



AUGUST 08, 2019  
**2Q19 Earnings  
Conference Call**



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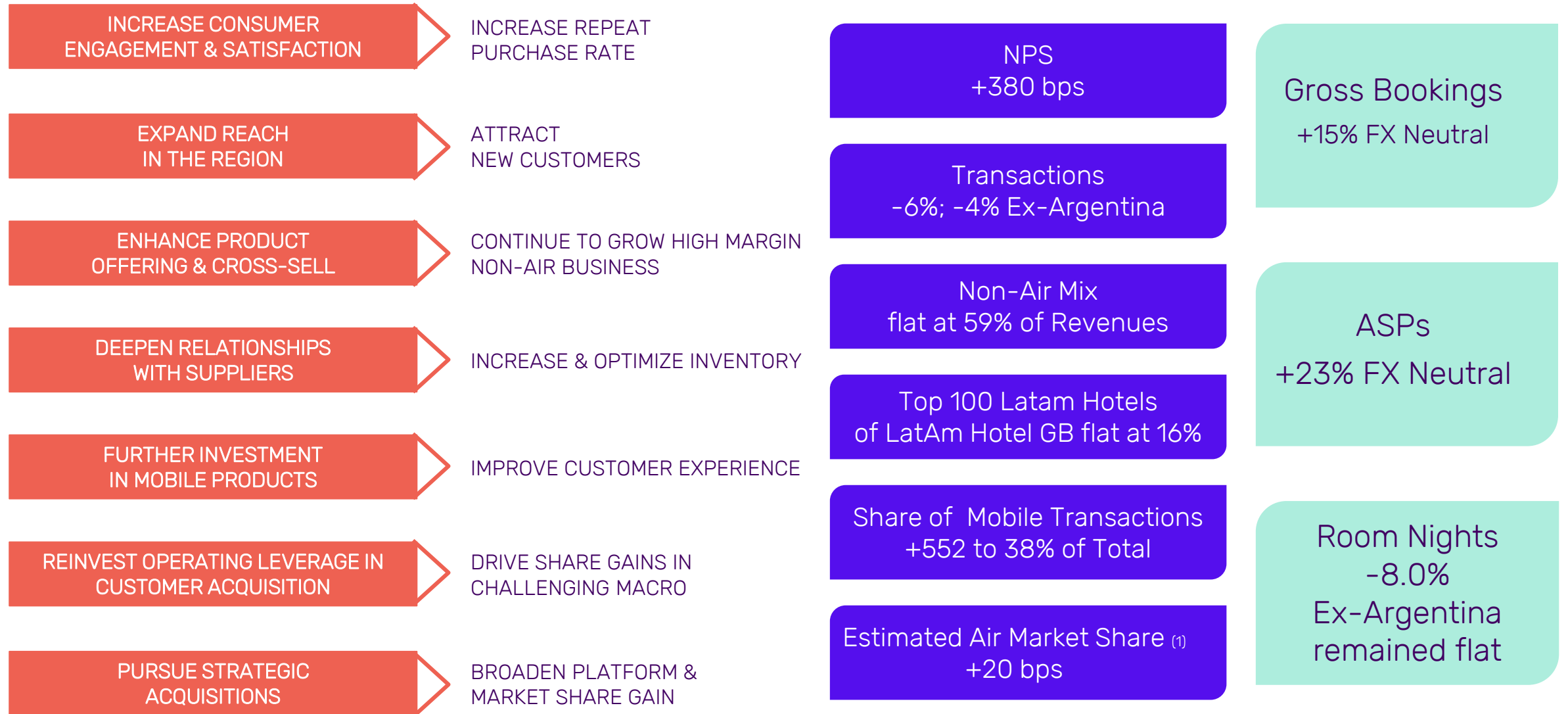
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# Maintained Market Share YoY Amid Mid-Single Digit Industry Contraction

