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<<Naved Khan, Analyst, SunTrust Robinson Humphrey Inc.>>

So, hello everybody, I am Naved Khan, I cover online travel at SunTrust Robinson Humphrey. And I am pleased to have here with me Axel Hefer CFO of trivago. trivago is one of the largest travel meta-search player worldwide. So Axel, welcome.

<<Axel Hefer, Chief Financial Officer>>

Thank you very much.

<<Naved Khan, Analyst, SunTrust Robinson Humphrey Inc.>>

So, let me just kick it off. With maybe a topic that's probably top of mind for a lot of people. You're advertising partners, two of the largest ones have been making ROI changes, you spoke about one more ROI change towards the end of first quarter maybe early second quarter. Can you talk about the dynamics of what's driving this. I guess we say maybe one or two occur last year. When should we expect to see things sort of stabilize and allow you to focus more on just realizing growth back on the top line?

<<Axel Hefer, Chief Financial Officer>>

Yes, so I guess when you look at the bids at our market place and you compare year-over-year obviously we've got the Q1 and Q2 2017, where we said clearly that we're looking at elevated levels because of the introduction of the relevance assessment and the very large tests that one of our advertisers was conducting, which basically led to an overcommercialization.

And, so to see a drop against that level, I think what's clearer, it was clear that at some point in time that would come down, which it has. I think then in the second half, we've seen if you more look at a quarter-over-quarter trend than the year-over-year trend we've seen some adjustments or optimizations or however you want to call it from our advertisers on our platform, which as far as I understand from the public disclosure is something that was done across various performance marketing channels.

And, why that that has been done, I think it's difficult for us to answer but it does make sense for me that certain periods where you focus more on growth and there are certain periods where you focus more on profitability and obviously in general you try to optimize your spend as much as you can.

Then to see some kind of volatility, it is something that is normal, and that in the past we have seen as well. While we have then seen in the beginning of the second quarter was another move by certain market participants in changing bid levels. And when we guided for this year we said okay, we need to factor that in. And we assumed what we're currently seeing for the rest of the year. And that might be too low, might be too high, very difficult to say but the impact on our financials can be quite significant as you know.

And that's why we felt that – that is the right approach to take. And I think that is where we are, can the bid levels go up, going forward yes they can, can they down, yes that is also possible. And I guess, what is important to us and we are still relatively speaking young company, what is important to us that – I think – to focus on what we can control and we can't control the bids of our advertiser. What we can control is we can make sure, okay we can work towards making sure that the impact of that is as limited as possible by diversifying as much as we can by empowering advertisers through bid efficiently as much as we can.

We can control our own marketing spend and the efficiency of that marketing spend, and of course we can control our product offering, our value proposition and that's what we need to focus on.

<<Naved Khan, Analyst, SunTrust Robinson Humphrey Inc.>>

Okay, in terms of just to manage your latest ROI adjustments how does it compare with the prior ones, do you think this is similar and non-issued or larger, how should we think about it.

<<Axel Hefer, Chief Financial Officer>>

We said in the Q1 results that there is a double-digit impact compared to the previous year. And that obviously is very significant because we have this special situation and so compared to that I would less – less than what we stated.

<<Naved Khan, Analyst, SunTrust Robinson Humphrey Inc.>>

Got it. And is it fair to assume that the changes are by more than one partners.

<<Axel Hefer, Chief Financial Officer>>

Yes, if it is one partner then the impact, the way to think about it is, it is quite, quite simple. If you have 20% of the auction moving in one direction 80% can compensate for it. If you have 70% moving in one direction 30% need to compensate for that and that obviously – mathematically is much more difficult. That is why, if you see big movement in our commercialization it is fair to assume that it is a significant percentage of the auction, which could either be the case because somebody who has a very high share is moving, which is more of the dynamics that we've seen mid-to-end last year or it is a combination of players that do something at the same point of time in the same direction.

<<Naved Khan, Analyst, SunTrust Robinson Humphrey Inc.>>

And there's maybe one last question on this topic just because TripAdvisor, which also plays in this same area broadly speaking reported last night, it seems like they're not seeing any kind of ROI changes yet at least on their – on the platform any views into why you may be seeing it and they are not, or?

