services and travel service providers, which may make our brand marketing efforts more expensive and less effective.

Performance marketing efficiency, expressed as performance marketing expense as a percentage of total revenues, is impacted by a number of factors that are subject to variability and that are, in some cases, outside of our control, including ADRs, costs per click, cancellation rates, foreign exchange rates, our ability to convert paid traffic to booking customers and the extent to which consumers come directly to our websites or mobile apps for bookings. For example, competition for desired rankings in search results and/or a decline in ad clicks by consumers could increase our costs per click and reduce our performance marketing efficiency. In recent years, we experienced significant increases in our cancellation rates, which negatively affected our marketing efficiency and results of operations. More recently our cancellation rates have decreased, which has benefited our marketing efficiency and results of operations. We believe that many factors influence cancellation rates, and it is uncertain whether future cancellation rates will continue to decrease, stabilize or return to their prior trend of generally increasing over time. Further, cancellation rates could vary period to period without following a discernible trend. Changes by Google in how it presents travel search results, including by placing its own offerings at or near the top of search results, or the manner in which it conducts the auction for placement among search results may be competitively disadvantageous to us and may impact our ability to efficiently generate traffic to our websites. Similarly, changes by our other search and meta-search partners in how they present travel search results or the manner in which they conduct the auction for placement among search results may be competitively disadvantageous to us and may impact our ability to efficiently generate traffic to our websites.

We have observed a long-term trend of decreasing performance marketing returns on investment ("ROIs"), a trend we expect to continue, though the rate of decrease may fluctuate and there may be periods of stable or increasing ROIs from time to time. In addition, we may from time to time, as we did beginning in the third quarter of 2017 through the fourth quarter of 2018, pursue a strategy of improving our performance marketing ROIs, which could negatively impact growth and positively impact performance marketing efficiency and profitability. When evaluating our performance marketing spend, we consider several factors for each channel, such as the customer experience on the advertising platform, the incrementality of the traffic we receive and the anticipated repeat rate from a particular platform, as well as other factors. The amount of business we obtain through each performance marketing channel is impacted by numerous factors, including bidding decisions by us and our competitors (including decisions to optimize performance marketing ROIs) and the marketing efforts and success of those channels to attract consumers and generate demand. See Part II Item 1A Risk Factors - "*We rely on performance and brand marketing channels to generate a significant amount of traffic to our platforms and grow our business.*" and "*Our business could be negatively affected by changes in online search and meta-search algorithms and dynamics or traffic-generating arrangements.*"

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 and reduced government spending, could impair consumer spending and adversely affect travel demand. Further, 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 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. For more detail, see Part II Item 1A Risk Factors - "*Declines or disruptions in the travel industry could adversely affect our business and financial performance.*"

These and other macro-economic uncertainties, such as 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.

As noted earlier, our international business represents a substantial majority of our financial results. Therefore, because we report our results in U.S. Dollars, we face exposure to movements in currency exchange rates as the financial results and the financial condition of our international businesses are translated from local currency (principally Euros and British Pounds Sterling) into U.S. Dollars. As a result, both the absolute amounts of and percentage changes in our foreign-currency-denominated net assets, gross bookings, revenues, operating expenses and net income as expressed in U.S. Dollars are affected by currency exchange rate changes. Our foreign-currency-denominated gross bookings, revenues, operating expenses and net income as expressed in U.S. Dollars are lower for the three months ended March 31, 2019 than they would have been had foreign exchange rates remained where they were in the corresponding period in 2018. For example, total revenues from our international businesses decreased by 3.1% for the three months ended March 31, 2019 as compared to the three months ended March 31, 2018, but, without the impact of changes in currency exchange rates, grew year-over-year on a constant-currency basis by approximately 4%. Since our expenses are generally denominated in foreign currencies on a basis similar to our revenues, our operating margins have not been significantly impacted by currency fluctuations. Historically, the aggregate principal value of our Euro-denominated long-term debt and accrued interest thereon provided a hedge against the impact of currency exchange rate fluctuations on the net assets of certain of our Euro functional currency subsidiaries (see Note 6 to our Unaudited Consolidated Financial Statements). We plan to dedesignate a portion of this hedge in the second quarter of 2019. The foreign currency transaction gains or losses on the Euro-denominated debt that is not designated as hedging instruments for accounting purposes will be recognized in net income. For more information, see Part II Item 1A Risk Factors - "*We are exposed to fluctuations in currency exchange rates.*"

We generally enter into derivative instruments to minimize the impact of short-term currency fluctuations on the translation of our consolidated operating results into U.S. Dollars. However, such derivative instruments are short-term in nature and not designed to hedge against currency fluctuations that could impact growth rates for our gross bookings or revenues (see Note 6 to our Unaudited Consolidated Financial Statements for additional information on our derivative contracts).

Many national governments have conducted or are conducting investigations into competitive practices within the online travel industry, and we may be involved or affected by such investigations and their results. Some countries have adopted or proposed legislation that could also affect business practices within the online travel industry. For example, France and Italy, among others, have adopted legislation making all price parity agreements illegal and similar legislation is under consideration in other countries. Also, a number of governments are investigating or conducting information-gathering exercises in respect of compliance by OTCs with consumer protection laws, including practices related to the display of search results and search ranking algorithms, claims regarding discounts, disclosure of charges and availability, and similar messaging. For more information on these investigations and their potential effects on our business, see Note 13 to our Unaudited Consolidated Financial Statements and Part II Item 1A Risk Factors - "*Our business is subject to various competition, anti-trust, consumer protection and online commerce laws, rules and regulations around the world, and as the size of our business grows, the scrutiny of legislators and regulators in these areas may intensify.*" In addition to the price parity and consumer protection investigations, from time to time national competition authorities, other governmental agencies, trade associations and private parties take legal actions, including commencing legal proceedings, that may affect our operations. For example, in March 2017, in connection with a lawsuit begun in 2015 by the Association of Turkish Travel Agencies claiming that Booking.com is required to meet certain registration requirements in Turkey, a Turkish court ordered Booking.com to suspend offering Turkish hotels and accommodations to Turkish residents. Although Booking.com is appealing the order and believes it to be without basis, this order has had a negative impact on our growth and results of operations, and is expected to continue to negatively impact our results of operations. In general, increased regulatory focus on online businesses, including online travel businesses like ours, could result in increased compliance costs or otherwise adversely affect our business.

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, we generally recognize revenue from these bookings when the travel begins (at "check-in"), which 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-in). However, we saw a contraction of the booking window throughout 2018 and in the first quarter of 2019. 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 2019, Easter fell on April 21 and Easter-related travel began in the second quarter, when the associated revenue will be recognized. By comparison, in 2018, Easter was on April 1 and a meaningful amount of Easter-related travel began in the week leading up to the holiday with the associated revenue being recognized in the first quarter of 2018. As a result of the shift in Easter timing relative to 2018, our first quarter 2019 year-over-year growth rates in revenue, operating income and operating margins were negatively impacted and our second quarter 2019 year-over-year growth rates will be positively impacted. 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.

Other Factors

We believe that our future success depends in large part on our ability to continue to profitably grow our brands worldwide, and, over time, to offer other travel and travel-related services. Factors 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. See Part II Item 1A Risk Factors - "*Declines or disruptions in the travel industry could adversely affect our business and financial performance.*"

We intend to continue to invest in marketing and promotion, technology and personnel within parameters consistent with attempts to improve long-term operating results, even if those expenditures create pressure on operating margins. We have experienced pressure on operating margins as we prioritize initiatives that drive growth. We also intend to broaden the scope of our business, and to that end, we explore strategic alternatives from time to time in the form of, among other things, acquisitions. As the overall size of our business has grown, the competitive pressure to innovate will encompass a wider range of services and technologies, including services and technologies that may be outside of our historical core business, and our ability to keep pace may slow. Potential competitors, such as emerging start-ups, may be able to innovate and focus on developing a particularly new product or service faster than we can or may foresee consumer need for new services or technologies before us. Some of our larger competitors or potential competitors have more resources or more established or diversified relationships with consumers than we do, and they could use these advantages in ways that could affect our competitive position, including by making acquisitions, entering or investing in travel reservation businesses, investing in research and development, and competing aggressively for highly-skilled employees. For example, because consumers often utilize other online services more frequently than online travel services, 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. Our goal is to grow revenue and achieve healthy operating margins in an effort to maintain profitability. The uncertain and highly competitive environment in which we operate makes the prediction of future results of operations difficult, and accordingly, we may not be able to sustain revenue growth and profitability.

Results of Operations

Three Months Ended March 31, 2019 compared to the Three Months Ended March 31, 2018

We evaluate certain operating and financial measures on both an as-reported and constant-currency basis. We calculate constant currency by converting our current-year period financial results for transactions recorded in currencies other than U.S. Dollars using the corresponding prior-year period monthly average exchange rates rather than the current-year period monthly average exchange rates.

Operating and Statistical Metrics

Our financial results are driven by certain operating metrics that encompass the booking and other business activity generated by our travel and travel-related services. Specifically, reservations of accommodation room nights, rental car days and airline tickets capture the volume of units booked through our OTC brands by our travel reservation services customers. Gross bookings is an operating and statistical metric that captures the total dollar value, generally inclusive of taxes and fees, of all travel services booked through our OTC brands by our customers, net of cancellations, and is widely used in the travel business. Our non-OTC brands (KAYAK and OpenTable) have different business metrics from those of our OTC brands and therefore search queries through KAYAK and restaurant reservations through OpenTable do not contribute to our gross bookings.

Gross bookings resulting from reservations of accommodation room nights, rental car days and airline tickets made through our agency and merchant models for the three months ended March 31, 2019 and 2018 were as follows (numbers may not total due to rounding):

	Three Months Ended March 31, (in millions)		
	2019	**2018**	**Change**
Agency	$ 19,678	$ 20,576	(4.4)%
Merchant	5,732	4,434	29.3 %
Total	$ 25,410	$ 25,009	1.6 %

Gross bookings increased by 1.6% for the three months ended March 31, 2019 compared to the three months ended March 31, 2018 (growth on a constant-currency basis was approximately 8%). Gross bookings growth was primarily due to growth of 10.3% in accommodation room night reservations, partially offset by the negative impact of foreign exchange rate fluctuations and a decrease in accommodation ADRs on a constant-currency basis of approximately 2%. We believe that unit growth rates and growth in total gross bookings on a constant-currency basis, which excludes the impact of foreign exchange rate fluctuations, are important measures to understand the fundamental performance of the business.

Agency gross bookings are derived from travel-related transactions where we do not facilitate payments from travelers for the travel services provided. Agency gross bookings decreased by 4.4% for the three months ended March 31, 2019, compared to the three months ended March 31, 2018, almost entirely due to a decrease in gross bookings from agency accommodation room night reservations at Booking.com, which was negatively impacted by the expansion of its merchant accommodation reservation services as well as the aforementioned negative impact of foreign exchange rate fluctuations.

Merchant gross bookings are derived from services where we facilitate payments from travelers for the travel services provided. Merchant gross bookings increased by 29.3% for the three months ended March 31, 2019, compared to the three months ended March 31, 2018, almost entirely due to growth in gross bookings from our merchant accommodation reservation services at Booking.com and agoda, partially offset by the aforementioned negative impact of foreign exchange rate fluctuations. Booking.com has been expanding its merchant accommodation reservation services to, among other reasons, provide greater payment options for both consumers and travel service providers and enable more alternative accommodations to be listed on Booking.com.

Accommodation room nights, rental car days and airline tickets reserved through our services for the three months ended March 31, 2019 and 2018 were as follows:

	Three Months Ended March 31, (in millions)		
	2019	2018	Change
Room nights	217	197	10.3 %
Rental car days	18	19	(1.3)%
Airline tickets	2	2	4.4 %

Accommodation room night reservations increased by 10.3% for the three months ended March 31, 2019, compared to the three months ended March 31, 2018, primarily due to strong execution by our brand teams to increase the accommodation choices we offer our travelers, invest in marketing and provide a continuously improving consumer experience, as well as the overall growth in the travel industry and the ongoing shift from offline to online for travel bookings. The increase for the three months ended March 31, 2019, compared to the three months ended March 31, 2018, was also positively impacted by a decrease in cancellation rates.

Rental car day reservations decreased by 1.3% for the three months ended March 31, 2019, compared to the three months ended March 31, 2018, due to a decrease in U.S. rental car day reservations primarily as a result of rental car supply constraints.

Airline ticket reservations increased by 4.4% for the three months ended March 31, 2019, compared to the three months ended March 31, 2018, due to the benefits of priceline's investments in its flight platform and brand marketing.

Revenues

Online travel reservation services

Substantially all of our revenues are generated by providing online travel reservation services, which facilitate online travel purchases between travel service providers and travelers.

Revenues from online travel reservation services are classified into two categories:

- *Agency.* Agency revenues are derived from travel-related transactions where we do not facilitate payments from travelers for the services provided. Agency revenues consist almost entirely of travel reservation commissions, as well as certain GDS reservation booking fees and certain travel insurance fees. Substantially all of our agency revenue is from Booking.com agency accommodation reservations.

- *Merchant.* Merchant revenues are derived from travel-related transactions where we facilitate payments from travelers for the services provided, generally at the time of booking. Merchant revenues include (1) 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; (2) credit card processing rebates and customer processing fees; and (3) ancillary fees, including travel insurance-related revenues and certain GDS reservation booking 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

Advertising and other revenues are derived primarily from (1) revenues earned by KAYAK for (a) sending referrals to OTCs and travel service providers and (b) advertising placements on KAYAK's platforms; and (2) revenues earned by OpenTable for (a) restaurant reservation services (fees paid by restaurants for diners seated through OpenTable's online reservation service) and (b) subscription fees for restaurant management services.

	Three Months Ended March 31, (in millions)		
	2019	2018	Change
Agency revenues	$ 1,949	$ 2,113	(7.8)%
Merchant revenues	603	526	14.6 %
Advertising and other revenues	285	289	(1.2)%
Total revenues	$ 2,837	$ 2,928	(3.1)%

Total revenues for the three months ended March 31, 2019, as compared to the three months ended March 31, 2018, decreased by 3.1% (growth on a constant-currency basis was approximately 3%). Revenue growth was negatively impacted by Easter falling on April 21, 2019 versus the prior year on April 1, 2018, which will result in Easter-related revenue being recognized in the second quarter of this year, as compared to being largely recognized in the first quarter in the prior year. Substantially all of the year-over-year decrease for the three months ended March 31, 2019, compared to the three months ended March 31, 2018, was related to revenues from our accommodation reservation services.

Agency revenues decreased by 7.8% for the three months ended March 31, 2019, compared to the three months ended March 31, 2018, almost entirely due to decreased gross bookings from agency accommodation room night reservations at Booking.com, partially offset by the negative impact from the expansion in merchant transactions.

The year-over-year increase of 14.6% in merchant revenues for the three months ended March 31, 2019, compared to the three months ended March 31, 2018, was due almost entirely to the increase in merchant accommodation reservation services, partially offset by an immaterial adjustment of $53 million to merchant revenues related to prior periods due to a correction in the timing of revenue recognition on a component of merchant revenue. Booking.com has been expanding its merchant accommodation reservation services to, among other reasons, provide greater payment options for both consumers and travel service providers and enable more alternative accommodations to be listed on Booking.com.

Advertising and other revenues decreased by 1.2% for the three months ended March 31, 2019, compared to the three months ended March 31, 2018, primarily due to an increase in revenues in 2018 resulting from the reduction of $27 million in OpenTable's loyalty program liability, partially offset by the inclusion in 2019 of approximately $16 million in revenue related to HotelsCombined, and increased diner reservation revenues at OpenTable.

Total revenues as a percentage of gross bookings was 11.2% for the three months ended March 31, 2019, as compared to 11.7% for the three months ended March 31, 2018. The decrease is due primarily to an immaterial adjustment of $53 million to merchant revenues related to prior periods due to a correction in the timing of revenue recognition on a component of merchant revenue, as well as the timing of booking versus travel, including the impact of Easter falling later in the second quarter.

Our international businesses accounted for $2.5 billion of our total revenues for the three months ended March 31, 2019, which decreased by 3.1% compared to the three months ended March 31, 2018 (growth on a constant-currency basis was approximately 4%). Total revenues attributable to our U.S. businesses decreased by 3.4% for the three months ended March 31, 2019, compared to the three months ended March 31, 2018, due primarily to the reduction of $27 million in OpenTable's loyalty program liability in 2018.