- **Adverse macro backdrop in Argentina and to a lesser extent in Brazil**
  - Two largest markets, Argentina & Brazil, weak in April & May; improving in June and continuing in July
- **Growth and profitability impacted by one-time events in 2Q19**
  - Brand repositioning entailed shift in marketing investments into branding, with initial lower return reverted by late May and continuing into July
  - Impact from Avianca Brasil cessation of operations
- **Moving ahead with strategic initiatives**
  - Closed acquisition of Viajes Falabella in Chile, Argentina & Peru in 2Q19; Colombia closed July 31, 2019
  - Share of mobile transactions +552 basis points YoY to 38% of total transactions
  - Sustained improvement in NPS +380 basis points YoY
- **Operating cash flow of \$15.9 M in 2Q19, compared to \$0.3M in 2Q18**
- **Repurchased \$19.7M approximately in shares year-to-date and \$2.9M in 2Q19**
- **On August 1, 2019 Board authorizes US\$100M share buyback program to be promptly executed**

# Continue to Execute on Long-Term Strategy; Near Term Results Impacted by Short-Term Challenges



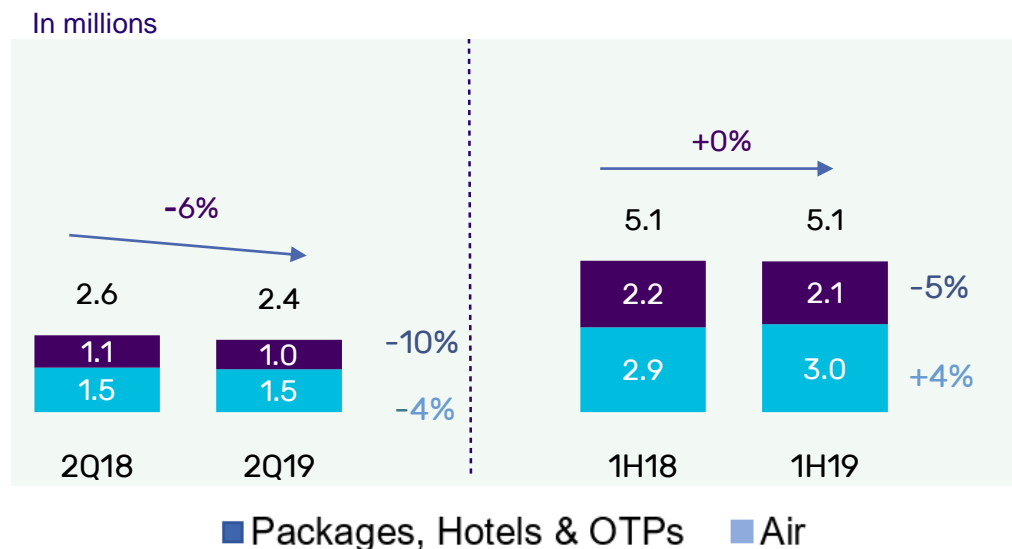
(1) Measured in number of passenger air tickets sold by Despegar over total industry. Results adjusted for Avianca Brasil impact. Source: Company estimates based on GDS and OAG information.

