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Booking Holdings Inc. (NASDAQ: BKNG)

The market is paying 17x for a business retiring 8% of itself a year

RATING	PRICE (7/13/26)	12-MO TARGET	TOTAL RETURN	RISK / REWARD
BUY	\$175.52	\$240	+37.7%	2.1 : 1

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We are initiating on Booking Holdings with a BUY and a \$240 target.

BKNG has de-rated to roughly **17x forward earnings** — near the low end of its post-COVID history — not because the business broke, but because the market decided AI agents will make online travel agencies obsolete. Meanwhile the company just posted a **record quarter of capital return** and grew adjusted EPS 14% into a live geopolitical headwind.

Our thesis rests on three legs. **One:** the buyback is not a nice-to-have, it is roughly 40% of the earnings algorithm, and management is executing it at scale into weakness. **Two:** the growth story — merchant mix shift, Connected Trip, flights, alternative accommodations, Agoda in Asia-Pacific — is intact and being obscured by a temporary regional shock. **Three:** the AI bear case is directionally real but has been front-loaded into the multiple, and the first hard evidence from 2026 cuts against it.

You are being paid roughly a **9% shareholder yield** to wait, with a Q2 print on **July 28** as the near-term catalyst.

SNAPSHOT	
Market cap	\$138.2B
Enterprise value	\$141.2B
Shares out (post-split)	~787M
Trailing P/E (GAAP)	23.5x
Forward P/E	17.0x
PEG (5y expected)	0.77
Dividend / yield	\$1.68 / 0.96%
Payout ratio	~21%
Buyback authorization left	~\$18.2B
Total shareholder yield	~8.9%
52-week high	\$233.58
Below 52-wk high	~24.9%
6-mo vs. S&P; 500	~26.1%
vs. 200-day MA	~6.6%
Street consensus	Buy (0 sells)
Street avg. target	~\$225
Next catalyst	Q2 — Jul 28

What the market is missing

The buyback is doing the heavy lifting, and nobody is pricing it.

Management has retired more than **40% of shares outstanding since 2014** — net of stock comp dilution — at an average cost of roughly **\$93 per share** (split-adjusted). The stock is \$175.52. Those repurchases are sitting on an ~89% gain. In Q1 2026 alone they bought back a record **\$3.6B** and paid \$343M in dividends: about **\$4.0B returned in a single quarter**, the largest in company history, funded by ~\$3.1B of free cash flow. Roughly **\$18B of authorization remains** — about 13% of the entire market cap.

The growth slowdown is a headline, not a trend line.

Q1 room nights grew 5.9%. Strip out the Middle East conflict, which management sizes at roughly **two percentage points**, and the underlying number is ~8% — right on the long-term algorithm. Revenue still grew 16%. Adjusted EPS still grew 14%. Guidance assumes the drag persists through mid-year and then recovers. If it does, the compares in 2H26 get easy fast.