Operating Expenses

Marketing

	Three Months Ended March 31, (in millions)		
	2019	2018	Change
Performance marketing	$ 1,030	$ 1,106	(6.9)%
% of Total revenues	36.3%	37.8%	
Brand marketing	$ 163	$ 101	60.9 %
% of Total revenues	5.8%	3.5%	

We rely on performance marketing channels to generate a significant amount of traffic to our websites. Performance marketing expenses consist primarily of the costs of: (1) search engine keyword purchases; (2) referrals from meta-search and travel research websites; (3) affiliate programs; and (4) other performance-based marketing and incentives. For the three months ended March 31, 2019, performance marketing expenses decreased compared to the three months ended March 31, 2018, due in part to the impact of foreign exchange rate fluctuations and the slowing growth of performance marketing channels. We adjust our performance marketing spend based on our growth and profitability objectives and the expected performance of our performance marketing channels. Performance marketing expense as a percentage of total revenues for the three months ended March 31, 2019 decreased, compared to the three months ended March 31, 2018, due to increased performance marketing ROIs and changes in the share of traffic by channel, partially offset by timing of booking versus travel, including the impact of Easter falling entirely in the second quarter of 2019 instead of largely in the first quarter, as it did in 2018. We recognize the substantial majority of our performance marketing expenses as they are incurred, which is typically in the quarter in which the associated reservations are booked. In contrast, we generally do not recognize revenue from these reservations until the travel begins, which can be in a quarter other than when the reservations are booked.

Brand marketing expenses consist primarily of television advertising, online video advertising (including the airing of our television advertising online) and online display advertising, as well as other marketing spend such as public relations, sponsorships and trade shows. For the three months ended March 31, 2019, brand marketing expenses increased by 60.9%, compared to the three months ended March 31, 2018, primarily due to increased brand marketing expenses at Booking.com in order to increase brand awareness and grow the number of customers that come directly to the Booking.com platforms.

Sales and Other Expenses

	Three Months Ended March 31, (in millions)		
	2019	2018	Change
Sales and other expenses	$ 215	$ 166	29.5%
% of Total revenues	7.6%	5.7%	

Sales and other expenses consist primarily of: (1) credit card and other payment processing fees associated with merchant transactions; (2) fees paid to third parties that provide call center, website content translations and other services; (3) provisions for customer chargebacks associated with merchant transactions; (4) provisions for bad debt, primarily related to agency accommodation commission receivables; and (5) customer relations costs. For the three months ended March 31, 2019, sales and other expenses, which are substantially variable in nature, increased compared to the three months ended March 31, 2018 due primarily to increases in our merchant transaction volumes and customer chargebacks (whether due to fraud or otherwise) and fraud prevention expense.

Personnel

	Three Months Ended March 31, (in millions)		
	2019	2018	Change
Personnel	$ 501	$ 499	0.4%
% of Total revenues	17.7%	17.0%	

Personnel expenses consist of compensation to our personnel, including salaries, stock-based compensation, payroll taxes, bonuses, and employee health and other benefits. Personnel expenses increased during the three months ended March 31, 2019, compared to the three months ended March 31, 2018, due to an increase in aggregate salaries of $26 million related to headcount growth to support our businesses, largely offset by lower bonus expenses. Stock-based compensation expense was $74 million for the three months ended March 31, 2019, compared to $71 million for the three months ended March 31, 2018. Headcount increased, primarily in customer service to support transaction growth, as well as in the areas of information technology to support various business initiatives, such as alternative accommodations, marketing, payments and in-destination experiences.

General and Administrative

	Three Months Ended March 31, (in millions)		
	2019	2018	Change
General and administrative	$ 191	$ 163	17.4%
% of Total revenues	6.7%	5.5%	

General and administrative expenses consist primarily of: (1) occupancy and office expenses; (2) personnel-related expenses such as travel, relocation, recruiting and training expenses; and (3) fees for outside professionals, including litigation expenses. General and administrative expenses increased during the three months ended March 31, 2019, compared to the three months ended March 31, 2018, due to increased professional fees, higher occupancy and office expenses and personnel-related expenses associated with increased headcount to support the expansion of our international businesses, as well as a $7 million fair value adjustment recognized in the first quarter of 2019 to the contingent liability related to a 2015 acquisition.

Information Technology

	Three Months Ended March 31, (in millions)		
	2019	2018	Change
Information technology	$ 65	$ 60	7.6%
% of Total revenues	2.3%	2.1%	

Information technology expenses consist primarily of: (1) software license and system maintenance fees; (2) outsourced data center costs; (3) payments to outside consultants; and (4) data communications and other expenses associated with operating our services. Information technology expenses increased during the three months ended March 31, 2019, compared to the three months ended March 31, 2018, due primarily to increased data center and cloud costs.

Depreciation and Amortization

	Three Months Ended March 31, (in millions)		
	2019	2018	Change
Depreciation and amortization	$ 116	$ 103	12.8%
% of Total revenues	4.1%	3.5%	

Depreciation and amortization expenses consist of: (1) amortization of intangible assets with determinable lives; (2) depreciation of computer equipment; (3) depreciation of internally developed and purchased software; and (4) depreciation of leasehold improvements, furniture and fixtures and office equipment. Depreciation and amortization expenses increased during the three months ended March 31, 2019, compared to the three months ended March 31, 2018, primarily as a result of increases of $6 million in data center equipment depreciation expenses and $6 million of internally developed software depreciation expenses due to higher capital expenditures and capitalized software development costs to support growth and geographic expansion.

Other Income (Expense)

	Three Months Ended March 31, (in millions)		
	2019	2018	Change
Interest income	$ 35	$ 47	(26.3)%
Interest expense	(66)	(70)	(5.9)%
Net unrealized gains on marketable equity securities	451	55	727.1 %
Foreign currency transactions and other	(8)	(9)	(7.1)%
Total	$ 412	$ 23	1682.7 %

Interest income decreased for the three months ended March 31, 2019, compared to the three months ended March 31, 2018, primarily due to lower average invested balances and lower yields. Interest expense decreased for the three months ended March 31, 2019, compared to the three months ended March 31, 2018, primarily attributable to the maturity of our 1.0% Convertible Senior Notes in March 2018 (see Note 9 to our Unaudited Consolidated Financial Statements).

Net unrealized gains on marketable equity securities for the three months ended March 31, 2019 are related to our equity investments in Ctrip.com International Ltd. ("Ctrip") and Meituan Dianping. Our investment in Meituan Dianping became classified as marketable equity securities as a result of its initial public offering in September 2018. Net unrealized gains on marketable equity securities for the three months ended March 31, 2018 are related to our equity investment in Ctrip. See Note 5 to our Unaudited Consolidated Financial Statements for further information.

Foreign currency transactions and other includes foreign currency gains or losses on derivative contracts, foreign currency transaction gains or losses, including costs related to foreign currency transactions, net realized gains or losses on investments and other income or expense. Foreign currency transaction losses, including costs related to foreign currency transactions, resulted in foreign currency losses of $9 million and $8 million for the three months ended March 31, 2019 and 2018, respectively.

Income Taxes

	Three Months Ended March 31, (in millions)		
	2019	2018	Change
Income tax expense	$ 203	$ 146	39.0%
% of Earnings before income taxes	21.0%	19.4%	

Our 2018 effective tax rate differs from the U.S. federal statutory tax rate of 21%, primarily due to the benefit of the Netherlands Innovation Box Tax and current year excess tax benefits recognized from the vesting of equity awards, partially offset by the effect of higher international tax rates and U.S. federal and state tax associated with our current year international earnings, resulting from the introduction of the U.S. Tax Cuts and Jobs Act (the "Tax Act").

Our effective tax rates were higher for the three months ended March 31, 2019, compared to the three months ended March 31, 2018, primarily as a result of lower excess tax benefits recognized from the vesting of equity awards and higher discrete tax charges related to unrealized gains on equity securities, partially offset by lower U.S. federal and state tax associated with the Company’s current year international earnings, resulting from the introduction of the Tax Act.

A portion of Booking.com's earnings during the three months ended March 31, 2019 and 2018 qualified for Innovation Box Tax treatment under Dutch tax law, which had a significant beneficial impact on the Company's effective tax rate for those periods. While we expect Booking.com to continue to qualify for Innovation Box Tax treatment with respect to a portion of its earnings for the foreseeable future, the loss of the Innovation Box Tax benefit, whether due to a change in tax law or a determination by the Dutch government that Booking.com's activities are not innovative or for any other reason, would substantially increase our effective tax rate and adversely impact our results of operations. See Part II Item 1A Risk Factors - " *We may not be able to maintain our 'Innovation Box Tax' benefit.*"

Liquidity and Capital Resources

At March 31, 2019, we had $12.8 billion in cash, cash equivalents and short-term and long-term investments, of which approximately $5.8 billion is held by our international subsidiaries and is denominated primarily in U.S. Dollars, Euros and, to a lesser extent, British Pounds Sterling and other currencies. Cash equivalents and short-term and long-term investments are comprised of U.S. and international corporate bonds, U.S. and international government securities, high-grade commercial paper, U.S. government agency securities, money market funds, time deposits and certificates of deposit, convertible debt securities and American Depositary Shares ("ADSs") of Ctrip, Meituan Dianping equity securities as well as our investments in private companies including Didi and Grab (see Note 5 and 6 to the Unaudited Consolidated Financial Statements).

At March 31, 2019, we had a remaining transition tax liability of $1.3 billion as a result of the Tax Act, which consisted of $1.2 billion in "Long-term U.S. transition tax liability" and $111 million in "Accrued expenses and other current liabilities" in the Unaudited Consolidated Balance Sheet. The majority of this liability will be paid over the next seven years. In accordance with the Tax Act, generally, future repatriation of our international cash will not be subject to a U.S. federal income tax liability as a dividend, but will be subject to U.S. state income taxes and international withholding taxes, which have been accrued by the Company.

In June 2015, we entered into a $2.0 billion five-year unsecured revolving credit facility with a group of lenders. The revolving credit facility provides for the issuance of up to $70 million of letters of credit as well as borrowings of up to $50 million on same-day notice, referred to as swingline loans. The proceeds of loans made under the facility will be used for working capital and general corporate purposes. At March 31, 2019, there were $250 million of borrowings outstanding and $5 million of letters of credit issued under the facility. We borrowed an additional $150 million in April 2019. See Note 9 to the Unaudited Consolidated Financial Statements for further information related to the revolving credit facility.

Our Convertible Senior Notes due June 2020 (the “2020 Notes”) are reported as current liabilities in the Unaudited Consolidated Balance Sheet at March 31, 2019 since the holders will have the right to convert all or any portion of the 2020 Notes at March 15, 2020 regardless of our stock price (see Note 9 to the Unaudited Consolidated Financial Statements).

During the three months ended March 31, 2019, we repurchased 1,618,788 shares of our common stock for an aggregate cost of $2.9 billion. At March 31, 2019, we had a remaining aggregate amount of $1.8 billion authorized by our Board of Directors to repurchase our common stock. In the second quarter of 2019, the Board of Directors authorized an additional program to repurchase up to $15.0 billion of our common stock. We have continued to make repurchases of our common stock in the second quarter of 2019 and may continue to make additional repurchases of our common stock from time to time, depending on prevailing market conditions, alternate uses of capital and other factors.

In September 2016, we signed a turnkey agreement to construct an office building for Booking.com’s headquarters in the Netherlands for 270 million Euros. Upon signing this agreement, we paid 43 million Euros for the acquired land-use rights. In addition, since signing the turnkey agreement we have made several progress payments principally related to the construction of the building. At March 31, 2019, we have a remaining obligation of 156 million Euros ($175 million) related to the building construction, which will be paid through 2021, when we anticipate construction will be complete. In addition to the turnkey agreement, we have a remaining obligation at March 31, 2019 to pay 73 million Euros ($82 million) over the remaining term of the acquired land lease. We will also make additional capital expenditures to fit out and furnish the office space.

See Note 13 to the Unaudited Consolidated Financial Statements for further information on our commitments and contingencies.

Cash Flow Analysis

Net cash provided by operating activities decreased by $490 million for the three months ended March 31, 2019, compared to the three months ended March 31, 2018, primarily due to the payment of $403 million in 2019 to French tax authorities in order to preserve our right to contest the assessments in court (see Note 13 to our Unaudited Consolidated Financial Statements) and an increase of $48 million in income tax prepayments in the Netherlands.

Net cash provided by operating activities for the three months ended March 31, 2019 was $150 million, resulting from net income of $765 million, partially offset by a unfavorable impact from adjustments for non-cash items of $65 million and net unfavorable changes in working capital and other long-term assets and liabilities of $550 million. Non-cash items were principally associated with net unrealized gains on marketable equity securities, depreciation and amortization, deferred income tax expense and stock-based compensation expense. For the three months ended March 31, 2019, prepaid expenses and other current assets increased by $669 million, primarily related to prepayments of Netherlands income taxes of $774 million by Booking.com to earn prepayment discounts. For the three months ended March 31, 2019, accounts payable, accrued expenses and other current liabilities increased by $561 million, primarily related to growth in Booking.com's merchant transactions and increases in business volumes, partially offset by a reduction in accrued compensation liabilities as a result of 2018 bonuses being paid in the first quarter of 2019. Net change in other long-term assets and liabilities of $418 million was due to the increase in other long-term assets related to the payment of $403 million to French tax authorities in order to preserve our right to contest the assessments in court (see Note 13 to our Unaudited Consolidated Financial Statements).

Net cash provided by operating activities for the three months ended March 31, 2018 was $640 million, resulting from net income of $607 million and a favorable impact from adjustments for non-cash items of $174 million, partially offset by net unfavorable changes in working capital and other long-term assets and liabilities of $141 million. Non-cash items were principally associated with depreciation and amortization, stock-based compensation expense and net unrealized gains on marketable equity securities. For the three months ended March 31, 2018, prepaid expenses and other current assets increased by $709 million, primarily related to prepayments of Netherlands income taxes of $726 million to earn prepayment discounts, principally by Booking.com. For the three months ended March 31, 2018, accounts receivable increased by $96 million, primarily related to increases in business volumes. For the three months ended March 31, 2018, accounts payable, accrued expenses and other current liabilities increased by $632 million, primarily related to increases in business volumes partially offset by a reduction in accrued compensation liabilities, as a result of the 2017 bonuses being paid in the first quarter of 2018.

Net cash provided by investing activities for the three months ended March 31, 2019 and 2018 was $2.1 billion and $1.6 billion, respectively, principally resulting from the proceeds from sales and maturities of investments, net of purchases, of $2.2 billion and $1.8 billion, respectively. Cash invested in the purchase of property and equipment was $111 million and $131 million in the three months ended March 31, 2019 and 2018, respectively. Cash invested in the purchase of property and equipment for the three months ended March 31, 2018 includes payment of $41 million related to the turnkey agreement for constructing Booking.com's future headquarters.

Net cash used in financing activities was $2.5 billion for the three months ended March 31, 2019, which primarily consisted of payments for the repurchase of common stock of $2.8 billion, partially offset by the proceeds from short-term borrowings of $250 million. Net cash used in financing activities was $2.2 billion for the three months ended March 31, 2018, which primarily consisted of payments for the conversion of Senior Notes of $1.5 billion and payments for the repurchase of common stock of $718 million.

Contingencies

French tax authorities conducted an audit of Booking.com for the years 2003 through 2012. They are asserting that Booking.com has a permanent establishment in France and are seeking to recover what they claim are unpaid income and value-added taxes. In December 2015, the French tax authorities issued Booking.com assessments related to those tax years for approximately 356 million Euros, the majority of which would represent penalties and interest. We believe that Booking.com has been, and continues to be, in compliance with French tax law and we are contesting the assessments. In December 2018, the French tax authorities issued a formal demand for payment of the amounts assessed. As a result, in January 2019, we paid the assessment of approximately 356 million Euros ($403 million) in order to preserve our right to contest the assessments in court, which is included in "Other assets" in the Unaudited Consolidated Balance Sheet at March 31, 2019. Such payment does not constitute an admission that we owe the taxes and will be refunded (with interest) to us to the extent we prevail. If we are unable to resolve the matter with the French tax authorities, we plan to challenge the assessments in the French courts. The French tax authorities have begun a similar audit of the tax years 2013 through 2015, which could result in additional assessments. See Part II Item 1A Risk Factors - "*We may have exposure to additional tax liabilities.*"

Off-Balance Sheet Arrangements

At March 31, 2019, we did not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on our financial condition, results of operations, liquidity, capital expenditures or capital resources.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Sections of this Form 10-Q including, in particular, our Management's Discussion and Analysis of Financial Condition and Results of Operations above and the Risk Factors contained in Part II Item 1A hereof, contain forward-looking statements. These forward-looking statements reflect the views of our management regarding current expectations and projections about future events and are based on currently available information. These forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions that are difficult to predict; therefore, actual results could differ materially from those described in the forward-looking statements.