# FX Neutral Gross Bookings +15% YoY and Market Share Flat Amid Some Internal and External Headwinds

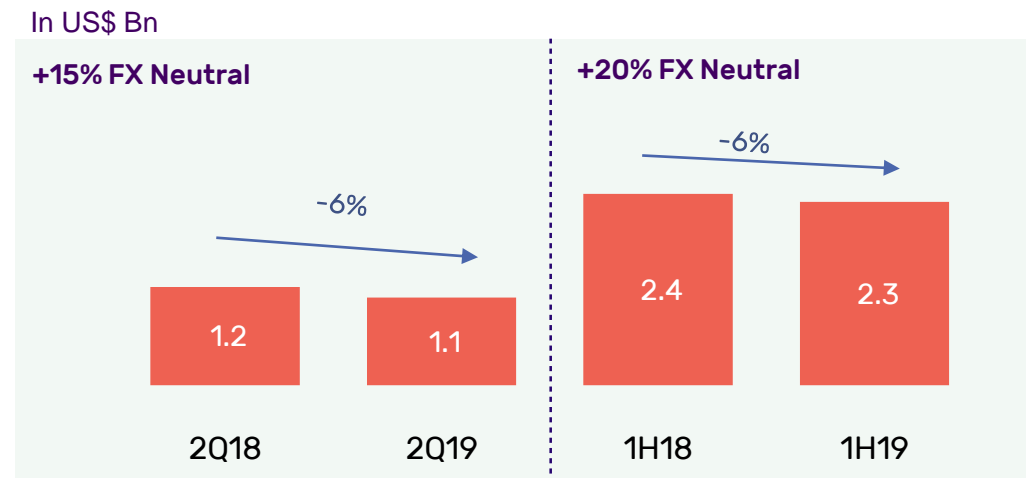


- Performance negatively impacted by: i) adverse macro in Argentina, and to a lesser extent in Brazil which led to 5.7% industry contraction, and ii) lower exposure to Avianca Brasil given its financial distress
- Successful brand repositioning entailed shift in marketing investments into branding and had positive impact on top line starting late May and continuing into July
- Focus on cross-selling drove 6% YoY increase in stand-alone package transactions
- ASPs of \$457 per transaction, up 23% YoY on an FX neutral basis, and 1% YoY as reported

## Total Transactions by Segment



## Gross Bookings



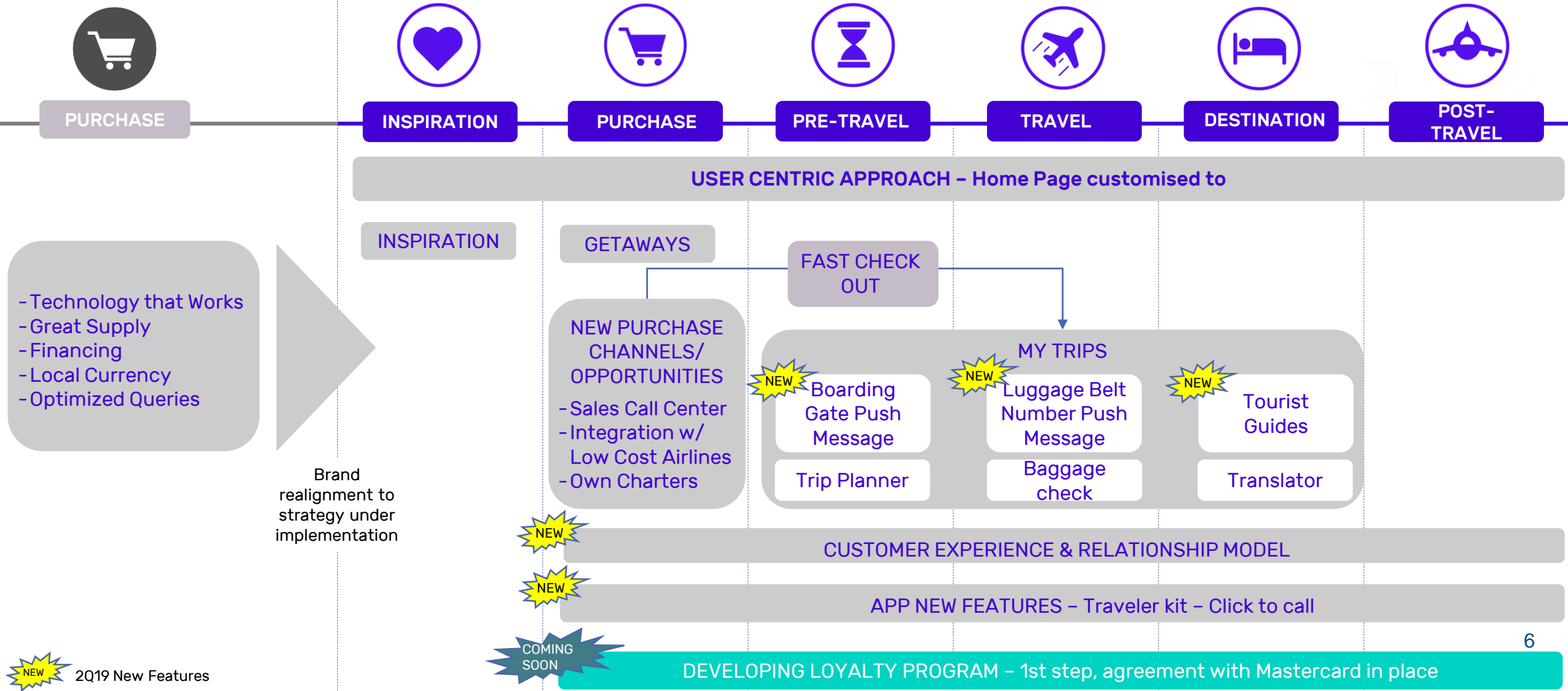
Note: 2Q19 results include Viaje Falabella's transactions in Argentina, Chile and Peru that took place on Jun 7, 2019; excluding Colombia which closed on July 31, 2019.