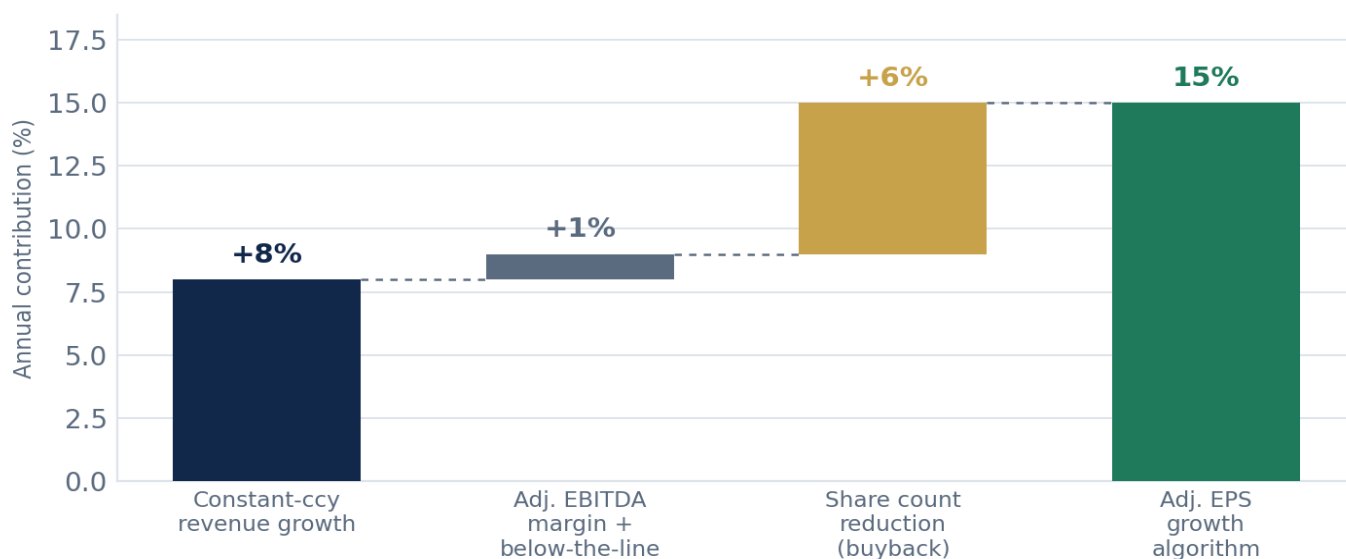
The AI panic ran ahead of the AI evidence.

The de-rate began when Google announced agentic booking in AI Mode and accelerated on OpenAI checkout fears. But in March 2026 OpenAI **pulled native checkout** and re-routed purchases to third-party apps; Google has said explicitly it does not intend to take payment or hold the reservation — a named partner does. The agent still needs someone to actually transact. That someone has 2.9M properties and the payment rails.

1 · The capital return engine

Most investors underwrite BKNG as a travel-demand story. That is the wrong frame. It is a cash-conversion-and-share-shrink story that happens to sell hotel rooms. Management's own long-term ambition — at least 8% constant-currency gross bookings growth, at least 8% revenue growth, and at least 15% adjusted EPS growth — only reconciles if the share count keeps falling. It has, relentlessly.

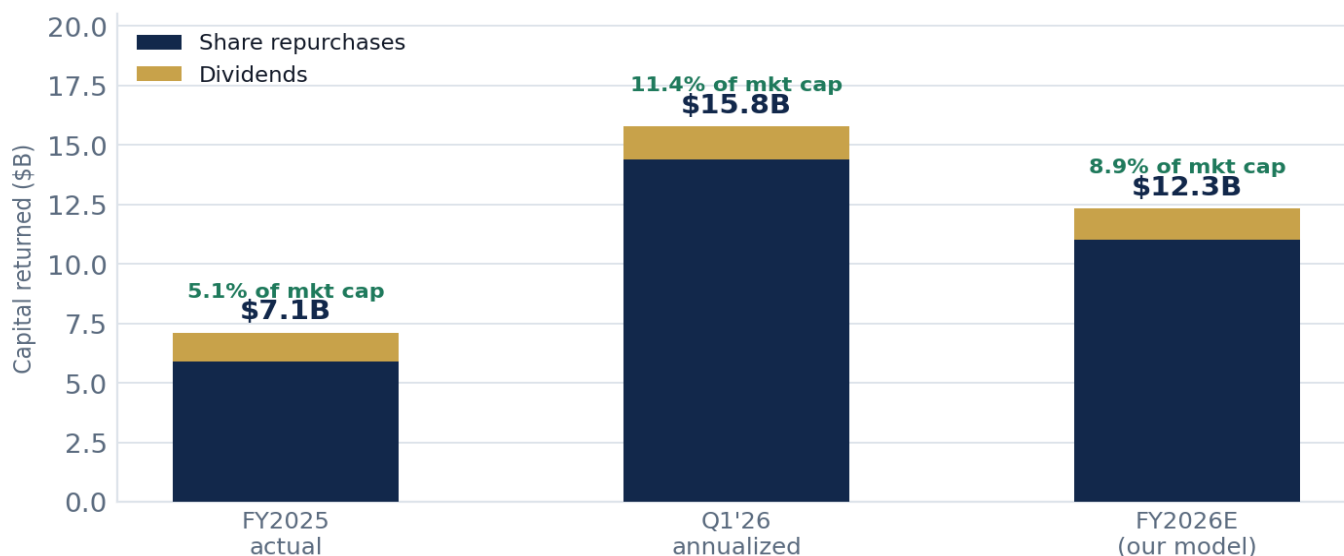
Fig. 1 — The buyback is roughly 40% of the EPS algorithm