Expressions of future goals and expectations and similar expressions, including "may," "will," "should," "could," "expects," "plans," "anticipates," "intends," "believes," "estimates," "predicts," "potential," "targets," or "continue," reflecting something other than historical fact are intended to identify forward-looking statements. Our actual results could differ materially from those described in the forward-looking statements for various reasons including the risks we face which are more fully described in Part II Item 1A, Risk Factors. Unless required by law, we undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. However, readers should carefully review the reports and documents we file or furnish from time to time with the Securities and Exchange Commission, particularly our Annual Report on Form 10-K for the year ended December 31, 2018, and our subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company has exposure to several types of market risk: changes in interest rates, foreign currency exchange rates and equity prices.

We manage our exposure to interest rate risk and foreign currency risk through internally established policies and procedures and, when deemed appropriate, through the use of derivative financial instruments. We use currency exchange derivative contracts to manage short-term foreign currency risk.

The objective of our policies is to mitigate potential income statement, cash flow and fair value exposures resulting from possible future adverse fluctuations in rates. We evaluate our exposure to market risk by assessing the anticipated near-term and long-term fluctuations in interest rates and foreign exchange rates. This evaluation includes the review of leading market indicators, discussions with financial analysts and investment bankers regarding current and future economic conditions and the review of market projections as to expected future rates. We utilize this information to determine our own investment strategies as well as to determine if the use of derivative financial instruments is appropriate to mitigate any potential future market exposure that we may face. Our policy does not allow speculation in derivative instruments for profit or execution of derivative instrument contracts for which there are no underlying exposures. We do not use financial instruments for trading purposes and are not a party to any leveraged derivatives. To the extent that changes in interest rates and currency exchange rates affect general economic conditions, we would also be affected by such changes.

We did not experience any material changes in interest rate exposures during the three months ended March 31, 2019. Fixed-rate investments are subject to unrealized gains and losses due to interest rate volatility. We performed a sensitivity analysis to determine the impact a change in interest rates would have on the fair value of our available-for-sale investments in marketable debt securities assuming an adverse change of 100 basis points. A hypothetical 100 basis point (1.0%) increase in interest rates would have resulted in a decrease in the fair values of our investments of approximately $112 million and $126 million at March 31, 2019 and December 31, 2018, respectively. These hypothetical losses would only be realized if we sold the investments prior to their maturity. This amount excludes our investment in Ctrip.com International Ltd. ("Ctrip") senior convertible notes, which are more sensitive to the equity market price volatility of Ctrip's American Depositary Shares ("ADSs") than changes in interest rates. The fair value of our Ctrip senior convertible notes will most likely increase as the market price of Ctrip's ADSs increases and will likely decrease as the market price of Ctrip's ADSs falls.

At March 31, 2019 and December 31, 2018, the outstanding aggregate principal amount of our debt was $8.7 billion and $8.8 billion, respectively. We estimate that the fair value of such debt was approximately $9.5 billion and $9.3 billion at March 31, 2019 and December 31, 2018, respectively. A substantial portion of the fair value of our debt in excess of the outstanding principal amount relates to the conversion premium on our outstanding convertible notes.

We conduct a significant portion of our business outside the United States through subsidiaries with functional currencies other than the U.S. Dollar (primarily Euro). As a result, we face exposures to adverse movements in currency exchange rates as the operating results of our international operations are translated from local currencies into U.S. Dollars upon consolidation. If the U.S. Dollar weakens against the local currencies, the translation of these foreign-currency-denominated balances will result in increased net assets, gross bookings, revenues, operating expenses and net income. Similarly, our net assets, gross bookings, revenues, operating expenses and net income will decrease if the U.S. Dollar strengthens against the local currencies. Additionally, foreign exchange rate fluctuations on transactions, denominated in currencies other than the functional currency, result in gains and losses that are reflected in our Consolidated Statements of Operations.

As a result of currency exchange rate changes, our foreign-currency-denominated gross bookings, revenues, operating expenses and net income as expressed in U.S. Dollars are lower for the three months ended March 31, 2019 than they would have been had foreign exchange rates remained where they were for the corresponding period in 2018. Since our expenses are generally denominated in foreign currencies on a basis similar to our revenues, our operating margins have not been significantly impacted by currency fluctuations. Historically, the aggregate principal value of our Euro-denominated long-term debt and accrued interest thereon provided a hedge against the impact of currency exchange rate fluctuations on the net assets of certain of our Euro functional currency subsidiaries. We plan to dedesignate a portion of this hedge in the second quarter of 2019. The foreign currency transaction gains or losses on the Euro-denominated debt that is not designated as hedging instruments for accounting purposes will be recognized in net income.

From time to time, we enter into foreign currency derivative contracts to minimize the impact of short-term foreign currency fluctuations on our consolidated operating results. Our derivative contracts principally address foreign currency translation risks for the Euro, the British Pound Sterling and certain other currencies versus the U.S. Dollar. At March 31, 2019 and December 31, 2018, there were no such outstanding derivative contracts.

We are exposed to equity price risk as it relates to changes in fair value of our investments in equity securities of publicly-traded companies and private companies. The fair value of our investments in equity securities of publicly-traded companies and private companies, excluding our investment in Grab, was $1.5 billion and $501 million, respectively, at March 31, 2019, and $1.0 billion and $501 million, respectively, at December 31, 2018. These investments in private companies, excluding our investment in Grab, are measured at cost less impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer (see Note 5 to our Consolidated Financial Statements). A hypothetical 10% decrease in the fair value of these investments at March 31, 2019 and December 31, 2018 will result in a loss of approximately $199 million and $150 million, respectively, being recognized in net income.

Item 4. Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and our principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Exchange Act Rule 13a-15(e). Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

No change in our internal control over financial reporting, as defined in Exchange Act Rule 13a-15(e), occurred during the three months ended March 31, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

A description of material legal proceedings to which we are a party, and updates thereto, is included in Note 13 to our Unaudited Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for the three months ended March 31, 2019, and is incorporated into this Item 1 by reference thereto.

Item 1A. Risk Factors

The following risk factors and other information included in this Quarterly 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 accommodation 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 and decreased travel activity, which can negatively affect 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 and timing 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, 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 and has grown rapidly in this area, including by establishing a flight meta-search product ("Google Flights") and a hotel meta-search product ("Google Hotel Ads"), 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 (in which Ctrip has agreed to acquire a significant minority interest), 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 (which is owned by Airbnb), 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 LaFourchette (which is owned by TripAdvisor), SeatMe (which is owned by Yelp), 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, have grown 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, and has recently acquired HotelTonight. 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.

Although we believe that providing an extensive collection of properties, excellent customer service and an intuitive, easy-to-use consumer experience are important factors influencing a consumer's decision to make a reservation, for many consumers, particularly in certain markets, the price of the travel service is the primary factor determining whether a consumer will book a reservation. As a result, it is increasingly important to offer travel services, such as accommodation reservations, at competitive prices, whether through discounts, coupons, closed-user group rates or loyalty programs, or otherwise. Discounting and couponing coupled with a high degree of consumer shopping behavior is particularly common in Asian markets. In some cases, our competitors are willing to make little or no profit on a transaction, or offer travel services at a loss, in order to gain market share. As a result, in certain markets we may need to provide discounts or other incentives in order to be competitive, which may make it difficult for us to maintain or grow market share and to maintain historical profit margins. If we are unable to effectively compete in these markets, our market share, business and results of operations could be materially adversely affected.

Travel service providers, including hotel chains, rental car companies and airlines with which we conduct business, compete with us in online channels to drive consumers to their own platforms in lieu of third-party distributors such as us. Travel service providers may charge lower prices and, in some instances, offer advantages such as loyalty points or special discounts to members of closed user groups (such as loyalty program participants or consumers with registered accounts), any of which could make their offerings more attractive to consumers than our services. For example, many large hotel chains have instituted additional initiatives, such as increased discounting and incentives, to encourage consumers to book accommodations directly through their online platforms. We also offer various incentives to consumers and may need to offer additional or increased advantages to maintain or grow our reservation bookings, which could adversely impact our profitability. Further, consolidation among travel service providers, such as Marriott International's acquisition of Starwood Hotels & Resorts in 2017, could result in lower rates of commission paid to OTCs, increased discounting and greater incentives for consumers to join closed user groups as such travel service providers expand their offerings. If we are not as effective as our competitors (including hotel chains) in offering discounted prices to closed user groups or if we are unable to entice members of our competitors' closed user groups to use our services, our ability to grow and compete could be harmed.

We are exposed to fluctuations in currency exchange rates.

We conduct a substantial majority of our business outside the United States but we report our results in U.S. Dollars. As a result, we face exposure to movements in currency exchange rates as the financial results of our international businesses are translated from local currency (principally Euros and British Pounds Sterling) into U.S. Dollars. When the U.S. Dollar strengthens against other currencies in which we transact, as it generally did in 2015, our foreign-currency-denominated net assets, gross bookings, revenues, operating expenses and net income are lower as expressed in U.S. Dollars. When the U.S. Dollar weakens against other currencies in which we transact, as it generally did in 2017 and 2018, our foreign-currency-denominated net assets, gross bookings, revenues, operating expenses and net income are higher as expressed in U.S. Dollars.

Recent years have seen significant volatility in the exchange rate between the Euro, the British Pound Sterling, the U.S. Dollar and other currencies. Significant fluctuations in currency exchange rates can affect consumer travel behavior. For example, the strengthening of the U.S. Dollar relative to the Euro in 2015 made it more expensive for Europeans to travel to the United States. Consumers traveling from a country whose currency has weakened against other currencies may book lower ADR accommodations, choose to shorten or cancel their international travel plans or choose to travel domestically rather than internationally, any of which could adversely affect our gross bookings, revenues and results of operations, in particular when expressed in U.S. Dollars.

Additionally, foreign exchange rate fluctuations on transactions denominated in currencies other than the functional currency result in gains and losses that are reflected in our financial results.

Volatility in foreign exchange rates and its impact on consumer behavior, which may differ across regions, make 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 our results of operations.

We face risks related to the growth rate and the global expansion of our business.

We derive a substantial portion of our revenues, and have significant operations, outside the United States. Our international businesses include the Netherlands-based accommodation reservation service Booking.com (including Rentalcars.com, based in the United Kingdom, which began operating as part of Booking.com on January 1, 2018), the Asia-based accommodation reservation service agoda and, to a lesser extent, KAYAK's international meta-search services and OpenTable's international restaurant reservation business. Our international OTC operations have historically achieved significant year-over-year growth in their gross bookings, in particular with respect to their accommodation reservation services. These growth rates, which have contributed significantly to our growth in consolidated revenues and earnings, have generally declined, a trend we expect to continue as the absolute level of our gross bookings increases. Other factors may also slow the growth rates of our international businesses, including, for example, worldwide or regional economic conditions, strengthening of the U.S. Dollar versus the Euro, the British Pound Sterling and other currencies, declines in ADRs, increases in cancellations, adverse changes in travel market conditions and the competitiveness of the market. Any decline in the growth rates of our international businesses would have a negative impact on our revenue and earnings growth rates and, as a consequence, our stock price.

Our strategy involves continued expansion throughout the world. Many regions have different economic conditions, customs, languages, currencies, consumer expectations, levels of consumer acceptance and use of the internet for commerce, legislation, regulatory environments (including labor laws and customs), tax laws and levels of political stability, and we are subject to associated risks typical of international businesses. International markets may have strong local competitors with an established brand and travel service provider or restaurant relationships that may make expansion in that market difficult and costly and take more time than anticipated. In addition, compliance with legal, regulatory or tax requirements in multiple jurisdictions places demands on our time and resources, and we may nonetheless experience unforeseen and potentially adverse legal, regulatory or tax consequences. In some markets such as China, legal and other regulatory requirements may prohibit or limit participation by foreign businesses, such as by making foreign ownership or management of internet or travel-related businesses illegal or difficult, or may make direct participation in those markets uneconomic, which could make our entry into and expansion in those markets difficult or impossible, require that we work with a local partner or result in higher operating costs. If we are unsuccessful in expanding in new and existing markets and effectively managing that expansion, our business and results of operations could be adversely affected.

Certain markets in which we operate that are in earlier stages of development have lower operating margins compared to more mature markets, which could have a negative impact on our overall profit margins as these markets increase in size over time. Although we intend to continue to invest in adding accommodations available for reservation on our platforms, such as hotels, motels, resorts, homes, apartments and other unique places to stay, the growth rate of our accommodations may vary in part as a result of removing accommodations from our platforms from time to time. Many of the newer accommodations we add to our travel reservation services, especially in highly-penetrated markets, may have fewer rooms or higher credit risk and may appeal to a smaller subset of consumers (e.g., hostels and bed and breakfasts). Because alternative accommodations are often either a single unit or a small collection of independent units, these properties generally represent more limited booking opportunities than hotels, motels and resorts, which generally have more units to rent per property. Further, alternative accommodations in general may be subject to increased seasonality due to local tourism seasons, weather or other factors or may not be available at peak times due to use by the property owners, and we may also experience lower profit margins with respect to these properties due to certain additional costs related to offering these accommodations on our platforms. As we increase our alternative accommodation business, these different characteristics could negatively impact our profit margins; and, to the extent these properties represent an increasing percentage of the properties added to our platforms, we expect that our gross bookings growth rate and property growth rate will continue to diverge over time (since each such alternative accommodation property has fewer booking opportunities). As a result of the foregoing, as the percentage of alternative accommodation properties increases, the number of reservations per property will likely continue to decrease.

In addition, as our alternative accommodation reservation business grows, we may incur increasing numbers of complaints related to non-existent properties or properties that are significantly different than as described in the listing, as well as claims of liability based on events occurring at such properties such as robbery, injury, death and other similar events. Such complaints or claims could result in negative publicity and increased costs, which could adversely affect our reputation, business and results of operations. Further, the regulatory environment related to some alternative accommodations such as homes and apartments is evolving, and laws, regulations or property association rules could impose restrictions or burdens on these property owners and managers that limit or negatively affect their ability to rent their properties. Some jurisdictions have adopted or are considering statutes or ordinances that prohibit owners and managers from renting certain properties for fewer than a stated number of consecutive days or for more than an aggregate total number of days per year or that require owners or managers to obtain a license to rent their properties. In addition, several jurisdictions have adopted or are considering adopting statutes or ordinances requiring online platforms that list certain alternative accommodations to obtain a license to list such accommodations and/or to comply with other restrictions or requirements. This dynamic regulatory environment requires us to expend significant time and resources and could negatively impact the growth and/or size of our alternative accommodation reservation business.

We believe that the increase in the number of accommodation providers that participate on our platforms, and the corresponding access to accommodation room nights, has been a key driver of the growth of our accommodation reservation business. The growth in our accommodation bookings typically makes us an attractive source of consumer demand for our accommodation providers. However, accommodation providers may wish to limit the amount of business that flows through a single distribution channel. Also, certain jurisdictions, particularly in Europe, are considering regulations intended to address the issue of "overtourism," including by restricting accommodation offerings in city centers or near popular tourist destinations, such as by restricting construction of new hotels or the renting of homes or apartments. Such restrictions could also include limiting the number of tourists permitted to visit and stay near popular areas during peak seasons or as a general matter. As a result, we may experience constraints on the number of listings, or accommodation room nights, actually available to us, which could negatively impact our growth rate and results of operations.

The number of our employees worldwide has grown from approximately 9,500 at December 31, 2013 to approximately 25,600 at March 31, 2019, which growth is mostly comprised of hires by our international operations. We may not be able to hire, train, retain, motivate and manage required employees, which may limit our growth, damage our reputation, negatively affect our financial performance, and otherwise harm our business. In addition, expansion increases the complexity of our business and places additional strain on our management, operations, technical performance, financial resources and administrative, legal, tax, internal control and financial reporting functions. Our current and planned employees, systems, procedures and controls may not be adequate to support and effectively manage this growth and our future operations, especially as we employ employees in multiple geographic locations around the world and increase the number and variety of our products and payment systems. Any implementation of new systems could be disruptive and/or costly or we may experience difficulty successfully integrating new systems into existing systems or migrating to new systems from existing systems, any of which could adversely affect our business and results of operations.

We rely on performance and brand marketing channels to generate a significant amount of traffic to our platforms and grow our business.