<<Axel Hefer, Chief Financial Officer>>

I think it is very difficult to say from our perspective. Other players might have different strategies but when we look at performance marketing drivers, it drives broadly speaking we want to see the same profitability across the different channels because otherwise we could improve our profitability by shifting budget from one channel to the other. Right? So that I think is a rational way to do that. Does that mean that you always adjust everywhere at the same time cause not but broadly speaking that is how we do it and that is how I would assume most players would do it and so there is a very – if you have seen something earlier or later than us or – it is very difficult to comment on from our perspective.

<<Naved Khan, Analyst, SunTrust Robinson Humphrey Inc.>>

Okay, shifting gears a little bit, lets talk about things you need to control so some of the changes you have been making on your platform are about increasing the relevancy of results and also getting your partners to change the landing pages where are you in that process. Are you, do you think you are kind of done with that or did we see sort of the first phase of that and now there might be next stage that can increase relevancy even further, how should we be thinking about this?

I think there are two milestones on that overall project. One was obviously the introduction of the relevance assessment which gave flexibility to the advertisers to come up with all kind of landing page experiences and booking final experiences that they wanted to. So it wasn't as richer, but then obviously compensating for different experiences they are and in the auctions to make sure that there is no positive advantage in the auction.

And then we move through an automated version of the same logic and nature in 2017 and since dynamically and constantly optimizing the algorithm challenging and then we've got the right dimensions in the light weighting et cetera, I think something that we would expect from any kind of algorithm in a marketplace. So but I would hope that it doesn't stand still. And that we can make it better and better overtime.

<<Naved Khan, Analyst, SunTrust Robinson Humphrey Inc.>>

And on the gains that you kind of realize, kind of start to diminish because there is a law of diminishing returns I guess just because the dividend changes are made earlier on and then gradually as we kind of continue to make changes the impact is less.

<<Axel Hefer, Chief Financial Officer>>

Yes, I think it is yes, perhaps that its more, the way to say the bar is more, you want to do it the right way and so if you do it an automated way, I mean if would have perfect information. So then you would basically want to set the relevance assessment in a way that – sorry, let me just start again, we've done a lot of user research, its very clear the user wants an experience that was basically consists of user experience that we've always had in our platform which is you go through the search results on trivago, you will select the Palace Hotel in San Francisco and what you will then expect is the page where you can select the different rooms and where you can book.

That's what a user does expect, obviously there are certain reasons to deviate from that experience because you have – increase the time on your page, you reduce the number of clicks that you have to pay for it. So there are various financial reasons where that's tried to deviate from that and while I'm not criticizing that. I think that's based on those advantages obviously someone need to compensate for.

And in a perfect world, you would want to basically make the advertiser that has the biggest advantage from searching so that's neutral, so okay, you don't have an advantage over everybody else. But you should still have disadvantages with it, and to calibrate to that point obviously you don't really stand still, you need to add more and more data points, more and more – include more and more algorithms so because you either want to overshoot or undershoot. So I'm not sure that doesn't exactly answers your question but it's not if you try to hit a point, I think there's a really diminishing return. I mean you just – you just need to constantly optimize and readjust and make sure that you have the right point.

<<Naved Khan, Analyst, SunTrust Robinson Humphrey Inc.>>

Okay. Expedia which is one of the larger advertisers on the platform, you've been focused on increasing hotel counts. And I think this year that are getting 180,000 or so new properties added, isn't that a net positive for you because they are ultimately going to spend on the money on the platform to direct traffic to these sites?

<<Axel Hefer, Chief Financial Officer>>

Yeah, absolutely I mean broader the overlap between the advertisers in it, the more competition there is in more and more option, and the better those swaps. So that's definitely going to be positive for us. I think that's clear. How positive and when exactly will be held positive is again something that's partially out of our control but more competition is only positive.

<<Naved Khan, Analyst, SunTrust Robinson Humphrey Inc.>>

Okay, and how important vacation rentals are alternative accommodations to your platform?

<<Axel Hefer, Chief Financial Officer>>

I think strategically in the long-term very important because what we see is that in particular, the younger generations are not decided on the path of accommodation but more on what kind of experience they are looking for, romantic, a weekend getaway, business trip whatever, which you can't have in various different kinds and forms of accommodation. Gym, you can have in an apartment, you can have it in hotel. I mean they are just it doesn't really matter as much anymore and to serve that need and that increased complexity of potential solutions to that need. You need to have alternative accommodation and large volume selection on your platform.