Source: BKNG long-term ambition ($\geq 8\%$ GB / $\geq 8\%$ revenue / $\geq 15\%$ adj. EPS growth, cc); 2 Comma Investor estimates.

The dividend is small, young, and growing fast

BKNG only initiated a dividend in 2024, so the yield screens poorly at **0.96%** and income funds ignore it. That is a mistake of framing. In January 2026 the board raised the payout **9.4%**, to \$10.50 per share pre-split — **\$0.42** post the 25-for-1 split effected April 2. The payout ratio is roughly **21%**, which means the dividend is not a constraint on anything; it is a rounding error against free cash flow. A ~1% yield growing at high-single to low-double digits off a 21% payout, from a company generating \$9B+ of FCF, is a dividend-growth position that hasn't been recognized as one yet. The company distributed **\$1.2B** in dividends across 2025.

Fig. 2 — Roughly a 9% shareholder yield, and management is leaning in

Source: Company filings and earnings call; market cap 138.2B at 7/13/26. Q1'26 annualized = record 3.6B buyback × 4. FY26E is our estimate.

Why this matters more at \$175 than it did at \$233

This is the part the AI narrative obscures. A buyback is an investment decision, and its return depends entirely on price paid. When BKNG spends \$3.6B at a 17x multiple, every dollar retires ~40% more earnings than the same dollar spent at 24x. The de-rating is not purely a cost to shareholders who hold; it is a **subsidy** to them, provided the cash flow is durable. Management said as much on the Q1 call — they framed the repurchase program as betting on themselves at the right times, and the \$93 average cost basis is the receipt.

The honest counterpoint: the balance sheet is doing some of the work. BKNG carried **\$15.4B** of long-term debt at quarter-end and issued \$750M of senior notes in Q1. Years of aggressive repurchase have pushed book equity negative, which is common for buyback-heavy compounders but does remove a shock absorber. Cash and investments of **\$16.5B** against that debt keeps net leverage modest, and the debt fell from \$16.9B at year-end — but this is a company returning more than 100% of free cash flow, and that only works while the cash flow shows up.

2 · The growth story that got buried

2025 was the fourth consecutive year of record gross bookings, room nights, and revenue. Revenue rose **13% to \$26.9B**. Adjusted EBITDA rose **20% to \$9.9B**, with margin expanding to **36.9%** from 35.0%. Adjusted EPS rose **22%**. Free cash flow rose **15.1% to \$9.09B**. This is not a company in decline; it is a company whose multiple is in decline.

Merchant mix shift — the quiet re-rating of the business model

BKNG is migrating from the agency model (traveler pays the hotel, BKNG takes a commission later) to the merchant model (BKNG is the merchant of record and collects at booking). Q1 merchant revenue grew **26.7% to \$3.70B** and is now **66.8%** of total revenue, while agency revenue shrank 2.3%. Merchant is expected to reach ~68% of bookings in 2026. This matters three ways: it lifts the take rate, it generates float and deferred merchant bookings (a working-capital tailwind), and — critically for the AI debate — it puts BKNG in control of payments and the customer relationship rather than acting as a lead-gen referral.