We believe that maintaining and strengthening our brands are important aspects of our efforts to attract and retain customers. We have invested considerable money and resources in the establishment and maintenance of our brands, and we will continue to invest resources in brand marketing and other brand building efforts to preserve and enhance consumer awareness of our brands. In addition, effective performance marketing has been an important factor in our growth, and we believe it will continue to be important to our future success. As our competitors spend increasingly more on advertising and other marketing efforts, we are required to spend more in order to maintain our brand recognition and, in the case of performance marketing, to maintain and grow traffic to our platforms through performance marketing channels. We may not be able to successfully maintain or enhance consumer awareness and acceptance of our brands, and, even if we are successful in our branding efforts, such efforts may not be cost-effective. For instance, we have observed increased brand marketing by OTCs, meta-search services and travel service providers, which may make our brand marketing efforts more expensive and less effective. If we are unable to maintain or enhance consumer awareness and acceptance of our brands in a cost-effective manner, our business, market share and results of operations would be materially adversely affected.

Our online performance marketing efficiency, expressed as performance marketing expense as a percentage of revenues, is impacted by a number of factors that are subject to variability and that are, in some cases, outside of our control, including ADRs, costs per click, cancellation rates, foreign exchange rates, our ability to convert paid traffic to booking customers and the extent to which consumers come directly to our websites or mobile apps for bookings. For example, competition for desired rankings in search results and/or a decline in ad clicks by consumers could increase our costs-per-click and reduce our performance marketing efficiency. We use third-party websites, including online search engines (primarily Google), meta-search and travel research services and affiliate marketing as the primary means of generating traffic to our websites. Growth of some of these channels has slowed. Our performance marketing expense has increased significantly and our performance marketing efficiency has declined in recent years, a trend we expect to continue, though the rate of decrease may fluctuate and there may be periods of stable or increasing ROIs from time to time. Further, at times we may pursue a strategy of increasing performance marketing ROIs, which could negatively affect our gross bookings and revenue growth rates. When evaluating our performance marketing spend, we consider several factors for each channel, such as the customer experience on the advertising platform, the incrementality of the traffic we receive and the anticipated repeat rate from a particular platform, as well as other factors. Pursuing a strategy of improving performance marketing ROIs, as we did beginning in the third quarter of 2017 through the fourth quarter of 2018, along with factors such as competitors' actions in the bidding environment, the amount of marketing invested by these channels to generate demand and overall performance marketing platform traffic growth trends, which have shown volatility and long-term deceleration of growth rates, may also impact growth rates for performance marketing channels. Any reduction in our performance marketing efficiency could have an adverse effect on our business and results of operations, whether through reduced revenues or revenue growth, or through performance marketing expenses increasing faster than revenues and thereby reducing margins and earnings growth.

We believe that a number of factors could cause consumers to increase their shopping activity before making a travel purchase. Increased shopping activity reduces our performance marketing efficiency and effectiveness because traffic becomes less likely to result in a reservation through our website, and such traffic is more likely to be obtained through paid performance marketing channels than through direct channels. Further, consumers may favor travel services offered by search or meta-search companies over OTCs, which could reduce traffic to our travel reservation websites, increase consumer awareness of our competitors' brands and websites, increase our marketing and other customer acquisition costs and adversely affect our business, margins and results of operations. To the extent any such increased shopping 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.

We may not be able to keep up with rapid technological or other market changes.

The markets in which we compete are characterized by rapidly changing technology, evolving industry standards, consolidation, frequent new service announcements, introductions and enhancements and changing consumer demands and preferences. We may not be able to keep up with these rapid changes. In addition, these market characteristics are heightened by the progress of technology adoption in various markets, including the continuing adoption of the internet and online commerce in certain geographies and the emergence and growth of the use of smartphones and tablets for mobile e-commerce transactions, including through the increasing use of mobile apps. New developments in other areas, such as cloud computing, could make entering our markets easier for competitors due to lower upfront technology costs. As a result, our future success will depend on our ability to adapt to rapidly changing technologies, to adapt our services and online platforms to evolving industry standards and local preferences and to continually innovate and improve the performance, features and reliability of our services and online platforms in response to competitive service offerings and the evolving demands of the marketplace. In particular, it is increasingly important for us to effectively offer our services on mobile devices through mobile apps and mobile-optimized websites and to tailor our services to varying devices and platforms. Any failure by us to successfully develop and achieve consumer adoption of our mobile platforms would have a material and adverse effect on our growth, market share, business and results of operations. Further, to the extent mobile devices or platforms enable users to block advertising content on their devices or platforms, our advertising revenue and our ability to market our brands and acquire new consumers may be negatively affected. We believe that ease-of-use, comprehensive functionality and the look and feel of our mobile platforms are increasingly competitively critical as consumers obtain more of their travel and restaurant services through mobile devices and platforms. As a result, we intend to continue to spend significant resources maintaining, developing and enhancing our mobile platforms and other technologies and platforms. However, these efforts may not be successful in retaining and attracting new customers, which would harm our business and results of operations. Further, technical innovation often results in bugs, vulnerabilities and other system failures. Any such bug, vulnerability or failure, especially in connection with a significant technical implementation or change, could result in lost business, harm to our brand or reputation, consumer complaints and other adverse consequences, any of which could adversely affect our business and results of operations.

We believe that another critical component to our future success will be our ability to offer alternative payment solutions to consumers even when those payment solutions may not be accepted by the travel service provider or restaurant. Alternate payment providers such as Alipay, Paytm and WeChat Pay operate closed-loop payments systems with direct connections to both consumers and merchants. In many markets, particularly in Asia where credit cards are not readily available and/or e-commerce is largely carried out through mobile devices, these and other emerging alternate payment methods are the exclusive or preferred means of payment for many consumers. Therefore, if we are unable to offer consumers their preferred method of payment by integrating new or emerging payment methods into our platforms, we may not be able to effectively offer our services to these consumers, which would limit our growth opportunities in these markets and our business and results of operations could be harmed.

Furthermore, as the overall size of our business continues to grow, the competitive pressure to innovate will encompass a wider range of services and technologies, including services and technologies that may be outside of our historical core business, and our ability to keep pace may slow. Our current and potential competitors range from large and established companies to emerging start-ups. Emerging start-ups may be able to innovate and focus on developing a particularly new product or service faster than we can or may foresee consumer need for new services or technologies before us. Some of our larger competitors or potential competitors have more resources or more established or varied relationships with consumers than we do, and they could use these advantages in ways that could affect our competitive position, including by making acquisitions, entering or investing in travel reservation businesses, investing in research and development and competing aggressively for highly-skilled employees. For example, because consumers often utilize other online services more frequently than online travel services, 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 consumers for its online travel services than we can.

In addition, the widespread adoption of new internet, networking or telecommunications technologies or other technological changes (including new devices and services, such as Amazon's Echo and Alexa and Google Home, developing technologies, such as artificial intelligence, chatbot and virtual reality technologies, and the creation of "super-apps" where consumers can use many online services without leaving a particular app) could require us to incur substantial expenditures to modify or adapt our services or infrastructure to those new technologies, which could adversely affect our results of operations or financial condition. Any failure to implement or adapt to new technologies in a timely manner or at all could adversely affect our ability to compete, increase our consumer acquisition costs or otherwise adversely affect our business, and therefore adversely affect our brand, market share and results of operations.

Our processing, storage, use and disclosure of personal data exposes us to risks of internal or external security breaches and could give rise to liabilities and/or damage to reputation.

The security of data when engaging in electronic commerce is essential to maintaining consumer and travel service provider confidence in our services. Cyberattacks by individuals, groups of hackers and state-sponsored organizations are increasing in frequency and sophistication and are constantly evolving. Any security breach whether instigated internally or externally on our systems or third-party systems could significantly harm our reputation and therefore our business, brand, market share and results of operations. We currently require consumers who use certain of our services to guarantee their offers with their credit card. We require user names and passwords in order to access our information technology systems. We also use encryption and authentication technologies to secure the transmission and storage of data and prevent unauthorized access to our data or accounts. It is possible that computer circumvention capabilities, new discoveries or advances or other developments, including our own acts or omissions, could result in a compromise or breach of consumer data. For example, third parties may attempt to fraudulently induce employees, travel service provider partners or consumers to disclose user names, passwords or other sensitive information ("phishing"), which may in turn be used to access our information technology systems or to defraud our partners or consumers. Third parties may also attempt to takeover consumer accounts by using passwords, usernames and other personal information obtained elsewhere to attempt to login to consumer accounts on our platforms. We have experienced targeted and organized phishing and account takeover attacks and may experience more in the future. These risks are likely to increase as we expand our offerings, integrate our products and services, and store and process more data, including personal information. Our efforts to protect information from unauthorized access may be unsuccessful or may result in the rejection of legitimate attempts to book reservations through our services, any of which could result in lost business and materially adversely affect our business, reputation and results of operations.

Our existing security measures may not be successful in preventing security breaches. A party (whether internal, external, an affiliate or unrelated third party) that is able to circumvent our security systems could steal consumer information or transaction data or other proprietary information. In the last few years, several major companies experienced high-profile security breaches that exposed their systems and information and/or their consumers' or employees' personal information, and it is expected that these types of events will continue to occur. We expend significant resources to protect against security breaches, and regularly increase our security-related expenditures to maintain or increase our systems' security. We have experienced and responded to cyberattacks, which we believe have not had a significant impact on the integrity of our systems or the security of data, including customer data maintained by us. These issues are likely to become more difficult to manage as we expand the number of places where we operate and the number and variety of services we offer, and as the tools and techniques used in such attacks become more advanced. Security breaches could result in severe damage to our information technology infrastructure, including damage that could impair our ability to offer our services or the ability of consumers to make reservations or conduct searches through our services, as well as loss of consumer, financial or other data that could materially and adversely affect our ability to conduct our business, satisfy our commercial obligations or meet our public reporting requirements in a timely fashion or at all. Security breaches could also result in negative publicity, damage our reputation, expose us to risk of loss or litigation and possible liability, subject us to regulatory penalties and sanctions, or cause consumers to lose confidence in our security and choose to use the services of our competitors, any of which would have a negative effect on our brands, market share, results of operations and financial condition. Our insurance policies have coverage limits and may not be adequate to reimburse us for all losses caused by security breaches.

We also face risks associated with security breaches affecting third parties conducting business over the internet. Consumers generally are concerned with security and privacy on the internet, and any publicized security problems could negatively affect consumers' willingness to provide private information or effect online commercial transactions generally, including through our services. Some of our business is conducted with third-party marketing affiliates, which may generate travel reservations through our infrastructure or through other systems. Additionally, consumers using our services could be affected by security breaches at third parties upon which we rely, such as travel service providers, payroll providers, health plan providers, payment processors or GDSs. A security breach at any such third-party marketing affiliate, travel service provider, payment processor, GDS or other third party on which we rely, such as the security breach experienced by Sabre in May 2017, could be perceived by consumers as a security breach of our systems and in any event could result in negative publicity, subject us to notification requirements, damage our reputation, expose us to risk of loss or litigation and possible liability and subject us to regulatory penalties and sanctions. In addition, such third parties may not comply with applicable disclosure requirements, which could expose us to liability.

In the operation of our business, we receive and store a large volume of personally identifiable data. This data is increasingly subject to legislation and regulations in numerous jurisdictions around the world, such as the European Union's Data Protection Directive and variations and implementations of that directive in the member states of the European Union. The European Union's General Data Protection Regulation (the "GDPR"), which went into effect in May 2018, is designed to unify data protection within the European Union under a single law, which has resulted and will continue to result in significantly greater compliance burdens and costs for us. Under the GDPR, fines of up to 20 million Euros or up to 4% of the annual global revenues of the infringer, whichever is greater, could be imposed. The California Consumer Privacy Act was also recently passed and creates new data privacy rights for users effective in 2020. In 2016, the European Union and the United States established a data transfer framework called the E.U.-U.S. Privacy Shield, but it is currently subject to legal challenge. Other jurisdictions continue to consider adopting or may adopt similar data protection regulations. This government action is typically intended to protect the privacy of personal data that is collected, processed and transmitted in or from the governing jurisdiction. These laws and their interpretations continue to develop and may be inconsistent from jurisdiction to jurisdiction. In many cases, these laws apply not only to third-party transactions, but also to transfers of information between us and our subsidiaries, including employee information. While we have invested and continue to invest significant resources to comply with the GDPR and other privacy regulations, many of these regulations (including the GDPR) are new, extremely complex and subject to interpretation. Non-compliance with these laws could result in negative publicity, damage to our reputation, penalties or significant legal liability. If legislation or regulations are expanded to require changes in our business practices or if governing jurisdictions interpret or implement their legislation or regulations in ways that negatively affect our business, our results of operations, financial condition or competitive position could be adversely affected.

We are also subject to payment card association rules and obligations under our contracts with payment card processors. Under these rules and obligations, if information is compromised, we could be liable to payment card issuers for associated expenses and penalties. In addition, if we fail to follow payment card industry security standards, even if no consumer information is compromised, we could incur significant fines or experience a significant increase in payment card transaction costs.

Our business could be negatively affected by changes in online search and meta-search algorithms and dynamics or traffic-generating arrangements.

We use Google to generate a significant portion of the traffic to our platforms, and, to a lesser extent, we use other search and meta-search services to generate traffic to our platforms, principally through pay-per-click marketing campaigns. The pricing and operating dynamics on these search and meta-search platforms can experience rapid change commercially, technically and competitively. For example, Google frequently updates and changes the logic which determines the placement and display of results of a consumer's search, such that the placement of links to our platforms can be negatively affected and our costs to improve or maintain our placement in search results can increase. In June 2017 and March 2019, the European Commission fined Google 2.4 billion Euros and 1.5 billion Euros, respectively, for anti-competitive behavior relating to its comparison shopping service and online search advertising services. Changes by Google in how it presents travel search results, including its promotion of its travel meta-search services, or the manner in which it conducts the auction for placement among search results, whether as a result of a court order, investigation or other reason, may be competitively disadvantageous to us and may impact our ability to efficiently generate traffic to our platforms, which in turn would have an adverse effect on our business, market share and results of operations. Similarly, changes by our other search and meta-search partners in how they present travel search results or the manner in which they conduct the auction for placement among search results may be competitively disadvantageous to us and may impact our ability to efficiently generate traffic to our platforms. In addition, if travel search traffic declines or grows less quickly than in the past, our ability to efficiently generate traffic to our platforms through performance marketing on general search platforms may be adversely affected, which could have an adverse effect on our business and results of operations.

In addition, we purchase online traffic from a number of other sources, including some operated by our competitors, in the form of pay-per-click arrangements that can be terminated with little or no notice. If one or more of such arrangements is terminated, our business, market share and results of operations could be adversely affected. We rely on various third-party distribution channels (i.e., marketing affiliates) to distribute accommodation, rental car and airline ticket reservations. Should one or more of such third parties cease distribution of reservations made through us, or suffer deterioration in its search or meta-search ranking, due to changes in search or meta-search algorithms or otherwise, our business, market share and results of operations could be negatively affected.

System capacity constraints, system failures or "denial-of-service" or other attacks could harm our business.

We have experienced rapid growth in consumer traffic to our online platforms, the number of accommodations on our extranets and the geographic breadth of our operations. If our systems cannot be expanded to cope with increased demand or fail to perform, we could experience unanticipated disruptions in service, slower response times, decreased customer service and customer satisfaction and delays in the introduction of new services, any of which could impair our reputation, damage our brands and materially and adversely affect our results of operations. Further, as an online business, we are dependent on the internet and maintaining connectivity between ourselves and consumers, sources of internet traffic, such as Google, and our travel service providers and restaurants. As consumers increasingly turn to mobile devices, we also become dependent on consumers' access to the internet through mobile carriers and their systems. Disruptions in internet access, such as the denial of service attack against Dyn in October 2016 that resulted in a service outage for several major internet companies, whether generally, in a specific market or otherwise, especially if widespread or prolonged, could materially adversely affect our business and results of operations. While we do maintain redundant systems and hosting services, it is possible that we could experience an interruption in our business, and we do not carry business interruption insurance sufficient to compensate us for all losses that may occur.

Our computer hardware for operating our services is currently located at hosting facilities around the world. These systems and operations are vulnerable to damage or interruption from human error, computer viruses, floods, fires, power loss, telecommunication failures and similar events. They are also subject to break-ins, sabotage, intentional acts of vandalism, terrorism and similar misconduct. Despite any precautions we may take, the occurrence of any disruption of service due to any such misconduct, natural disaster or other unanticipated problems at such facilities, or the failure by such facilities to provide our required data communications capacity could result in lengthy interruptions or delays in our services. Any system failure that causes an interruption or delay in service could impair our reputation, damage our brands, result in lost business or result in consumers choosing to use a competitive service, any of which could have a material adverse effect on our business and results of operations.