# Rebranding: Aligning Latam's Top Travel Brand to Company's Strategy. Accompanying Customers across the Complete Travel Journey



Link to D! video



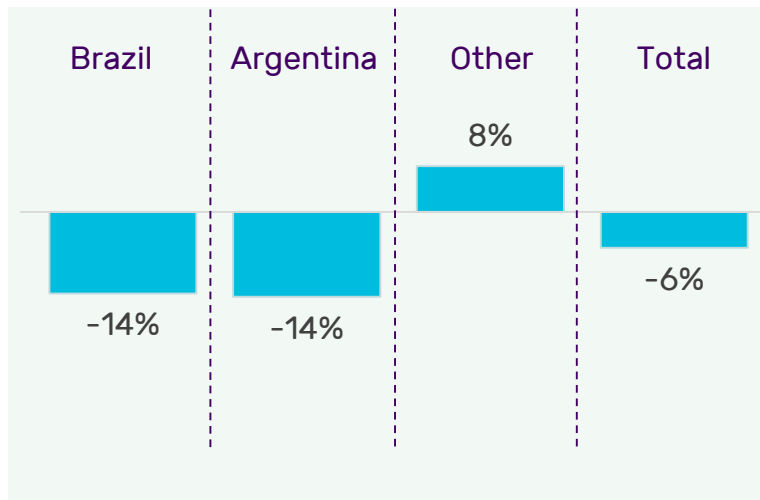
- Technology that Works
- Great Supply
- Financing
- Local Currency
- Optimized Queries

Brand realignment to strategy under implementation

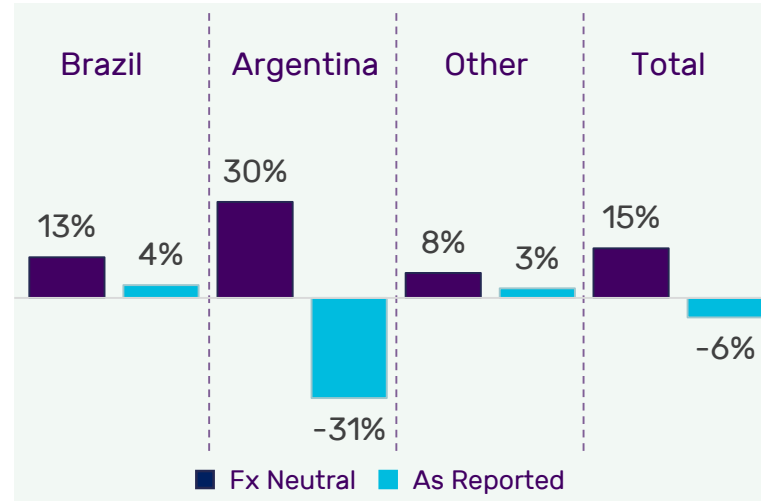
# Sustained Growth in FX Neutral ASP; Transactions Reflect Weak Macro, Shift in Marketing Costs & Avianca Brasil Distress