Connected Trip — attach rate is the moat, not the interface

Connected Trip transactions grew over **30% YoY** in Q4 2025. Airline tickets grew **37% to 68M**. Multi-vertical transactions — a traveler booking flight, hotel, and car together — grew in the high-20% range. Each additional vertical raises switching costs and lifts lifetime value per user. An AI agent can recommend a hotel; assembling and servicing a four-component itinerary with one liable counterparty is a materially harder problem.

Alternative accommodations — attacking Airbnb from a position of strength

Alternative accommodation listings hit a record **8.6M** in 2025 (+8%) and now represent roughly **36% of all room nights**. BKNG is doing this while Airbnb absorbs urban regulatory pressure, and it does it inside the same funnel that already sells hotels — no separate acquisition cost.

Geographic hedge — Agoda and Asia-Pacific

U.S. inbound tourism has been soft, with analysts pointing to a ~6% decline in foreign visits following 2025 policy changes and a sharp drop in Canadian travel to the U.S. BKNG's strength in Asia-Pacific via Agoda, plus rising cross-border travel in China and Southeast Asia, is a structural offset that U.S.-centric peers do not have. The June 2026 FIFA World Cup is an additional North American RevPAR tailwind landing squarely in the Q2/Q3 numbers.

Cost transformation — the margin is not an accident

The 2026 transformation program is tracking to **\$500–550M of in-year savings**, with only \$25M of costs incurred in Q1. Adjusted fixed operating expenses grew low single digits on a normalized basis. Management guides adjusted EBITDA to grow slightly faster than revenue with margin up 0–25bps. AI is showing up here first — in customer service automation and marketing efficiency — which is worth remembering when the same technology is cited as the existential threat.

3 · The AI debate, adjudicated

This is the whole argument. BKNG is down ~25% over the past year and has underperformed the S&P; 500 by 26 points over six months almost entirely on the belief that agentic AI disintermediates the online travel agency. We take the bear case seriously — and conclude the market has priced a structural outcome on the basis of a narrative that 2026's actual evidence has been steadily undercutting.

THE BEAR CASE (fair points)	THE REBUTTAL (what 2026 actually showed)
Take-rate compression. If Apple, Google or OpenAI wire travel APIs straight to suppliers, AI-mediated bookings could clear at commissions well below the 15–20% BKNG commands today. Margins compress even if gross bookings hold.	Real, but it requires the platforms to <i>want</i> to be the counterparty. Google has been explicit that it will not take payment or hold the reservation — a named partner does. BTIG's Jake Fuller called the sell-off “ <i>overstated</i> ”, on exactly this structure: if OTAs complete and service the booking, Google is sending business, not stealing it.
Brand matters less. When the traveler's entry point is an assistant instead of a browser tab, Booking.com's brand and \$8B of performance marketing lose their leverage.	Distribution shifts; the transaction layer does not. BKNG was among ChatGPT's first travel partners in 2023, is featured in agent demos, and Priceline's agentic <i>Penny</i> assistant is built on Anthropic's Claude. Losing the search bar hurts. Losing the checkout would kill. So far only the first is happening.
Metasearch is exposed. If AI-native search surfaces options directly, KAYAK's ad revenue evaporates. Google already showed how fast a platform can hollow out metasearch.	Accept this one. Metasearch is the genuinely vulnerable asset in the portfolio — but it is a small slice of a business where merchant revenue is 66.8% of the total and rising. Our bear case assumes KAYAK impairs.
Adoption is real. Skift/McKinsey put the share of travelers using AI extensively for trip planning at 30%, up 124% year over year. This is not a fad.	Agreed — and it cuts the other way. AI is excellent at inspiration and research and hits a ceiling at transaction. OpenAI's most advanced model reportedly succeeds on roughly 10% of complex travel planning benchmarks. Planning volume rising is a funnel filling, and the funnel empties into someone's checkout.
The Winding Tree problem. Just because previous disintermediation attempts failed does not mean this one will. Agentic AI is categorically more capable than voice assistants or blockchain.	The strongest bear argument. Our answer is the March 2026 retreat: OpenAI pulled native checkout after roughly a dozen Shopify merchants went live out of millions. TD Cowen called it a “ <i>stunning admission</i> ”. Users research in the chat and pay somewhere they trust.
Regulatory overhang. The EU Digital Markets Act, plus Dutch and other tax assessments and ongoing data-privacy investigations, are live and unquantified.	No rebuttal — this is a permanent tax on the multiple and we do not model it away. It is in the bear case and it is why we underwrite 20.5x rather than the 24x this business earned historically.