Our existing security measures may not be successful in preventing attacks on our systems, and any such attack could cause significant interruptions in our operations. For instance, from time to time, we have experienced "denial-of-service" type attacks on our systems that have made portions of our websites slow or unavailable for periods of time. There are numerous other potential forms of attack, such as "phishing" (where a third party attempts to infiltrate our systems or acquire information by posing as a legitimate inquiry or electronic communication), account takeover attacks, SQL injection (where a third party attempts to insert malicious code into our software through data entry fields in our websites in order to gain control of the system) and attempting to use our websites as a platform to launch a "denial-of-service" attack on another party, each of which could cause significant interruptions in our operations and potentially adversely affect the value of our brands, operations and results of operations or involve us in legal or regulatory proceedings. We expend significant resources in an attempt to prepare for and mitigate the effects of any such attacks. Reductions in the availability and response time of our online services could cause loss of substantial business volumes during the occurrence of any such attack on our systems and measures we may take to divert suspect traffic in the event of such an attack could result in the diversion of bona fide customers. These issues are likely to become more difficult to manage as we expand the number of places where we operate and the variety of services we offer, and as the tools and techniques used in such attacks become more advanced. Successful attacks could result in negative publicity, damage our reputation and prevent consumers from booking travel services, researching travel services or making restaurant reservations through us during the attack, any of which could cause consumers to use the services of our competitors, which would have a negative effect on the value of our brands, our market share, business and results of operations.

We rely on certain third-party computer systems and third-party service providers, including GDSs and computerized central reservation systems of the accommodation, rental car and airline industries in connection with providing some of our services. Any damage to, breach of or interruption in these third-party services and systems or deterioration in their performance could prevent us from booking related accommodation, rental car and airline reservations and have a material adverse effect on our business, brands and results of operations. Our agreements with some third-party service providers are terminable upon short notice and often do not provide recourse for service interruptions. In the event our arrangement with any such third party is terminated, we may not be able to find an alternative source of systems support on a timely basis or on commercially reasonable terms and, as a result, it could have a material adverse effect on our business and results of operations.

We depend upon various third parties to process payments, including credit cards, for our merchant transactions around the world. In addition, we rely on third parties to provide credit card numbers which we use as a payment mechanism for merchant transactions. If any such third party were wholly or partially compromised, our cash flows could be disrupted or we may not be able to generate merchant transactions (and related revenues) until such a time as a replacement process could be put in place with a different vendor.

We do not have a completely formalized or comprehensive disaster recovery plan in every geographic region in which we conduct business. In the event of certain system failures, we may not be able to switch to back-up systems immediately and the time to full recovery could be prolonged. Like many online businesses, we have experienced system failures from time to time. In addition to placing increased burdens on our engineering staff, these outages create a significant amount of consumer questions and complaints that need to be addressed by our customer support employees. Any unscheduled interruption in our service could result in an immediate loss of revenues that could be substantial, increase customer service costs, harm our reputation and result in some consumers switching to our competitors. If we experience frequent or persistent system failures, our reputation and brand could be permanently and significantly harmed. We have taken and continue to take steps to increase the reliability and redundancy of our systems. These steps are expensive, may reduce our margins and may not be successful in reducing the frequency or duration of unscheduled downtime.

We use both internally developed systems and third-party systems to operate our services, including transaction processing, order management and financial and accounting systems. If the number of consumers using our services increases substantially, or if critical third-party systems stop operating as designed, we may need to significantly expand and upgrade our technology, transaction processing systems, financial and accounting systems or other infrastructure. We may not be able to upgrade our systems and infrastructure to accommodate such conditions in a timely manner, and, depending on the systems affected, our transactional, financial and accounting systems could be impacted for a meaningful amount of time before upgrade, expansion or repair.

Consumer adoption and use of mobile devices creates challenges and may enable device companies such as Google and Apple to compete directly with us.

Widespread adoption of mobile devices, such as the iPhone, Android-enabled smartphones, and tablets such as the iPad, coupled with the web browsing functionality and development of thousands of apps available on these devices, is driving substantial online traffic and commerce to mobile platforms. We have experienced a significant shift of business, both direct and indirect, to mobile platforms and our advertising partners are also seeing a rapid shift of traffic to mobile platforms. Some competitors offer last-minute discounts for mobile accommodation reservations. Advertising and distribution opportunities may be more limited on mobile devices given their smaller screen sizes. The revenues earned on a mobile transaction may be less than a typical desktop transaction due to different consumer purchasing patterns. For example, accommodation reservations made on a mobile device typically are for shorter lengths of stay, have lower ADRs and are not made as far in advance. Further, given the device sizes and technical limitations of tablets and smartphones, mobile consumers may not be willing to download multiple apps from multiple companies providing a similar service and instead prefer to use one or a limited number of apps for their mobile travel and restaurant research and reservation activity. As a result, the consumer experience with mobile apps as well as brand recognition and loyalty are likely to become increasingly important. Our mobile offerings have received generally strong reviews and are driving a material and increasing share of our business. We believe that mobile bookings present an opportunity for growth and are necessary to maintain and grow our business as consumers increasingly turn to mobile devices instead of a personal computer. As a result, it is increasingly important for us to develop and maintain effective mobile platforms to provide consumers with an appealing, easy-to-use mobile experience. If we are unable to continue to rapidly innovate and create new, user-friendly and differentiated mobile offerings and efficiently and effectively advertise and distribute on these platforms, or if our mobile offerings are not used by consumers, we could lose market share and our business, future growth and results of operations could be adversely affected.

Google's Android operating system is the leading smartphone operating system in the world. As a result, Google could leverage its Android operating system to give its travel services a competitive advantage, either technically or with prominence on its Google Play app store or within its mobile search results. Further, Google is the leading internet search service and has leveraged its search popularity to promote its travel meta-search services. In July 2018, the European Commission fined Google approximately 4.3 billion Euros for breaching European Union antitrust rules by imposing restrictions on Android device manufacturers and mobile network operators, including by mandating the pre-installation of Google apps and limiting access to its Google Play app store. In addition, the European Commission's decision requires Google to end those practices within 90 days or face penalty payments of up to 5% of the average daily worldwide turnover of Alphabet, Google's parent company. Google has appealed the European Commission's decision, and it is not yet clear how or whether the decision will affect Google's business, including its travel services (Google Flights and Google Hotel Ads).

Apple, the producer of, among other things, the iPhone and iPad, obtained a patent for "iTravel," a mobile app that would allow a traveler to check in for a travel reservation. In addition, Apple's iPhone operating system includes "Wallet," a virtual wallet app that holds tickets, boarding passes, coupons and gift cards, and, along with iTravel, may be indicative of Apple's intent to enter the travel reservations business in some capacity. Apple has substantial market share in the smartphone market and controls integration of offerings, including travel services, into its mobile operating system. Apple also has more experience producing and developing mobile apps and has access to greater resources than we have. Apple may use or expand iTravel, Wallet, Siri (Apple's voice recognition "concierge" service), Apple Pay (Apple's mobile payment system) or another mobile app or functionality as a means of entering the online travel reservations marketplace. To the extent Google or Apple use their mobile operating systems, app distribution channels or, in the case of Google, search services, to favor their own travel service offerings, our business and results of operations could be harmed.

We may have exposure to additional tax liabilities.

As an international business providing reservation and marketing services around the world, we are subject to income taxes and non-income-based taxes in the United States and various international jurisdictions. Due to economic and political conditions, tax rates and tax regimes in various jurisdictions may be subject to significant change. Our future effective tax rates could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets or changes in tax laws or their interpretation. If our effective tax rates were to increase, our results of operations and cash flows would be adversely affected.

Although we believe that our tax filing positions are reasonable and comply with applicable law, we regularly review our tax filing positions, especially in light of tax law or business practice changes, and may change our positions or determine that previous positions should be amended, either of which could result in additional tax liabilities. The final determination of tax audits or tax disputes may be different from what is reflected in our historical income tax provisions and accruals. To date, we have been audited in many taxing jurisdictions with no significant impact on our results of operations. If future audits find that additional taxes are due, we may be subject to incremental tax liabilities, possibly including interest and penalties, which could have a material adverse effect on our results of operations, financial condition and cash flows. For example, Booking.com is the subject of tax proceedings in France and has been assessed approximately 356 million Euros, the majority of which would represent penalties and interest, by the French tax authorities. We believe that Booking.com has been, and continues to be, in compliance with French tax law, and we are contesting the assessments. In January 2019, we were required to pay the 356 million Euro assessments in order to preserve our right to contest the assessments in court, though the payment is not an admission that we owe the taxes. *See Note 13 to our Unaudited Consolidated Financial Statements for more information regarding certain tax contingencies.*

In general, governments are increasingly focused on ways to increase tax revenues, which has contributed to an increase in audit activity, more aggressive positions taken by tax authorities, more time and difficulty to resolve any audits or disputes and an increase in new tax legislation. Any such additional taxes or other assessments may be in excess of our current tax provisions or may require us to modify our business practices in order to reduce our exposure to additional taxes going forward, any of which could have a material adverse effect on our business, results of operations and financial condition.

In December 2017, the Tax Cuts and Jobs Act (the "Tax Act") was enacted into law in the United States. The Tax Act made significant changes to U.S. federal tax law, including a reduction in the U.S. federal statutory tax rate from 35% to 21%, effective January 1, 2018, and exempts from U.S. federal income tax international profits distributed to the United States. The Tax Act imposed a one-time mandatory deemed repatriation tax on unremitted accumulated international earnings, to be paid over eight years. As a result, our international cash and investments, as well as future cash generated by our international operations, can be repatriated to the United States without further U.S. federal income tax.

The Tax Act also includes provisions, effective after December 31, 2017, allowing the immediate write-off of the cost of certain investments in depreciable assets, imposing a limit on the deduction for net interest expense, changing the deductibility of covered officer compensation and changing the rules on the use of net operating losses. The Tax Act introduced a tax on 50% of global intangible low-taxed income, which is income determined to be in excess of a specified routine rate of return on qualifying business assets. The Tax Act further introduced a base erosion and anti-abuse tax ("BEAT") aimed at preventing the erosion of the U.S. tax base and a new tax deduction with respect to certain foreign-derived intangible income. We continue to assess the application of BEAT to our operations. If we are unable to operate our business so that BEAT does not impact us, our effective tax rate, results of operations and cash flows would be materially adversely affected.

The tax law changes made by the Tax Act are broad and complex, and there are significant uncertainties about how the Tax Act will be interpreted at both the U.S. federal and state levels. The interpretation and implementation of the Tax Act and regulations, rules or guidance that have or may be adopted under, or result from, the Tax Act could have a material impact on our business.

Additionally, there have been significant changes made and proposed to international tax laws that increase the complexity, burden and cost of tax compliance. The Organisation for Economic Co-operation and Development ("OECD") initiated the "base erosion and profit shifting" ("BEPS") project to ensure international tax standards keep pace with changes in global business practices and to address situations where multinational businesses may pay little or no tax in certain jurisdictions by shifting profits away from jurisdictions in which the profit generating activities take place. In connection with the BEPS project, the OECD issued "final reports" that propose 15 actions the OECD determined are needed to address base erosion and profit shifting, including: (a) enhancing transparency through the sharing of tax information between countries; (b) prescribing standardized country-by-country reporting and other documentation requirements aimed at identifying where profits, tax and economic activities occur; (c) preventing harmful tax practices including the use of preferential tax regimes; (d) modernizing the OECD's transfer pricing rules related to intangibles; (e) changing the definition of permanent establishment to prevent artificial avoidance of tax nexus; and (f) limiting tax base erosion through interest deductions and other financial payments. The measures have, among other things, resulted in the development of a multilateral instrument ("MLI") to incorporate and facilitate changes to tax treaties. A number of countries have signed the MLI. The OECD is working towards a consensus-based solution by 2020 to the challenges of the digitalization of the economy. In January 2019, the OECD published a policy document that outlines two broad pillars under which these challenges will be evaluated. The first pillar covers how existing rules allocating taxing rights to jurisdictions might be changed to address the changes digitalization has brought to the world economy. This pillar also includes a re-examination of nexus rules (i.e., how to determine the connection a business has with a particular jurisdiction) and the rules applied to determine how much profit should be allocated to the jurisdiction. The second pillar considers taxing rights that will strengthen the ability of one jurisdiction to tax profits where the other jurisdiction with taxing rights applies a low effective rate of tax. In March 2018, the European Commission, also working on determining a solution to the tax treatment of the digital economy, released two draft directives on the Taxation of the Digital Economy. Although these proposals were not approved, a number of E.U. member states have indicated they will unilaterally introduce a digital services tax. For example, the United Kingdom has proposed legislation to implement a digital services tax that, if enacted, would become effective in 2020 and would impose a 2% tax on revenue earned by larger companies from U.K. users of digital services. Similarly, Spain submitted a digital services tax bill to its parliament for approval in January 2019 that is closely modeled after the E.U. proposal and would tax digital services at 3%. France has proposed a 3% digital services tax that could be retroactively applied as of January 1, 2019. The exact form of these proposed digital services taxes is not certain and therefore it is not clear whether digital services taxes can be deducted for income tax purposes or whether there is potential for double taxation on the same transaction. Additionally, other countries could introduce similar digital services taxes.

Any changes to international tax laws, including new definitions of permanent establishment or changes affecting the benefits of preferential tax regimes such as the Dutch "Innovation Box Tax" (discussed below), could impact the tax treatment of our foreign earnings and adversely impact our effective tax rate. Further, changes to tax laws and additional reporting requirements could increase the complexity, burden and cost of compliance. Due to the large and expanding scale of our international business activities, any changes in U.S. or international taxation of our activities or the combined effect of tax laws in multiple jurisdictions may increase our worldwide effective tax rate, increase the complexity and costs associated with tax compliance (especially if changes are implemented or interpreted inconsistently across tax jurisdictions) and adversely affect our cash flows and results of operations.

We are also subject to non-income-based taxes, such as value-added, payroll, sales, use, excise, net worth, property, hotel occupancy and goods and services taxes. We refer generally to taxes on travel transactions (e.g., value-added taxes, sales taxes, excise taxes, hotel occupancy taxes, etc.) as "travel transaction taxes." From time to time, we are under audit or investigation by tax authorities or involved in legal proceedings related to these non-income-based taxes or we may revise or amend our tax positions, which may result in additional non-income-based tax liabilities. A number of jurisdictions in the United States have initiated lawsuits against online travel companies, including us, related to, among other things, the payment of certain travel transaction taxes (such as hotel occupancy taxes) that could include historical taxes that are claimed to be owed, interest, penalties, punitive damages and/or attorney's fees and costs. In addition, a number of U.S. states, counties and municipalities have initiated audit proceedings, issued proposed tax assessments or started inquiries relating to the payment of travel transaction taxes. Additional U.S. state and local jurisdictions may assert that we are subject to, among other things, travel transaction taxes and could seek to collect such taxes, either retroactively, prospectively or both. Jurisdictions could also seek to amend their tax statutes in order to collect travel transaction taxes from us on a prospective basis. Litigation is subject to uncertainty and there could be adverse developments in these pending or future cases and proceedings. Adverse tax decisions could have a material adverse effect on our business, margins, cash flows and results of operations. An unfavorable outcome or settlement of pending litigation may encourage the commencement of additional litigation, audit proceedings or other regulatory inquiries. In addition, an unfavorable outcome or settlement of these actions or proceedings could result in substantial liabilities for past and/or future bookings, including, among other things, interest, penalties, punitive damages and/or attorneys' fees and costs.

We may not be able to maintain our "Innovation Box Tax" benefit.

The Netherlands corporate income tax law provides that income generated from qualifying innovative activities is taxed at the rate of 7% ("Innovation Box Tax") rather than the Dutch statutory rate of 25%. A portion of Booking.com's earnings currently qualifies for Innovation Box Tax treatment. In the year ended December 31, 2018, the Innovation Box Tax benefit reduced our consolidated income tax expense by $435 million.

In order to be eligible for Innovation Box Tax treatment, Booking.com must, among other things, apply for and obtain a research and development (R&D) certificate from a Dutch governmental agency every six months confirming that the activities that Booking.com intends to be engaged in over the subsequent six-month period are "innovative." The R&D certificate is current but should Booking.com fail to secure such a certificate in any future period - for example, because the governmental agency does not view Booking.com's new or anticipated activities as innovative - or should this agency determine that the activities performed in a prior period were not performed as contemplated or did not comply with the agency's requirements, Booking.com may lose its certificate and, as a result, the Innovation Box Tax benefit may be reduced or eliminated. Booking.com intends to apply for continued Innovation Box Tax treatment for future periods. However, Booking.com's application may not be accepted, or, if accepted, the amount of qualifying earnings may be reduced.