So directionally, I think there's no question about it, but it was very important as of today the revenue share is low. But that is more by choice and as we said in I think back in November, we've got a clear plan how we gradually want to increase the visibility of alternative accommodation and why a gradual increase because you need to make sure that you don't break anything in the existing ecosystem.

So of course your performance marketing still work if you significantly change the overall inventory on the platform, as your marketplace algorithm still work, do you the matching algorithms with, so that is something that obviously I think all of them requires some tweaks here and there and that's why we are in a very, very consequent way in adding inventory and constantly checking very, very different parts of ecosystem. But what is important though we're excited about it.

<<Naved Khan, Analyst, SunTrust Robinson Humphrey Inc.>>

Okay, probably you started to I think test some of its in the interior in the platform, maybe around six months back or so, would it change the dynamics at all maybe with the next 12 to 18 months, if you're going to show some interest as well?

<<Axel Hefer, Chief Financial Officer>>

At the right point in time, we would like to have every advertiser and every provider of alternative accommodation on our platform. And right now, we are happy with the scope that we are having. And because we were gradually increased and you need to make sure that if you have a new advertiser that's you actually can deal with inventory and its properties and send enough traffic. So at the right of time, we are currently at the target.

<<Naved Khan, Analyst, SunTrust Robinson Humphrey Inc.>>

Okay, let's shift gears a little bit, now you focus on Google advertising, so how do you think about Google, do you think of them as a friend or as a competitor or both or – what's the relationship?

<<Axel Hefer, Chief Financial Officer>>

I think if you're running internet business you only have a strong relationship with Google. And then they are predominantly as a provider of traffic plans, let's say and they are also a competitor. And through their Google ad product which obviously has a slight unfair advantage because when Google can direct new user to that product without you even making a conscious decision that you want to use it, just by changing the visibility of the product which is for us obviously different if somebody comes to us, when they come to our website, and you decided that you want to use trivago and not AdWords.

So slightly different if we just look at the pure value numbers so it's slightly different intense behind it. And but generally how it – it always competed with Google and they are making improvements to their products, we are making improvements to our products. So they are I think the dynamic has not pretty changed. The visibility of the product is going out I think that's clear.

But that is I think today I would say more exciting parts, at least in the short-term because historically we have not advertised in that part of Google's portfolio. And so that's something that we are currently testing and that have a significant opportunity. And to increase in that channel our marketing activity.

<<Naved Khan, Analyst, SunTrust Robinson Humphrey Inc.>>

When you are testing on Google under-running also up against your own advertisers, the Expedia bookings and what's their action for that and they are probably not too happy.

<<Axel Hefer, Chief Financial Officer>>

Yeah, but then I think that – again that's the case for most of the verticals that used multilayer competition and in the internet and we compete with them on TV as well. And we compete with them in out-of-home and on out-of-homes advertisement. And then I think that's part of the industry structure that everybody competes with everybody somehow, with your suppliers, with your customers, and then the hotel shares are competing with ACIs [ph] on AdWords as well. So that the same question might come up I think is just the way the industry is structured.

<<Naved Khan, Analyst, SunTrust Robinson Humphrey Inc.>>

Talking about TV so a big chunk of your ad budget actually is allocated to TV, I think just under 50% of your sales and marketing goes into that. So let's talk about maybe your TV ad spending in the U.S. I think on the last earnings call, you highlighted how brand awareness is up in North America, in the Americas I guess. Where do you see sort of plateauing, how do you compare it commercially with Europe? Do you see further scope for kind of raising that level of awareness? And at some point where you see TV sort of not ready paying that incremental return on the incremental dollar that you spend?

<<Axel Hefer, Chief Financial Officer>>

Yes. I think you've got different things that you want to achieve with TV. The first one, the obvious one is brand recognition. And I think there we're – in most of our markets we're out there, right. So the brand is very, very recognized. It's one of our strongest hotels and among the top brands globally. And that's something where you can't really add the much anymore. And if you see that in Europe that in terms of brand – brand awareness, it doesn't change that much anymore.