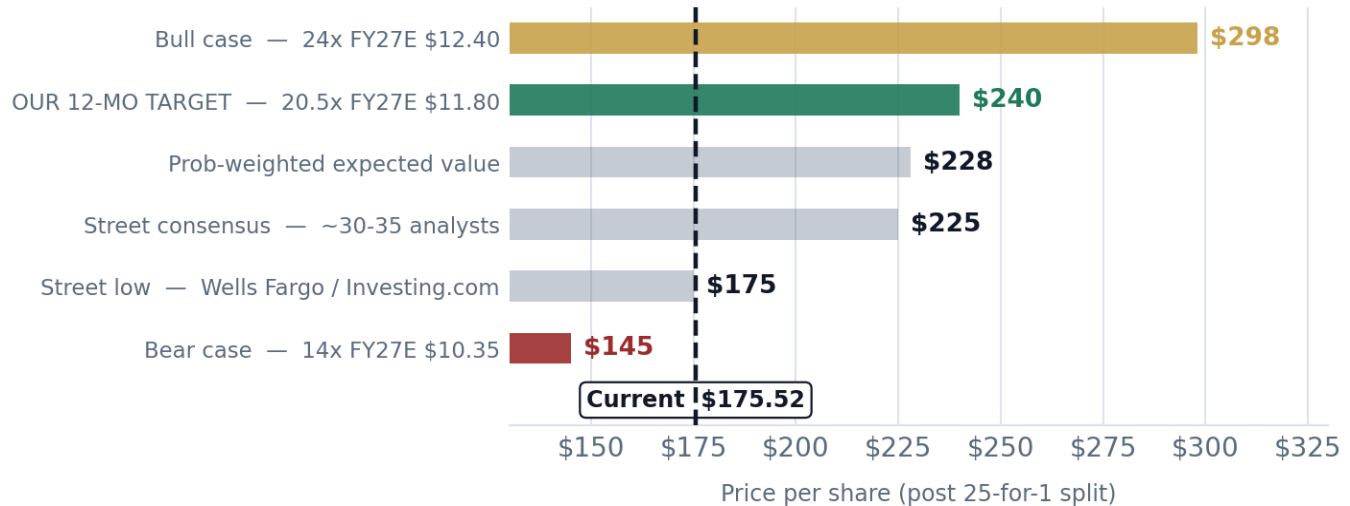
Our conclusion

Booking Holdings has been declared dead by hotel chains taking back direct bookings, by metasearch, by voice assistants, and by blockchain. It survived each because the hard part of travel was never the search box — it was aggregating 2.9M properties, standardizing the inventory, holding the money, and eating the liability when a room is wrong at 11pm in a foreign country. Agentic AI compresses the discovery layer, which is genuinely bad for KAYAK and mildly bad for BKNG's marketing leverage. It does not build the supply side. As CFO Ewout Steenbergen framed it, the supplier proposition is “*a competitive strength as agentic AI accelerates the pace of change.*” We think that is right, and we think 17x says the market does not.

4 · Valuation and scenarios

We value BKNG on forward adjusted EPS. FY25 adjusted EPS was **\$228.06** pre-split, or **\$9.12** post-split. Management guides FY26 adjusted EPS up low-to-mid teens, which lands us at **~\$10.35** — consistent with the 17.0x forward multiple implied at the current price. Applying the long-term 15% algorithm, haircut for regulatory and AI friction, we carry **\$11.80 for FY27**.