The loss of the Innovation Box Tax benefit (or any material portion thereof), whether due to a change in tax law or a determination by the Dutch government that Booking.com's activities are not innovative or for any other reason, would substantially increase our effective tax rate and adversely impact our results of operations and cash flows.

We are dependent on providers of accommodations, rental cars and airline tickets and on restaurants.

We rely on providers of accommodations, rental cars and airline tickets and on restaurants to make their services available to consumers through us. Our arrangements with travel service providers generally do not require them to make available any specific quantity of accommodation reservations, rental cars or airline tickets, or to make accommodation reservations, rental cars or airline tickets available in any geographic area, for any particular route or at any particular price. Similarly, our arrangements with restaurants generally do not require them to provide all of their available tables and reservations to customers through us. We are in regular dialogue with our major travel service providers about the nature and extent of their participation in our services. A significant reduction on the part of any of our major travel service providers or providers that are particularly popular with consumers in their participation in our services for a sustained period of time or their complete withdrawal could have a material adverse effect on our business, market share and results of operations. To the extent any of those major or popular travel service providers ceased to participate in our services in favor of one of our competitors' services or decided to require consumers to purchase services directly from them, our business, market share and results of operations could be harmed. During periods of higher occupancy rates, accommodation providers may decrease their distribution of accommodation reservations through third-party intermediaries like us, in particular through our discount services. Further, as consolidation among travel service providers increases, the potential adverse effect of a decision by any particular significant travel service provider (such as a large hotel chain, airline or rental car company) to withdraw from or reduce its participation in our services also increases. To the extent restaurants limit the availability of reservations through OpenTable, consumers may not continue to use our services and/or our revenues could be adversely affected, especially if reservations during highly desirable times on high volume days are not made available through us.

KAYAK, a meta-search service, depends on access to information related to travel service pricing, schedules, availability and other related information from OTCs and travel service providers to attract consumers. Many of KAYAK's agreements with OTCs and travel service providers are short-term agreements that may be terminated on 30 days' notice. To the extent OTCs or travel service providers no longer provide such information to KAYAK, KAYAK's ability to provide comprehensive travel service information to consumers could be diminished and its brand, business and results of operations could be harmed. To the extent consumers do not view KAYAK as a reliable source of comprehensive travel service information, fewer consumers would likely visit its websites, which would also likely have a negative impact on KAYAK's advertising revenue and results of operations. In addition, if OTCs or travel service providers choose not to advertise with KAYAK or choose to reduce or eliminate the fees paid to KAYAK for referrals from query results, KAYAK's business and results of operations could be adversely affected.

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.

Our performance is largely dependent on the talents and efforts of highly skilled individuals. Our future success depends on our continuing ability to identify, hire, develop, motivate and retain highly skilled employees for all areas of our organization. In particular, the contributions of key senior management in the United States, Europe and Asia are critical to the overall management of our business. We may not be able to retain the services of any members of our senior management or other key employees, the loss of whom could harm our business and competitive position.

In addition, competition for well-qualified employees in all aspects of our business, including software engineers, mobile communication talent and other technology professionals, is intense both in the United States and abroad. Our international success in particular has led to increased efforts by our competitors and others to hire our international employees. These difficulties may be amplified by evolving restrictions on immigration, travel or availability of visas or work permits for skilled technology workers. Our continued ability to compete effectively and to innovate and develop products, services, technologies and enhancements depends on our ability to attract new employees and to retain and motivate existing employees. If we do not succeed in attracting well-qualified employees or retaining and motivating existing employees, our business, competitive position and results of operations would be adversely affected. We do not maintain any key person life insurance policies.

Our business is subject to various competition, anti-trust, consumer protection and online commerce laws, rules and regulations around the world, and as the size of our business grows, the scrutiny of legislators and regulators in these areas may intensify.

We, the travel industry and the technology industry generally are subject to competition, anti-trust and consumer protection laws and regulations around the world. These laws and regulations evolve and change, and their interpretation, application and enforcement can also change, be unpredictable or be affected by changing political or social pressures. At times, online travel platforms, including us, have been the subject of investigations or inquiries by various national competition authorities ("NCAs") or other governmental authorities. For example, we have been and continue to be involved in investigations related to whether Booking.com's contractual parity arrangements with accommodation providers, sometimes also referred to as "most favored nation" or "MFN" provisions, are anti-competitive because they require accommodation providers to provide Booking.com with room rates, conditions or availability that are at least as favorable as those offered to other OTCs or through the accommodation provider's website. To resolve and close certain of the investigations, we have from time to time made commitments to the investigating authorities regarding future business practices or activities. For example, Booking.com has made commitments to several NCAs, including agreeing to narrow the scope of its parity arrangements, in order to resolve parity-related investigations.

We have also been involved in investigations or inquiries involving consumer protection matters. For example, in October 2017 the United Kingdom's NCA (the Competition and Markets Authority, or CMA) launched a consumer protection law investigation into the clarity, accuracy and presentation of information on hotel booking sites with a specific focus on the display of search results (e.g., ranking), claims regarding discounts, methods of "pressure selling" (such as allegedly creating false impressions regarding room availability) and failure to disclose hidden charges. In connection with this investigation, in June 2018, the CMA announced that it would proceed with enforcement action against a number of hotel booking sites. Booking.com, agoda and KAYAK, along with a number of other OTCs, have voluntarily agreed to certain commitments with the CMA addressing its concerns in resolution of this investigation, which will take effect on September 1, 2019. Among other things, the commitments provided to the CMA include showing prices inclusive of all mandatory taxes and charges, providing information about the effect of commissions on search result rankings on or before the search results page and making certain adjustments to how discounts and statements concerning popularity or availability are shown to consumers. The CMA has stated that it expects all market participants to adhere to the same standards, regardless of whether they formally signed the commitments. The commitments concluded the CMA’s investigation without a finding of infringement or an admission of wrongdoing by the OTCs involved. Other countries are investigating or may decide to investigate these or similar issues generally or with respect to specific businesses, including ours, and we are unable to predict the outcome of any such other investigations. To the extent that any such other investigations result in additional commitments, fines or other remedies, our business or results of operations could be harmed. For example, in October 2017, the consumer protection department of the German NCA opened an inquiry into online price comparison sites in various sectors, including travel and hotels, to better understand the common practices towards consumers of online price comparison websites. In April 2019, the inquiry concluded that while comparison websites make it easier for consumers to reach purchasing decisions, some comparison websites lack material content (e.g. explanations on ranking) or have inaccurate content that may mislead consumers (e.g. "pressure selling"). Booking.com was mentioned several times as an illustration, although the German NCA did not establish a specific infringement. Further, in March 2018, the Danish NCA began a review of the competitive conditions of the online hotel booking market at the request of the Minister of Economic Affairs. The conclusions published in February 2019 were generally favorable and observed that both hotels and consumers have benefited from digital booking platforms. In April 2018, the Singaporean NCA launched a market review into the online travel sector, with a focus on agreements between booking platforms and flight and hotel service providers.

As markets evolve and NCAs or other governmental authorities continue to monitor our industry, new investigations of the industry generally or of us specifically could and have occurred, including revisiting issues that were the subject of prior investigations. For example, a working group of 10 European NCAs (France, Germany, Belgium, Hungary, Ireland, Italy, the Netherlands, Czech Republic, the United Kingdom and Sweden) was established by the European Commission to monitor the effects of the narrow parity clause in Europe. This working group (the "ECN Working Group") has decided to keep the sector under review and re-assess the competitive situation in due course. Also, while we believe that we are complying with our commitments, investigating authorities or third parties may determine that we are not complying with the commitments we have made and decide to pursue legal action to compel compliance or seek other remedies. Further, in September 2017 the Swiss Price Surveillance Office opened an investigation into the level of commissions of Booking.com in Switzerland and the investigation is ongoing.

We are cooperating with regulators where applicable, but we are unable to predict what, if any, effect any investigations or resolutions thereof, including the effect of any commitments we might make, will have on our business, industry practices or online commerce more generally. To the extent that regulatory authorities impose fines on us or require changes to our business practices or to those currently common to the industry, our business, competitive position and results of operations could be materially and adversely affected. Negative publicity regarding competition and/or consumer law investigations could adversely affect our brands and therefore our market share and results of operations. Competition and consumer law-related investigations, legislation or issues have and could in the future result in private litigation.

Another area of increased scrutiny, particularly in Europe, involves contractual search term bidding restrictions where one contracting party agrees not to bid on certain key search terms related to the other party (e.g., such other party’s name). In some of our contracts we or the other party have agreed to bidding restrictions. If bidding restrictions are held to be illegal or otherwise unenforceable, our performance marketing costs may increase if bidding on affected key words (especially those related to us) becomes more expensive, which could adversely affect our performance marketing efficiency and results of operations.

Recently, there has been increased legislative focus on the technology industry, especially as technology companies become larger and there is additional public pressure to examine the state of the market. In some instances, countries have passed legislation that goes further to restrict business activities than actions taken by NCAs or other regulatory authorities. For example, France, Italy, Belgium and Austria have passed legislation prohibiting parity contract clauses in their entirety. New laws and regulations and changing public perception relating to the technology industry could impact our services, require us to change our business or otherwise cause us to incur additional operating costs to comply with these developments. Further, as market conditions change as a result of investigations, litigation, legislation or political or social pressure, we may decide to voluntarily modify our business practices beyond what is required, the full effects of which may not be known when making the decision, but which could harm our competitive position and adversely affect our results of operations.

With additional attention on the size of travel or technology companies generally, our size and market share may negatively affect our ability to obtain regulatory approval of proposed acquisitions, our ability to expand into complementary businesses or our latitude in dealing with travel service providers (such as by limiting our ability to provide discounts, rebates or incentives or to exercise contractual rights), any of which could adversely affect our business, results of operations or ability to grow and compete.

Regulatory and legal requirements and uncertainties could subject us to business constraints, increased compliance costs and complexities or otherwise harm our business.

The services we offer and could offer in the future are subject to legal regulations (including laws, ordinances, rules and other requirements and regulations) of national and local governments and regulatory authorities around the world, many of which are evolving and subject to the possibility of new or revised interpretations. Our ability to provide our services is and will continue to be affected by such regulations. For example, in 2017 our Rentalcars.com business began offering optional rental car-related insurance products to customers protecting them against accidental damage to their rental vehicles, which subjects us to certain insurance regulations and related increased compliance costs and complexities, any of which could negatively impact our business and results of operations. Other new or potential services, such as providing consumers with the ability to pay for goods or services through us, could further subject us to additional regulations and complexities, including financial services regulations or other regulation regimes applicable to highly regulated businesses. Laws in some countries relating to data localization, registration as a travel agent and other local requirements could, if applicable to us, adversely affect our ability to conduct business in those countries. Any increase in the number or complexity of the laws and regulations applicable to us and our businesses could increase our compliance costs and burdens and negatively affect our business and results of operations.

The implementation of unfavorable regulations or unfavorable interpretations of existing regulations by judicial or regulatory bodies could require us to incur significant compliance costs, cause the development of the affected markets to become impractical and otherwise have a material adverse effect on our business and results of operations. For example, in March 2017, in connection with a lawsuit begun in 2015 by the Association of Turkish Travel Agencies claiming that Booking.com is required to meet certain registration requirements in Turkey, a Turkish court ordered Booking.com to suspend offering Turkish hotels and accommodations to Turkish residents. Although Booking.com is appealing the order and believes it to be without basis, this order has had a negative impact on our growth and results of operations, and is expected to continue to negatively impact our results of operations.

Certain jurisdictions, particularly in Europe, are considering regulations intended to address the issue of "overtourism," including restrictions that may adversely affect our ability to offer accommodations, in particular, alternative accommodations, near city centers or popular tourist destinations. To the extent any such regulations require online platforms such as ours to comply with additional restrictions related to offering reservations for accommodations, tours and activities or other travel services in such areas, we could be subject to increased legal and compliance costs, and our business, growth and results of operations could be adversely affected.

Compliance with the laws and regulations of multiple jurisdictions increases our cost of doing business. These laws and regulations, which vary and sometimes conflict, include the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act and local laws which also prohibit corrupt payments to governmental officials or third parties, data privacy requirements, labor relations laws, tax laws, anti-trust or competition laws, U.S., E.U. or U.N. sanctioned country or sanctioned persons mandates, and consumer protection laws. Violations of these laws and regulations could result in fines and/or criminal sanctions against us, our officers or our employees and/or prohibitions on the conduct of our business. Any such violations could result in prohibitions on our ability to offer our services in one or more countries, could delay or prevent potential acquisitions, and could also materially damage our reputation, our brands, our international expansion efforts, our ability to attract and retain employees, our business and our operating results. Even if we comply with these laws and regulations, doing business in certain jurisdictions could harm our reputation and brands, which could adversely affect our results of operations or stock price. In addition, these restrictions may provide a competitive advantage to our competitors unless they are also subject to comparable restrictions. Our success depends, in part, on our ability to anticipate these risks and manage these difficulties. We are also subject to a variety of other regulatory, legal and public policy risks and challenges in managing an organization operating in various countries, including those related to:

- regulatory changes or other government actions;
- additional complexity to comply with regulations in multiple jurisdictions, as well as overlapping or inconsistent legal regimes, in particular with respect to tax, labor, consumer protection, digital content, advertising, promotions, privacy and anti-trust laws;
- difficulties in transferring funds from or converting currencies in certain countries;
- reduced protection for intellectual property rights in some countries; and
- changes in social or political conditions or policies relating to a wide range of sustainability topics.

Our business has grown substantially over the last several years and continues to expand into new geographic locations. In addition, we have made efforts and expect to make further efforts to integrate access to travel services across our various brands. These changes add complexity to legal and tax compliance, and our increased size and operating history may increase the likelihood that we will be subject to regulatory scrutiny or audits by tax authorities in various jurisdictions. In addition, by virtue of Booking.com's size and presence in the Netherlands, it was recently required to establish a supervisory board to oversee the strategy and operations of Booking.com. While we do not expect the establishment of a supervisory board to have a significant impact on our operations, under certain circumstances, this new governance structure could require

Booking.com to obtain supervisory board approval in order to take certain actions, which could result in delays or other unanticipated strategic or operational challenges.

Our stock price is highly volatile.

The market price of our common stock is highly volatile and is likely to continue to be subject to wide fluctuations in response to factors such as the following, some of which are beyond our control:

- financial or operating results that vary from the expectations of securities analysts and investors or our publicly-disclosed estimates;
- quarterly variations in our financial or operating results;
- changes in expectations as to our future financial or operating performance, including estimates by securities analysts and investors or our publicly-disclosed estimates of future performance;
- worldwide economic conditions in general and in Europe in particular;
- fluctuations in currency exchange rates, particularly between the U.S. Dollar and the Euro;
- changes in interest rates;
- occurrences of a significant security breach;
- announcements of technological innovations or new services by us or our competitors;
- changes in our capital structure;
- changes in market valuations of other internet or online service companies;
- announcements by us or our competitors of price reductions, promotions, significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;
- loss of a major travel service provider participant, such as a hotel chain, rental car company or airline, from our services;
- changes in the status of our intellectual property rights;
- lack of success in the expansion of our business models geographically;
- business interruptions, such as may result from natural disasters or other events;
- announcements by third parties of significant claims or initiation of litigation proceedings against us or adverse developments in pending proceedings;
- additions or departures of key personnel; and
- trading volume fluctuations.

Sales of a substantial number of shares of our common stock, including through the conversion of our convertible notes, could adversely affect the market price of our common stock by introducing a large number of sellers to the market. Given the volatility that exists for our shares, such sales could cause the market price of our common stock to decline significantly. In addition, fluctuations in our stock price and our price-to-earnings multiple may have made our stock attractive to momentum, hedge or day-trading investors who often shift funds into and out of stocks rapidly, exacerbating price fluctuations in either direction, particularly when viewed on a quarterly basis.

The trading prices of internet company stocks in general, including ours, have experienced extreme price and volume fluctuations. To the extent that the public's perception of the prospects of internet or e-commerce companies is negative, our stock price could decline, regardless of our results. Other broad market and industry factors may decrease the market price of our common stock, regardless of our operating performance. Market fluctuations, as well as general political and economic conditions, such as a recession, interest rate or currency rate fluctuations, political instability (e.g., "Brexit"), changes in trade policy, trade disputes or a natural disaster or terrorist attack affecting a significant market for our business, such as Europe or the United States, could cause our stock price to decline. Negative market conditions could adversely affect our ability to raise additional capital or the value of our stock for purposes of acquiring other companies or businesses.