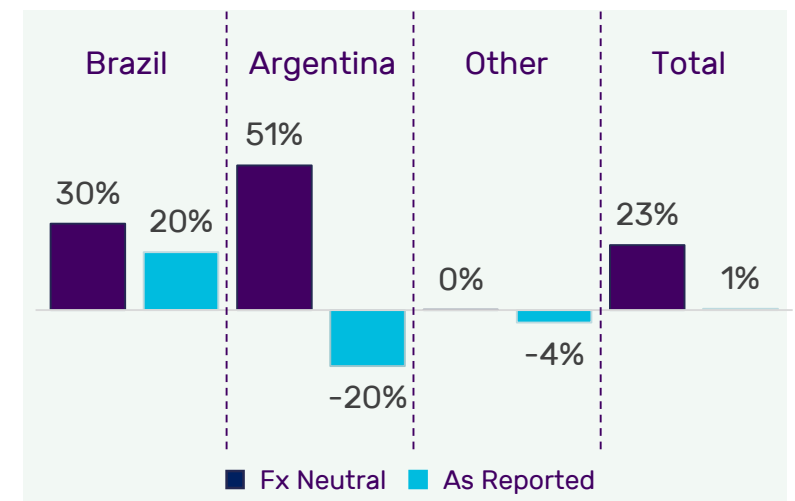
Transactions (% growth)



Gross Bookings (% growth)



Average Selling Price (% growth)



- **Brazil:** transactions -14%, partially explained by lower exposure to Avianca Brasil. On an FX neutral basis, gross bookings +13% and ASPs +30%. As Reported Gross Bookings +4% YoY, while ASPs rose 20% as industry contraction following cessation of Avianca Brasil operations triggered higher air-domestic tariffs. Continued mix-shift from domestic to international travel also contributed to higher ASPs
- **Argentina:** remains impacted by adverse macro, which together with shift in marketing investments toward branding led to 14% decline in transactions, mostly explained by lower international travel. On an FX neutral basis, gross bookings +30% YoY and ASPs +51%. On a reported basis, gross bookings and ASPs decreased YoY by 31% and 20%, respectively.
- **Mexico:** transactions declined 1% YoY, with positive mix shift from domestic to international travel
- **Colombia:** transactions up 2% YoY

Note: figures reflect YoY increases in 2Q19

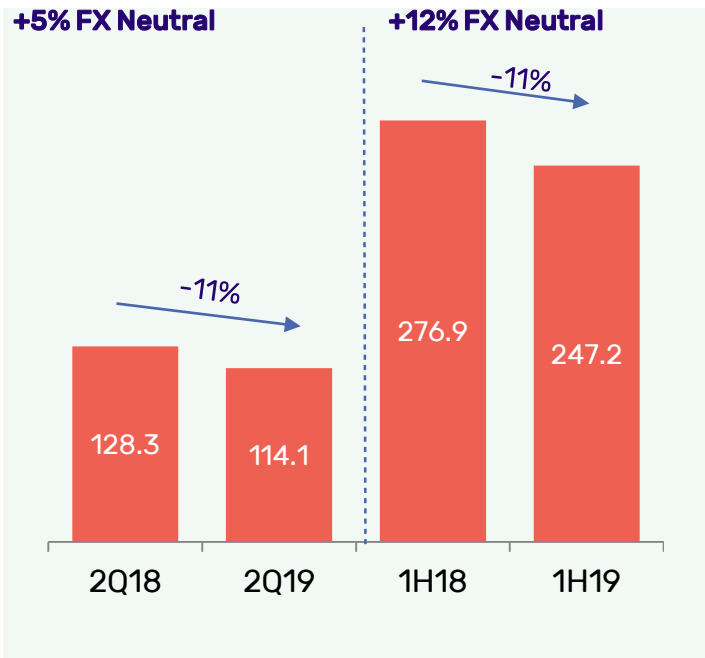
# Revenue Up 5% on FX Neutral Basis; As Reported Impacted by Adverse Macro & Shift in Marketing Investment to Branding



- Revenue margin was 63 bps lower YoY to 10.2% YoY reflecting: i) reduction in air supplier volume bonuses due to lower demand, and ii) reductions in customer fees and discounts in package transactions to support market share growth
- YoY decline in revenue mainly driven by lower revenues from both Air and Packages, Hotels & Other Travel Products segments in similar proportions