But the other thing is obviously to understand the value proposition. So then we only recognize the brand, but we also understand the value proposition understanding why you should use trivago and how you should use trivago. And there's still room for improvement, it's a significant room for improvement. And that's something that that obviously we're working on it and ultimately you want to have a positive brand attributes, so you want to be cool obviously as a brand and that's a good positive attribution which is a lot more emotional.

The last one is the way of building the brand. I'd say we're in the second phase. And so all time I think the focus will slightly change. And then we will spend whatever is the right budget for that phase for the respective market. So definitely something that you constantly need to look at and challenge, spend the right amount, too much too little for what you currently what to achieve.

<<Naved Khan, Analyst, SunTrust Robinson Humphrey Inc.>>

Okay. And some of the other players in this category in online travel have also taken the AdWords, it's for TV hire. Booking is now active across many more geos versus just maybe 12 months or 18 months ago. TripAdvisor obviously isn't growing its AdWords as well. So are you seeing any kind of reduced share of voice, maybe that affecting your own spending at all?

<<Axel Hefer, Chief Financial Officer>>

Yes. I mean, overall the spending is still dominant on TV off online travel companies. I mean, there is – I think there is a slight misperception that we basically monopolize TV – TV spend in the online travel segment and recently there are new players coming onscreen. For a long time we've had various players being on and off in various markets.

And I think what might change is that certain other players are taking on a bit more our approach to have more consistency and to be present for longer time period and having more dedicated teams on it and just seeing it as a permanent channel rather than more as a campaign channel, which does make sense for some of them, I would say.

And obviously, there is competition in the market and there's competition in the different marketing channels. And I think that that's something again that you need to accept, I mean, that's true in any industry and it is important, particularly in market segment, particularly in e-marketing that you daily differentiate, that you communicate very well not only what industry you're in, okay, you can book an hotel online, I mean, that's obviously not sufficient, 10 years ago that was enough. But why should you actually book it, you'd often rather than any one of the other players. And so the differentiation will go up and I think that's a natural development and it's coming with industries that develop less mature all the time.

<<Naved Khan, Analyst, SunTrust Robinson Humphrey Inc.>>

I just want to pause to see if there are any questions in the audience. Okay, so let me keep going. Let me ask you this, so at the time of your IPO you kind of talked about where margins could get too, right, highlighting Europe as a more mature market and margins in that deal. And how you're still growing faster in other parts of the world? And where we – given where we stand today in the current setup, do you think that's still true? And where do you see market sort of margin sort of get to in a more mature phase of the business?

<<Axel Hefer, Chief Financial Officer>>

Yes. So we've had 25%-plus EBITDA margin, alternately realistic and achievable and that we have not changed. I mean, what has changed obviously as you can see in the financials is the short-term profitability across various markets, which is clear because if you just generate less revenue with the sale activity and the short-term there is not that much that can compensate for that. There are a lot of things that can compensate for that all the time as you can work on that that I've mentioned before. But in the short-term that obviously is very difficult to compensate for them. So the way we're looking at is more basically the trajectory is impacted by these changes, but it's now where we'll ultimately get through.

<<Naved Khan, Analyst, SunTrust Robinson Humphrey Inc.>>

Okay. In terms of the insider holdings, I think essentially the calendar sort of – I think it's traded around 500 million of shares with an intention to sell at some point in time. How should – from the outside looking and we were thinking about insider sales by the time goes.

<<Axel Hefer, Chief Financial Officer>>

So technically what we've done is we have used the first point in time that we could after the IPO to their shop registration, so registered all the shares and we have registered $500 million primary capital that we can use for capital increase, convertibles et cetera over the next couple of years. And you can only do that once you are public for a year and we piggybacked on the 20-F because it's been a lot less work and much cheaper to do the shop registration.

I think which gives us a lot of optionality, yes. And I think it makes perfect sense and the shop registration implies, whether we will use it and what point in time and to be seen, we don’t have any concrete plans. I believe any shareholder has other concrete plan they’re that unaware of. But it is not – I mean, it has a couple of years validity. And you want to be prepared if you need to do something and then you can act quickly and it is much tubular obviously, right, so we do this way.

<<Naved Khan, Analyst, SunTrust Robinson Humphrey Inc.>>

Okay. So I think with that we end up the session. So thank you so much, Axel.

<<Axel Hefer, Chief Financial Officer>>

Thanks for having me.