We have, in the past, been a defendant in securities class action litigation. Securities class action litigation has often been brought against a company following periods of volatility in the market price of its securities. To the extent our stock price declines or is volatile, we may in the future be the target of additional litigation. This additional litigation could result in substantial costs and divert management's attention and resources, either of which could adversely affect our business, financial condition and results of operations.

We face increased risks if the level of our debt increases.

We have a substantial amount of outstanding indebtedness and we may incur substantial additional indebtedness in the future, including through public or private offerings of debt securities. Our outstanding indebtedness and any additional indebtedness we incur may have significant consequences, which could include:

- requiring the dedication of a portion of our cash flow from operations to service our indebtedness, thereby reducing the amount of cash flow available for other purposes, including capital expenditures, share repurchases and acquisitions;
- increased vulnerability to downturns in our business, to competitive pressures and to adverse changes in general economic and industry conditions;
- decreased or lost ability to obtain additional financing on terms acceptable to us for working capital, capital expenditures, acquisitions, share repurchases or other general corporate purposes; and
- decreased flexibility when planning for or reacting to changes in our business and industry.

Our ability to make payments of principal and interest on our indebtedness depends upon our future performance, which will be subject to general economic conditions, industry cycles and financial, business and other factors affecting our consolidated results of operations and financial condition, many of which are beyond our control. Further, we may not have access to equity or debt markets or other sources of financing, or such financing may not be available to us on commercially reasonable terms, to repay or refinance our debt as it comes due or, in the case of our convertible notes, upon conversion.

We face risks related to our intellectual property.

We regard our intellectual property as critical to our success, and we rely on domain name, trademark, copyright and patent law, trade secret protection and confidentiality and/or license agreements with our employees, travel service providers, partners and others to protect our proprietary rights. We have filed various applications for protection of certain aspects of our intellectual property in the United States and other jurisdictions, and we currently hold a number of issued patents in several jurisdictions. Further, in the future we may acquire additional patents or patent portfolios, which could require significant cash expenditures. However, we may choose not to patent or otherwise register some of our intellectual property and instead rely on trade secret or other means of protecting our intellectual property. We have licensed in the past, and may license in the future, certain of our proprietary rights, such as trademarks or copyrighted material, to third parties, and these licensees may take actions that diminish the value of our proprietary rights or harm our reputation. We also have procured various intellectual property licenses from third parties. In addition, effective intellectual property protection may not be available in every country in which our services are made available online. We may be required to expend significant time and resources to prevent infringement or to enforce our intellectual property rights.

We believe that our intellectual property rights help to protect our business. We endeavor to defend our intellectual property rights diligently, but intellectual property litigation is extremely expensive and time-consuming, and may divert managerial attention and resources from our business objectives. We may not be able to successfully defend our intellectual property rights or they may not be sufficient to effectively protect our business, which could materially adversely affect our business, brands and results of operations.

From time to time, in the ordinary course of our business, we have been subject to, and are currently subject to, legal proceedings and claims relating to the intellectual property rights of others, and we expect that third parties will continue to assert intellectual property claims, in particular patent claims, against us, particularly as we expand the complexity and scope of our business. Successful infringement claims against us could result in a significant monetary liability or prevent us from operating our business, or portions of our business, or require us to change business practices or develop non-infringing intellectual property, which could require significant effort and expense. In addition, resolution of claims may require us to obtain licenses to use intellectual property rights belonging to third parties, which may be expensive to procure, or possibly to cease using those rights altogether. Any of these events could have a material adverse effect on our business, results of operations and financial condition.

The success of our acquisition of OpenTable is subject to numerous risks and uncertainties.

OpenTable is a leading brand for booking online restaurant reservations. We believe that the online restaurant reservation business is complementary to our online travel businesses. We are subject to risks associated with OpenTable's business, many of which are the same risks that our other businesses face. Other risks include: OpenTable's ability to increase the number of restaurants and diners using its products and services and retain existing restaurants and diners; OpenTable's ability to expand internationally; competition both to provide reservation management services to restaurants and to attract diners to make reservations through OpenTable's platforms; OpenTable's ability to effectively and efficiently market to new restaurants and diners; and any risks that cause people to refrain from dining at restaurants, such as economic downturns, severe weather, outbreaks of pandemic or contagious diseases, or threats of terrorist attacks.

OpenTable's post-acquisition strategy was premised on significant and rapid investment in international expansion and various other growth initiatives, resulting in near-term reduced earnings and profit margins but with the goal of achieving significantly increased revenues and profitability in the long term. As this strategy was achieving limited progress, in the third quarter of 2016 OpenTable modified its strategy. As a result, while OpenTable intends to continue to pursue and invest in international expansion and its other growth initiatives, it intends to do so in a more measured and deliberate manner. This change in strategy resulted in OpenTable updating its forecasted financial results to reflect (a) a material reduction in forecasted long-term financial results from these initiatives, partially offset by (b) improved earnings and profit margins in the near term as a result of the reduced investments. As previously disclosed, based on the updated forecast, we estimated a significant reduction in the fair value of the OpenTable business and, for the quarter ended September 30, 2016, recognized a non-deductible goodwill impairment charge of $941 million.

Future events and changing market conditions may lead us to again re-evaluate the assumptions reflected in the updated forecast, including key assumptions regarding OpenTable's expected growth rates and operating margins and the success and timing of its international expansion and other growth initiatives, as well as other key assumptions with respect to matters outside of our control, such as discount rates, currency exchange rates, market EBITDA (i.e., earnings before interest, taxes, depreciation and amortization) comparables, and changes in accounting policies or practices, including proposed changes affecting the measurement of goodwill and/or impairment testing methodology. If OpenTable does not achieve the results currently expected, if its investments, in particular its investments in its international expansion efforts and other growth initiatives, are not successful, or if any of the assumptions underlying our estimate of the value of the OpenTable business, including those mentioned above, prove to be incorrect, we may further refine our forecast for the OpenTable business and recognize an additional goodwill impairment and an impairment of intangible assets, which could have a material adverse effect on our results of operations.

The value of our investments could decline, which could adversely affect our financial condition and results of operations.

We maintain an investment portfolio of various holdings, types and maturities. Our portfolio includes fixed-income securities, equity securities of publicly-traded companies, the values of which are subject to market price volatility, and investments in private companies. Our investments in fixed income securities and other debt securities are generally classified as available-for-sale and, consequently, are recorded in our balance sheets at fair value with unrealized gains or losses reported as a component of accumulated other comprehensive income (loss), net of tax. If such fixed income investments suffer market price declines, we may recognize in earnings the decline in the fair value of our investments below their cost basis when the decline is judged to be other than temporary. For periods beginning on or after January 1, 2018, changes in the fair value of our investments in publicly-traded equity securities are recognized in net income and these changes have had, and are likely to continue to have, a significant impact on our quarterly net income. Our investments in equity securities of private companies are primarily measured at cost, less impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer, with changes in value also recognized in net income (see Note 5 to our Unaudited Consolidated Financial Statements).

We have invested a significant amount in Ctrip convertible notes and ADSs. We have also invested in Meituan Dianping, another Chinese internet company, that has been publicly traded since September 2018 ("Meituan"). See Note 5 to our Unaudited Consolidated Financial Statements for more information regarding our investments in Ctrip and Meituan securities. The value of these securities is subject to the risks associated with Ctrip's and Meituan's respective businesses, as well as any changes by the Chinese government in foreign investment laws or elevated scrutiny or regulation of foreign investments in Chinese companies. For example, Ctrip is a Cayman Islands company operating in China through what is commonly referred to as a variable interest entity, or VIE, structure where it conducts part of its business through contractual relationships with affiliated Chinese entities. Although VIE structures are commonly used by Chinese internet and e-commerce companies, there are substantial uncertainties regarding the interpretation and application of People's Republic of China ("PRC") laws and regulations to VIE structures, and it is possible that the PRC government may view the VIE structure as a violation of PRC law. VIE contractual relationships are not as effective in providing control over the affiliated Chinese companies as direct ownership, and Ctrip would have to rely on the PRC legal system to enforce those contracts in the event of a breach by one of these entities. Further, conflicts of interest could arise to the extent Ctrip's officers or directors are also shareholders, officers or directors of the affiliated Chinese entities. Any of these risks could materially and adversely affect Ctrip's business and therefore the value of our investment in Ctrip. Similar VIE-structure considerations and risks apply with respect to our investments in securities of Meituan and Didi Chuxing, each of which is a Cayman Islands company operating in China through a VIE structure.

Our investments in private companies are inherently risky in that such companies are typically at an early stage of development, may have no or limited revenues, may not be or ever become profitable, may not be able to secure additional funding or their technologies, services or products may not be successfully developed or introduced to the market. Further, our ability to liquidate any such investments is typically dependent on a liquidity event, such as a public offering or acquisition, as no public market exists for such securities. Valuations of privately-held companies are inherently complex and uncertain due to the lack of a liquid market for the company's securities. If we determine that any of our investments in such companies have experienced a decline in value, we are required to recognize the change in net income. For example, in 2016 we recognized impairments totaling $63 million related to investments in two private companies and in 2017 we recognized an impairment of $8 million related to an investment in one private company.

We could lose the full amount of any of our investments, and any impairment of our investments could have a material adverse effect on our financial condition and results of operations.

Investment in new business strategies and acquisitions could disrupt our ongoing business and present risks not originally contemplated.

Our mission is to help people experience the world. As a result, our strategy involves evaluating and potentially entering complementary businesses in furtherance of that mission. We have invested, and in the future may invest, in new business strategies and acquisitions. For example, we acquired FareHarbor in April 2018 to increase Booking.com's ability to offer local activities and experiences (such as tours and attractions) and acquired OpenTable in 2014 to enter the restaurant reservation business. We also have acquired, and in the future may acquire, businesses similar to those we already operate in an effort to expand our geographic markets, acquire technology or products or to otherwise improve or grow our business. For example, in July 2017 we acquired the Momondo Group and in November 2018 we acquired HotelsCombined, in each case, among other things, to enhance the global reach of our meta-search business. Such endeavors may involve significant risks and uncertainties, including diversion of management's attention from current operations, greater than expected liabilities and expenses, inadequate return on capital, new risks with which we are not familiar, legal compliance obligations that previously did not apply to us, integration risks and difficulties and unidentified issues not discovered in our investigations and evaluations of those strategies and acquisitions. As a result, entering new businesses involves risks and costs that could, if realized, have an adverse effect on our business, reputation, results of operations, cash flows or financial condition, as well as on our ability to achieve the expected benefits of any such investments or acquisitions.

We may decide to make minority investments, including through joint ventures, in which we have limited or no management or operational control. The controlling person in such a case may have business interests, strategies or goals that are inconsistent with ours, and decisions of the company or venture in which we invested may result in harm to our reputation or business or adversely affect the value of our investment. A substantial portion of our goodwill and intangible assets were acquired in acquisitions. If we determine that any of the goodwill and intangible assets, or any goodwill or intangible assets acquired in future transactions, experiences a decline in value, we may be required to record an other-than-temporary impairment, which could materially adversely affect our results of operations. Further, we may issue shares of our common stock in these transactions, which could result in dilution to our stockholders.

We may not be able to successfully integrate acquired businesses or combine internal businesses.

The integration of acquired businesses requires significant time and resources, and we may not manage these processes successfully. Further, as our businesses develop and market conditions change, we may decide to integrate businesses that had been managed independently or to integrate certain functions across businesses. These integrations may be of varying degree, depending on many factors such as business compatibility, strategic goals or geographic location, among others. For example, on January 1, 2018, we began operating Rentalcars.com as part of Booking.com. This combination is ongoing and it may be some time before Rentalcars.com is fully integrated into Booking.com. Integrations are complex, often involve additional or unexpected costs and create a variety of issues and risks, including:

- disruption or harm to the businesses involved;
- disruption to our other businesses, including as a result of the need for management to spend time and attention on the integration;
- difficulty combining different company cultures; systems; reporting structures, titles and job descriptions; and compensation schemes;
- problems retaining key personnel, in particular at the acquired or integrated company;
- loss of travel service providers, restaurants or partners of the acquired business; and
- difficulty implementing and maintaining effective controls, procedures and policies.

Our ability to successfully integrate companies is unproven, and we may not achieve the strategic, financial or operating objectives of the acquisition or integration, any of which could adversely affect our business, results of operations or the value of our acquisitions.

Our use of "open source" software could adversely affect our ability to protect our proprietary software and subject us to possible litigation.

We use open source software in connection with our software development. From time to time, companies that use open source software have faced claims challenging the use of open source software and/or compliance with open source license terms. We could be subject to suits by parties claiming ownership of what we believe to be open source software, or claiming non-compliance with open source licensing terms. Some open source licenses require users who distribute software containing open source to make available all or part of such software, which in some circumstances could include valuable proprietary code of the user. While we monitor our use of open source software and try to ensure that none is used in a manner that would require us to disclose our proprietary source code or that would otherwise breach the terms of an open source agreement, such use could inadvertently occur, in part because open source license terms are often ambiguous. Any requirement to disclose our proprietary source code or pay damages for breach of contract could be harmful to our business, results of operations or financial condition, and could help our competitors develop services that are similar to or better than ours.

Our business is exposed to risks associated with processing credit card and other payment transactions.

Because we facilitate the processing of customer credit cards in many of our transactions, including a majority of our priceline, agoda and Rentalcars.com transactions, and a growing portion of our Booking.com transactions, our results have been negatively impacted by customer purchases made using fraudulent credit cards. We may be held liable for accepting fraudulent credit cards on our platforms or in connection with other fraudulent transactions on our platforms, as well as other payment disputes with our customers. Accordingly, we calculate and record an allowance for the resulting customer chargebacks. If we are unable to combat the use of fraudulent credit cards on our websites, our business, results of operations and financial condition could be materially adversely affected.

Our Booking.com business is also increasingly processing transactions on a merchant basis where it receives payments from travelers, including credit card transactions as well as other payment methods (such as electronic bank transfer or payment systems such as PayPal, Alipay, Paytm and WeChat Pay). While this allows Booking.com to process transactions for properties that do not otherwise accept credit cards and to increase its ability to offer a variety of payment methods and flexible transaction terms to consumers, we incur additional payment processing costs and other costs related to these transactions, such as costs related to fraudulent payments and transactions and fraud detection. As this business continues to grow, we may experience a significant increase in such costs, and our results of operations and financial condition could be materially adversely affected. The growth in processing transactions on a merchant basis also requires Booking.com to manage its global systems and processes associated with these transactions on a larger scale, which may introduce additional complexity and increase administrative burdens and costs, which could adversely affect our results of operations.

In addition, in the event that one of our major travel service providers voluntarily or involuntarily declares bankruptcy, we could experience an increase in chargebacks from customers with travel reservations with such travel service provider. For example, airlines that participate in our services and declare bankruptcy or cease operations may be unable or unwilling to honor tickets sold for their flights. Our policy in such event is to direct customers seeking a refund or exchange to the airline, and not to provide a remedy ourselves. Because we process some sales of airline tickets on a merchant basis, we could experience a significant increase in demands for refunds or chargebacks from customers, which could materially adversely affect our results of operations and financial condition. We have in the past experienced an increase in chargebacks from customers with tickets on airlines that ceased operations. We process credit card transactions and operate in numerous currencies. Credit card and other payment processing costs are typically higher for foreign currency transactions and in instances where cancellations occur.

"Cookie" laws could negatively impact the way we do business.

A "cookie" is a text file that is stored on a user's computer or mobile device. Cookies are common tools used by thousands of websites and mobile apps, including ours, to, among other things, store or gather information (e.g., remember log-on details so a user does not have to re-enter them when revisiting a website or opening an app), market to consumers and enhance the user experience. Cookies are valuable tools for platforms like ours to improve the customer experience and increase conversion. Many jurisdictions, including the European Union and more recently, California, have adopted regulations governing the use of "cookies." To the extent any such regulations require "opt-in" consent before certain cookies can be placed on a user's computer or mobile device, our ability to serve certain customers in the manner we currently do might be adversely affected and our ability to continue to improve and optimize performance on our platforms might be impaired, either of which could negatively affect a consumer's experience using our services and our business, market share and results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table sets forth information relating to repurchases of our equity securities during the three months ended March 31, 2019.