Fig. 3 — Valuation football field



Source: 2 Comma Investor estimates; street targets per Investing.com / stockanalysis.com / TipRanks as of July 2026. Weights: 55% base, 20% bull, 25% bear.

SCENARIO	WEIGHT	FY27E ADJ. EPS	EXIT MULTIPLE	VALUE	RETURN	WHAT HAS TO HAPPEN
Bull	20%	\$12.40	24.0x	\$298	+70%	Middle East normalizes by 3Q, room nights reaccelerate to 8%+, AI fear unwinds and the multiple returns toward historical, buyback runs above \$13B.
Base	55%	\$11.80	20.5x	\$240	+37%	Guidance holds. 2H recovery arrives roughly on schedule. AI stays a discovery-layer story. \$10–12B of buyback shrinks the count ~7–8%. Partial multiple repair to 20.5x.
Bear	25%	\$10.35	14.0x	\$145	-17%	Conflict persists past mid-year, 2H recovery slips. Take rates begin compressing on AI-mediated volume, KAYAK impairs, DMA bites. Multiple stays structurally de-rated.
Weighted EV	100%	—	—	\$228	+30%	Even carrying a 25% weight on a structurally-broken bear case, expected value sits ~30% above spot. That asymmetry is the trade.

Financial summary

Metric	FY2025A	Q1 2026A	FY2026E	FY2027E
Revenue	\$26.9B (+13%)	\$5.53B (+16%)	~\$29.2B (+9%)	~\$31.6B (+8%)
Adj. EBITDA	\$9.9B (+20%)	— (+19%)	~\$10.8B	~\$11.8B
Adj. EBITDA margin	36.9%	—	~37.0%	~37.3%
Adj. EPS (post-split)	\$9.12 (+22%)	\$1.14 (+14%)	~\$10.35 (+13%)	~\$11.80 (+14%)
Free cash flow	\$9.09B (+15%)	~\$3.1B	~\$9.5B	~\$10.2B
Buybacks	\$5.9B	\$3.6B (record)	~\$11B	~\$11B
Dividends paid	\$1.2B	\$343M	~\$1.3B	~\$1.5B
Share count change	—	—	~-7 to -8%	~-7%

Cash & investments	\$17.8B	\$16.5B	—	—
Long-term debt	\$16.9B	\$15.4B	—	—

A = actual, E = 2 Comma Investor estimate. FY25 adjusted EPS restated for the 25-for-1 split effected April 2, 2026 (\$228.06 pre-split). Q1 FCF benefited by ~\$1.9B from working capital driven by the seasonal build in deferred merchant bookings; do not annualize it.

5 · Catalysts

Q2 2026 earnings — Tuesday, July 28 (14 days out). Consensus sits at **\$2.44** adjusted EPS (range \$2.25–\$2.64) on revenue of **~\$7.20B**. Guidance called for room nights +2–4% and gross bookings, revenue and adjusted EBITDA each +4–6%. This is a low bar, deliberately set. Four things to watch:

- **Room-night trajectory ex-Middle East.** The whole 2H thesis is that the ~2pt drag is transitory. Any commentary that the recovery has begun re-rates the stock more than the EPS beat does.
- **Buyback pace.** Q1 was \$3.6B. If Q2 comes in anywhere near \$2.5–3B, the full-year number pushes toward the top of our range and the share-count math accelerates.
- **Transformation savings.** \$500–550M of in-year savings is the margin bridge. Confirmation keeps the EBITDA guide credible.
- **FIFA World Cup flow-through.** The June tournament lands in this quarter and should support North American RevPAR — a rare U.S. tailwind after a soft inbound year.

Secondary catalysts: continued analyst target revisions (Argus raised to \$210 on July 9); the Trade Desk partnership monetizing travel data through advertising; and any further evidence that AI platforms are settling into a referral rather than a checkout role.