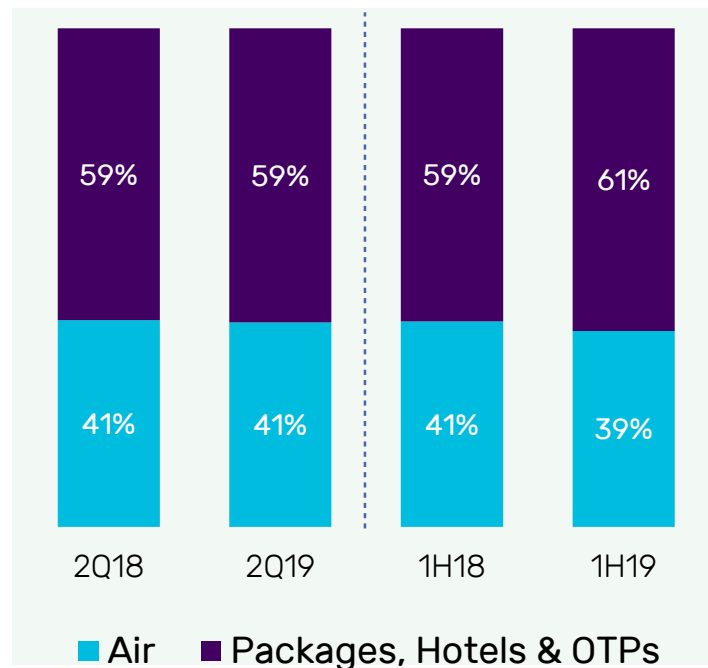
## Total Revenue\*

In US\$ millions



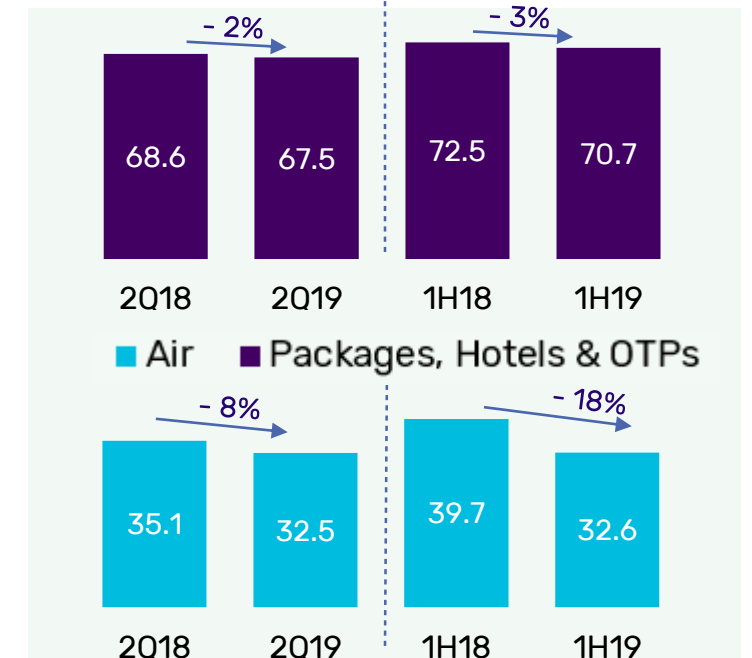
## Revenue Mix

% of total revenue



## Revenue per Transaction

In US\$



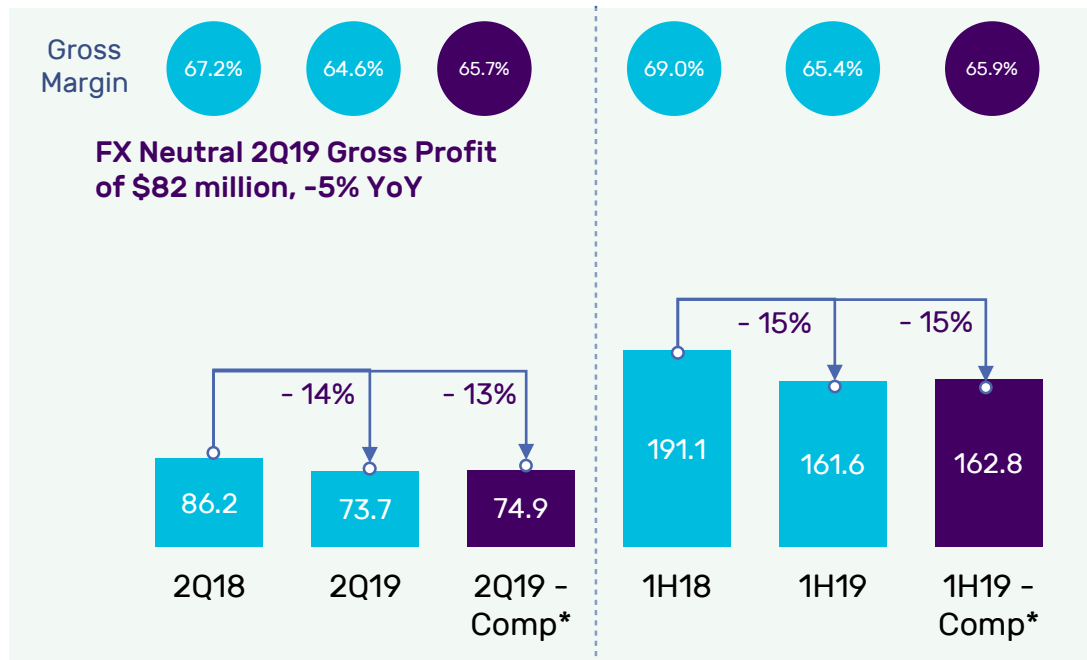


# Strategic Toolbox Provides Flexibility to Changing Conditions

- As reported gross profit down 14% YoY, mainly reflecting lower revenues and to a lesser extent the impact of passenger rescheduling costs in 2Q19 due to Avianca Brasil's cessation of operations
- Cost of revenue, declined 4% YoY mainly driven by lower financing availability, partially offset by \$1.2M charge from rescheduling passengers affected by Avianca Brasil to other airlines. Excluding this, cost of revenues would have declined 7% YoY in 2Q19
- S&M expenses +17% YoY, mainly due to one-time \$8.6 million investment in rebranding campaign launched April'19. The increase on a per transaction basis, is explained by lower return of investment, given change in focus to Branding