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares (or Units) Purchased		Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs	
January 1, 2019 –	429,902	(1)	$ 1,728.24	429,902	$ 3,801,785,150	(1)
January 31, 2019	4,135	(2)	$ 1,722.29	N/A	N/A	
February 1, 2019 –	288,641	(1)	$ 1,884.62	288,641	$ 3,257,807,312	(1)
February 28, 2019	6	(2)	$ 1,734.03	N/A	N/A	
March 1, 2019 –	829,540	(1)	$ 1,744.90	829,540	$ 1,810,342,168	(1)
March 31, 2019	66,564	(2)	$ 1,714.21	N/A	N/A	
Total	1,618,788		$ 1,764.07	1,548,083	$ 1,810,342,168	

____

(1) Pursuant to a stock repurchase program announced on February 27, 2018, whereby the Company was authorized to repurchase up to $8.0 billion of its common stock.

(2) Pursuant to a general authorization, not publicly announced, whereby the Company is authorized to repurchase shares of its common stock to satisfy employee withholding tax obligations related to stock-based compensation.

Item 6. Exhibits

The exhibits listed below are filed as part of this Quarterly Report on Form 10-Q.

Exhibit Number	Description
3.1(a)	Restated Certificate of Incorporation.
3.2(a)	Amended and Restated By-Laws.
10.1	Form of Employee Confidentiality and Assignment Agreement.
10.2(b)	2019 Form of Performance Share Unit Agreement under the Company's 1999 Omnibus Plan.
31.1	Certification of Glenn D. Fogel, the Chief Executive Officer and President, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of David Goulden, the Executive Vice President and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Glenn D. Fogel, the Chief Executive Officer and President, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of David Goulden, the Executive Vice President and Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from the Company's Quarterly Report on Form 10-Q for the three months ended March 31, 2019 are furnished herewith, formatted in XBRL (Extensible Business Reporting Language): (i) Unaudited Consolidated Balance Sheet, (ii) Unaudited Consolidated Statement of Operations, (iii) Unaudited Consolidated Statement of Comprehensive Income, (iv) Unaudited Consolidated Statement of Changes in Stockholders' Equity, (v) Unaudited Consolidated Statement of Cash Flows, and (vi) Notes to Unaudited Consolidated Financial Statements.

(a) Previously filed as an exhibit to the Current Report on Form 8-K filed on February 21, 2018 and incorporated herein by reference.
(b) Previously filed as an exhibit to the Current Report on Form 8-K filed on March 1, 2019 and incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BOOKING HOLDINGS INC.
(Registrant)

Date: May 9, 2019

By: /s/ David I. Goulden

Name: David I. Goulden
Title: Executive Vice President and Chief Financial Officer
(On behalf of the Registrant and as principal financial officer)

Exhibit Index

Exhibit Number	Description
3.1(a)	Restated Certificate of Incorporation.
3.2(a)	Amended and Restated By-Laws.
10.1	Form of Employee Confidentiality and Assignment Agreement.
10.2(b)	2019 Form of Performance Share Unit Agreement under the Company's 1999 Omnibus Plan.
31.1	Certification of Glenn D. Fogel, the Chief Executive Officer and President, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of David Goulden, the Executive Vice President and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Glenn D. Fogel, the Chief Executive Officer and President, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of David Goulden, the Executive Vice President and Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from the Company's Quarterly Report on Form 10-Q for the three months ended March 31, 2019 are furnished herewith, formatted in XBRL (Extensible Business Reporting Language): (i) Unaudited Consolidated Balance Sheet, (ii) Unaudited Consolidated Statement of Operations, (iii) Unaudited Consolidated Statement of Comprehensive Income, (iv) Unaudited Consolidated Statement of Changes in Stockholders' Equity, (v) Unaudited Consolidated Statement of Cash Flows, and (vi) Notes to Unaudited Consolidated Financial Statements.

(a) Previously filed as an exhibit to the Current Report on Form 8-K filed on February 21, 2018 and incorporated herein by reference.
(b) Previously filed as an exhibit to the Current Report on Form 8-K filed on March 1, 2019 and incorporated herein by reference.

Exhibit 10.1

EMPLOYEE CONFIDENTIALITY AND ASSIGNMENT AGREEMENT

Booking Holdings Inc. (“Company”), having a business at 800 Connecticut Avenue, Norwalk, Connecticut 06854, and its parents, affiliates, subsidiaries, related and acquired companies (hereinafter collectively with the Company referred to as the “Company Entities”), develops, purchases, and uses valuable Confidential Information (as hereinafter defined). It is vital to the current and anticipated business interests of the Company Entities that all such Confidential Information be maintained in strict confidence and remain proprietary to the Company Entities. It is also vital that inventions and discoveries made by employees of the Company Entities be properly protected and that legitimate interests of the Company Entities in such inventions and discoveries be preserved.

I am currently, or desire to become, employed by the Company or another Company Entity in a capacity in which I will receive or develop, or otherwise handle or be exposed to, Confidential Information. In consideration of my becoming employed by a Company Entity, or my continuing to be employed by a Company Entity (all such employment being at will and subject to any other ancillary agreement(s) which may be in effect), and the payment to me of a salary and/or other compensation during my employment, I agree, irrespective of any changes in the scope or nature of my employment (or my ceasing to be employed by any Company Entity as follows:

1. <u>Confidential Information</u>

As used herein, "Confidential Information" means private, confidential, trade secret or other proprietary information (whether or not embodied or contained in some tangible form) relating to any actual or anticipated business of the Company Entities or any research and development of the Company Entities, or information suggested by or resulting from any tasks assigned to me or work performed by me for or on behalf of the Company Entities and information, observations and data concerning the business or affairs of the Company Entities, including, without limitation, all business information which relates to the Company Entities, or their customers, suppliers or contractors or any other third parties in respect of which the Company Entities has a business relationship or owes a duty of confidentiality, or their respective businesses or products, and which is not known to the public generally other than as a result of my breach of this Agreement. Confidential Information includes, but is not limited to, any information which, if kept secret, will provide one or more of the Company Entities an actual or potential economic advantage over others in the relevant trade or industry, such as, but not limited to: technical information or reports, trade secrets, operating instructions, training materials, formulae, compilations, computer programs and files, devices, methods, techniques, unwritten information and “know-how,” inventions, research and development, business data (including cost data), strategies, methods, prospects, plans and opportunities, customer

lists, customer buying records and habits, marketing and sales strategies, marketing plans, marketing surveys, profitability analyses, specifications, financial information, invention disclosures, patent applications (whether abandoned or not), products, product cost, product sales records and documents, product development, long-range plans, information relating to pricing, competitive strategies and new product development, services, research, information relating to any forms of compensation or other personnel-related information, contracts and supplier lists. For purposes of this Agreement, Confidential Information shall also include any information or material received in confidence by a Company from a third party, and/or information held in confidence by a third party and made available to me through the sharing of space, administrative support or other resources by the Company Entities. Confidential Information will not include (i) such information known to me prior to my involvement with the Company Entities or (ii) contact information contained in my personal rolodex or electronic address book.

1.1. Except as required in performing my duties to a Company Entity or with the prior written authorization of the Company, during the term of my employment and thereafter, I will not directly or indirectly use, disclose, disseminate or otherwise reveal any Confidential Information unless and only to the extent such Confidential Information becomes generally available to the public through no act or fault of mine. In the event that I am required by a court of law to disclose Confidential Information, I shall first (where practical) provide the Company with notice of any such order so it may seek a protective order against disclosure by a court of competent jurisdiction (and I will use my reasonable best efforts in cooperating with the Company to obtain such protective order). Notwithstanding anything to the contrary in this Agreement or any other agreement with any Company Entity, nothing shall limit my rights under applicable law to provide truthful information to any governmental entity or to file a charge with or participate in an investigation conducted by any governmental entity. Notwithstanding the foregoing, I agree to waive my right to recover monetary damages in connection with any charge, complaint or lawsuit filed by me or anyone else on my behalf (whether involving a governmental entity or not); provided that I am not agreeing to waive, and this Agreement shall not be read as requiring me to waive, any right I may have to receive an award for information provided to any governmental entity.

During my employment with any Company Entity, I will not use, disclose or induce any Company Entity to use any proprietary or confidential information or trade secrets of any former employer or other person or entity which I have an obligation to keep in confidence. Further, I will not bring onto any Company Entity's premises or transfer onto any Company Entity'

technology systems any unpublished document, proprietary information or trade secrets belonging to any such third party unless disclosure to, and use by, the Company or any of the Company Entities has been consented to in writing by such third party.

1.4 I represent and warrant to the Company that I am under no obligation (such as a non-competition agreement) to a former employer or any other party affecting my ability: (a) to perform the terms of this Agreement; (b) to be employed by the Company or any other Company Entity; or (c) to otherwise perform services to any Company Entity

2. <u>Inventions</u>

2.1. As used herein, "Inventions" means inventions, discoveries, concepts and ideas, whether or not patentable, copyrightable, trademarkable, protectable as a mask work, or protectable as a trade secret including, but not limited to, any process, method, formula, article, composition, device, product, tool, machine, computer program, apparatus, appliance, design, drawing, practice, manufacture or technique, as well as any improvements thereto and know-how related thereto.

2.2. To the extent I am employed by any Company Entity in an executive, managerial, product or technical planning, technical, research, programming or engineering capacity (including development, product, systems, applied science or field engineering), I hereby agree to the following obligations concerning Inventions without payment to me of any royalty or further consideration therefor:

2.2.1. With respect to Inventions made or conceived by me (either solely or jointly with another or others), whether or not during my hours of employment or whether or not I actually used facilities, materials or personnel of the Company Entities, for the duration of my employment by any Company Entity and for one (1) year thereafter, so long as such invention (a) is based on or related to Confidential Information, or (b) relates to any past, present or anticipated business of a Company Entity, or (c) results from any actual work performed by me for a Company Entity :

2.2.1.1. I shall promptly and fully inform the Company of each such Invention in writing, setting forth in detail the procedures employed and the results achieved;

I hereby agree to and hereby do assign to the Company or such other person as the Company shall designate all of my rights, title and interest in each such Invention, including

but not limited to applications for United States and/or foreign patents, and United States and/or foreign patents granted upon such Invention; and

2.2.1.2. I acknowledge that all copyrightable materials arising from Inventions created by me shall be considered works made for hire under the copyright laws of the United States and that these works shall, upon their creation, be owned exclusively by one or more of the Company Entities. To the extent that any of these works may not be considered works made for hire for one or more of the Company Entities under applicable law, I hereby assign to the Company Entity by which I am employed or its designee the ownership of all copyright rights in such works.

2.2.2. With respect to such Inventions made or conceived by me, at any time during and in perpetuity after my employment with any Company Entity:

2.2.2.1. I shall apply, at such Company Entity's request or at the request of such other entity as the Company shall direct and expense, for United States and foreign patents or copyrights or other form of protection either in my name or otherwise as the Company shall desire. To the extent that I am unable or unavailable or shall unreasonably refuse to sign any lawful or necessary document required in order for the applicable Company Entity (or its designee) to apply for and obtain a patent or patents with respect to any work performed by me, I hereby irrevocably designate and appoint the applicable Company Entity (or its designee) and its duly authorized officers and agents as my agent and attorney-in- fact to act for and on my behalf to execute and file any such applications, and to do all other lawfully permitted acts to further the prosecution and issuance of patents with the same legal force and effect as if executed by me; and

2.2.2.2. I shall acknowledge and deliver promptly to the applicable Company Entity (or its designee), without charge beyond my then-current hourly rate as reasonably calculated for time spent, but at the applicable Company Entity's (or its designee's) expense, such written instruments, and do such other acts, such as giving testimony in support of my inventorship, authorship or contribution, as may be reasonably necessary in the opinion of the applicable

Company Entity (or its designee) to obtain and maintain United States and/or foreign patents or copyright or other protection and to vest the entire right and title of same in such Company Entity (or its designee).

2.3. The Company Entities shall have the royalty-free right to use, make and sell products, processes, and/or services derived from any Inventions which are conceived or made by me during the hours which I am employed by any Company Entity or with the use or assistance of the facilities, materials or personnel of one or more of the Company Entities

2.4. I will not, to the best of my knowledge, use, rely on, or incorporate any preexisting confidential information and/or Inventions, already owned by me or others, in any Invention, without first informing the Company Entity by which I am employed in writing and receiving such Company Entity's advance written permission to do so.

3. Excluded from my obligations under Section 2 above are the following Inventions:

__.

I cannot assign such Inventions to the Company or any other Company Entity or any Company Entity's designee because of prior agreements with the following individuals or entities:

__.

4. The following identifies all Inventions prior to my employment with any Company Entity in which I have any title or interest:

__.

5. Upon termination of my employment with any Company Entity, for any reason, or at any time as such Company Entity may request, I shall leave with such Company Entity and/or return to such Company Entity all tangible property which I may possess or have under my direction or control belonging to the Company Entities including, without limitation, all documents, records, notebooks, data, reports, notes, compilations, computer files, data and programs, equipment, parts and tools and similar repositories or materials and any and all copies thereof.

6. I acknowledge that I am hereby notified that the immunity provisions of Section 1833 of title 18 of the United States Code provide that an individual cannot be held criminally or civilly liable under any federal or state trade secret law for any disclosure of a trade secret that is made (i) in confidence to federal, state or local governmental officials, either directly or indirectly, or to an attorney, and is solely for the purpose of reporting or investigating a suspected violation of the law, (ii)

under seal in a complaint or other document filed in a lawsuit or other proceeding, or (iii) to my attorney in connection with a lawsuit for retaliation for reporting a suspected violation of law (and the trade secret may be used in the court proceedings for such lawsuit) as long as any document containing the trade secret is filed under seal and the trade secret is not disclosed except pursuant to court order.

7. I understand and agree that the terms of this Agreement are reasonable and necessary to protect the Company Entities' respective business interests. I further agree that the Company Entities would suffer irreparable losses if I violate the terms of this Agreement and that money damages may not be an adequate remedy. Thus, in addition to any other rights or remedies, all of which shall be deemed cumulative, the Company Entities and each of them shall be entitled to obtain injunctive relief to enforce the terms of this Agreement. It is hereby acknowledged that the provisions of this Agreement are for the benefit of the Company Entities and each such Company Entity may enforce the provisions of this Agreement and only the applicable Company Entity can waive the rights hereunder with respect to its Confidential Information and employees.

8. All my obligations under this Agreement shall be binding upon my heirs, assigns, and legal representatives.

9. The Company shall have the right to assign this Agreement to another Company Entity or to a successor to all or substantially all of the business or assets of the Company or of any division or part of the Company or any Company Entity

10. This Agreement is in addition to and does not supersede or replace any existing agreement, written or otherwise, entered into between or among me and any Company Entity relating to the subject matter hereof, provided that in the event of any conflict between this Agreement and any other such agreement, this Agreement shall control. No amendment, waiver or modification of this Agreement shall be valid unless in writing and signed by both me and a duly authorized representative of the Company

11. This Agreement shall be construed and enforced under the internal laws of the State of New York.

12. In the event that any provision of this Agreement shall be held invalid or unenforceable by reason of the scope or duration thereof or for any other reason, such invalidity or unenforceability shall attach only to the particular aspect of such provision found invalid or unenforceable and shall not affect any other any other provision of this Agreement. To the fullest extent permitted by law, this Agreement shall be construed as if the scope or duration of such provision had been more narrowly drafted so as not to be invalid or unenforceable.

13. I acknowledge receipt of a copy of this Agreement.

Employee's Full Name (printed) Employee's Signature Date

Witness' Name (printed) Signature Date

Exhibit 31.1

CERTIFICATION

I, Glenn D. Fogel, certify that:

1. I have reviewed the Quarterly Report on Form 10-Q of Booking Holdings Inc. (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the Registrant and we have:

a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Dated: May 9, 2019		/s/ Glenn D. Fogel
	Name:	Glenn D. Fogel
	Title:	President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, David I. Goulden, certify that:

1. I have reviewed the Quarterly Report on Form 10-Q of Booking Holdings Inc. (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and we have:

a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Dated: May 9, 2019

/s/ David I. Goulden

Name: David I. Goulden

Title: Executive Vice President and Chief Financial Officer

Exhibit 32.1

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of Booking Holdings Inc., a Delaware corporation (the “Company”), hereby certifies that, to his knowledge:

The Quarterly Report on Form 10-Q for the quarter ended March 31, 2019 (the “Report”) of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 9, 2019		/s/ Glenn D. Fogel
	Name:	Glenn D. Fogel
	Title:	President and Chief Executive Officer

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Report or as a separate disclosure document.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of Booking Holdings Inc., a Delaware corporation (the "Company"), hereby certifies that, to his knowledge:

The Quarterly Report on Form 10-Q for the quarter ended March 31, 2019 (the "Report") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 9, 2019		/s/ David I. Goulden
	Name:	David I. Goulden
	Title:	Executive Vice President and Chief Financial Officer

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Report or as a separate disclosure document.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.