6 · Risks to our thesis

SEV.	RISK	ASSESSMENT
HIGH	AI disintermediation / take-rate compression	The core structural risk and the reason the stock is here. If Google or Apple ship agentic booking that clears at commissions materially below 15–20%, margins compress even on flat volume. We think this is a multi-year, not multi-quarter, question — but we are underwriting it, not dismissing it.
HIGH	Middle East conflict duration	Guidance explicitly assumes impacts through June followed by a 2H recovery. If the conflict extends, the FY26 adjusted EPS guide is at risk, and the story loses its cleanest bull catalyst.
MED	Consumer weakness	University of Michigan consumer sentiment has been running around 56.6, under the 60 level often read as recessionary. Travel is discretionary. Elevated jet fuel prices in Europe could suppress trips and stay length.
MED	Regulatory and tax	EU Digital Markets Act obligations, Dutch tax authority assessments reported in the billions across the sector, and ongoing data-privacy investigations. Unquantified and permanent.
MED	Leverage and negative book equity	\$15.4B of long-term debt and years of buyback-driven negative book value. The company returns more than 100% of FCF. This is fine while cash flow compounds and becomes a problem quickly if it does not.
LOW	FX	Management expects FX to add roughly 2pts to gross bookings growth and ~1pt to adjusted EPS growth in FY26. A dollar reversal removes a reported-growth tailwind that is not in the constant-currency numbers.
LOW	Google traffic dependency	BKNG remains one of the largest performance-marketing spenders on the planet. Google is simultaneously its biggest channel and its most credible competitor — an uncomfortable structural position regardless of AI.

THE BOTTOM LINE

Booking Holdings is a business that converts roughly a third of revenue into EBITDA, generates \$9B+ of free cash flow, has retired over 40% of its shares since 2014 at an average cost of \$93, just returned a record \$4.0B in a single quarter, raised its dividend 9.4%, and is guiding to mid-teens EPS growth. It trades at 17x forward earnings because the market has decided a chatbot will replace it.

We do not think that is a 25% discount to fair value; we think it is closer to 40%. The bear case is real and we carry a 25% weight on it. The base case gets you \$240. You collect ~9% a year in buyback and dividend while you wait, and the clock starts on **July 28**.

Rating: BUY. 12-month target: \$240.

Methodology, sources and disclosures

Methodology

Target price derived from a probability-weighted scenario analysis applying an exit multiple to FY2027 estimated adjusted EPS. Base-case FY27E adjusted EPS of \$11.80 reflects management's stated long-term ambition of at least 15% constant-currency adjusted EPS growth, haircut for regulatory friction and AI-related take-rate risk. The 20.5x base exit multiple sits below the multiple this business has historically commanded and above the current 17.0x, reflecting partial — not full — repair of the AI de-rate. Risk/reward of 2.1:1 computed as base-case upside (\$64.48) divided by bear-case downside (\$30.52) from the \$175.52 reference price. Shareholder yield computed as estimated FY26 buybacks plus dividends over the \$138.2B market capitalization.

Primary sources

Booking Holdings Q1 2026 Form 10-Q and earnings call transcript (April 28, 2026); Q4/FY2025 results release (February 18, 2026); Form DEF 14A / PRE 14A (April 2026); Q1 2026 investor presentation. Market data per Yahoo Finance (as of 7/10/26 and 7/13/26), Stockopedia, and stockanalysis.com. Consensus estimates and price targets per Investing.com (35 analysts), stockanalysis.com (30 analysts), TipRanks and MarketBeat, July 2026. Analyst commentary referenced from Argus, Wells Fargo, Citi, BTIG and TD Cowen via TipRanks, PhocusWire and The Silicon Review. Industry context from Reuters (March 5, 2026), The Information, Skift Research / McKinsey "Remapping Travel With Agentic AI" (2026), and Forbes. All figures reflect the 25-for-1 forward stock split effected April 2, 2026.

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