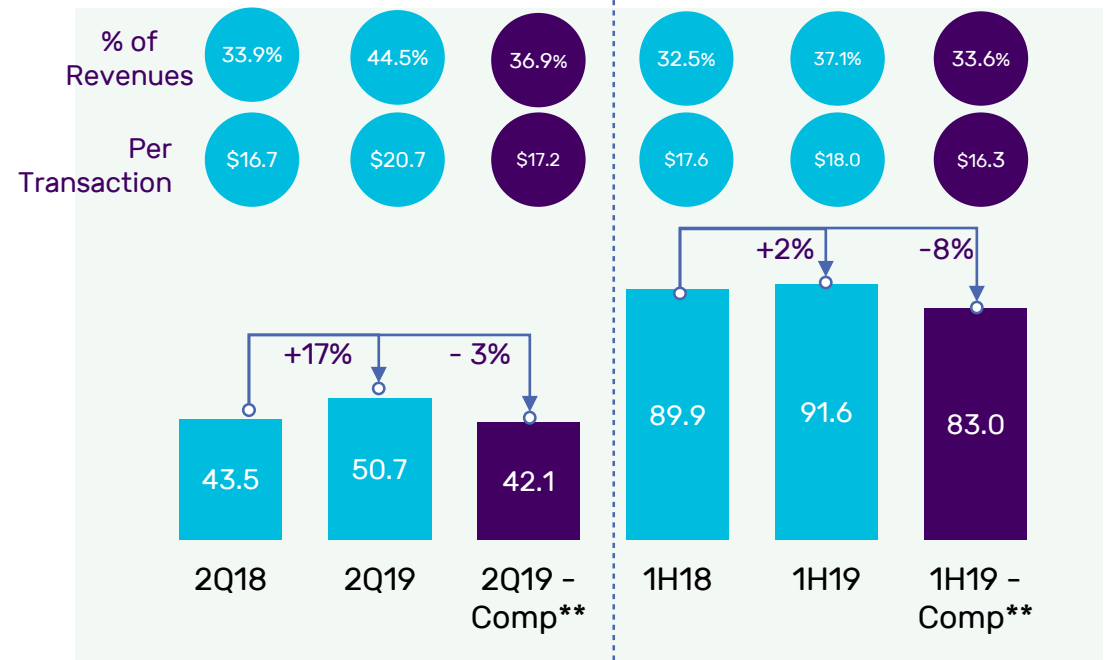
## Gross Profit & Margin

In US\$ millions and % of revenues



## Selling & Marketing (S&M) Expenses

In US\$ millions, % of revenues and US\$ per transaction



\* Excluding one-time \$1.2 M charge from rebooking passengers due to Avianca Brasil's cessation of operations

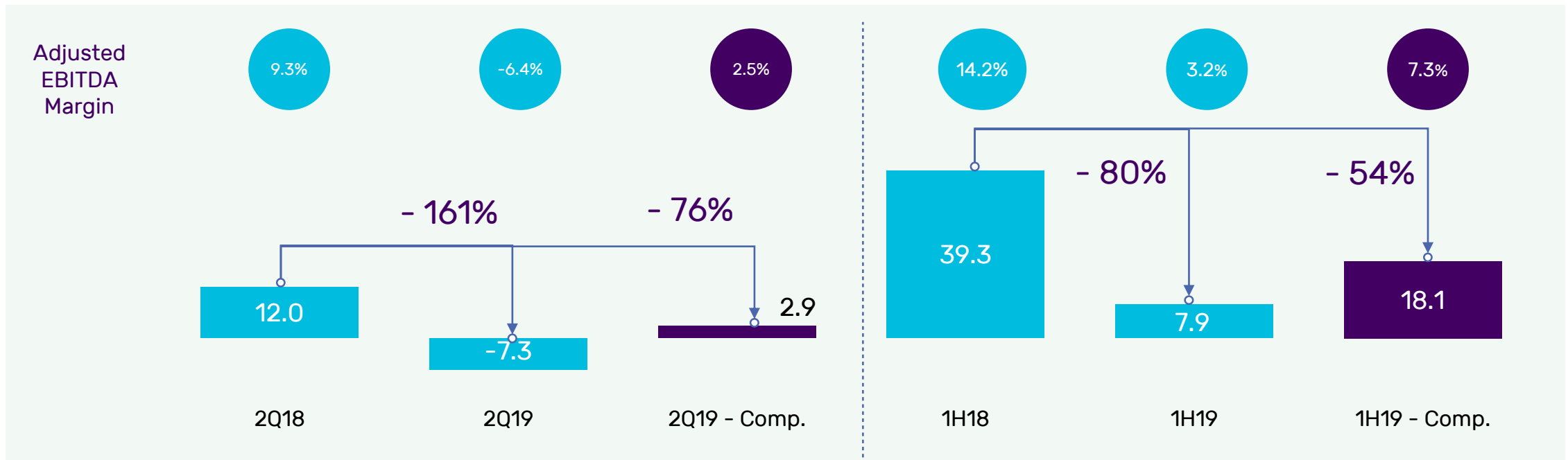
\*\* Excluding one-time \$8.6 M rebranding campaign investments

# Adj. EBITDA Reflects Macro and Strategic Initiatives to Further Strengthen Leading Market Position

- Reported Adjusted EBITDA loss of \$7.3 M compared to positive \$12 M in 2Q18
- Excluding the following one-time costs: i) rebranding costs of \$8.6 M, ii) \$1.2 M in rescheduling passengers, and iii) \$0.4 M in bad debt, the two latter due to the cessation of operations of Avianca Brasil, comparable Adjusted EBITDA would have been positive \$2.9 M. Comparable Adjusted EBITDA reflects mainly challenging macro in Argentina and to a lesser extent in Brazil, as well allocation of marketing investments towards branding which had a positive impact starting late May and continuing into July

## Adjusted EBITDA and margin (%)

In US\$ millions and % of revenues



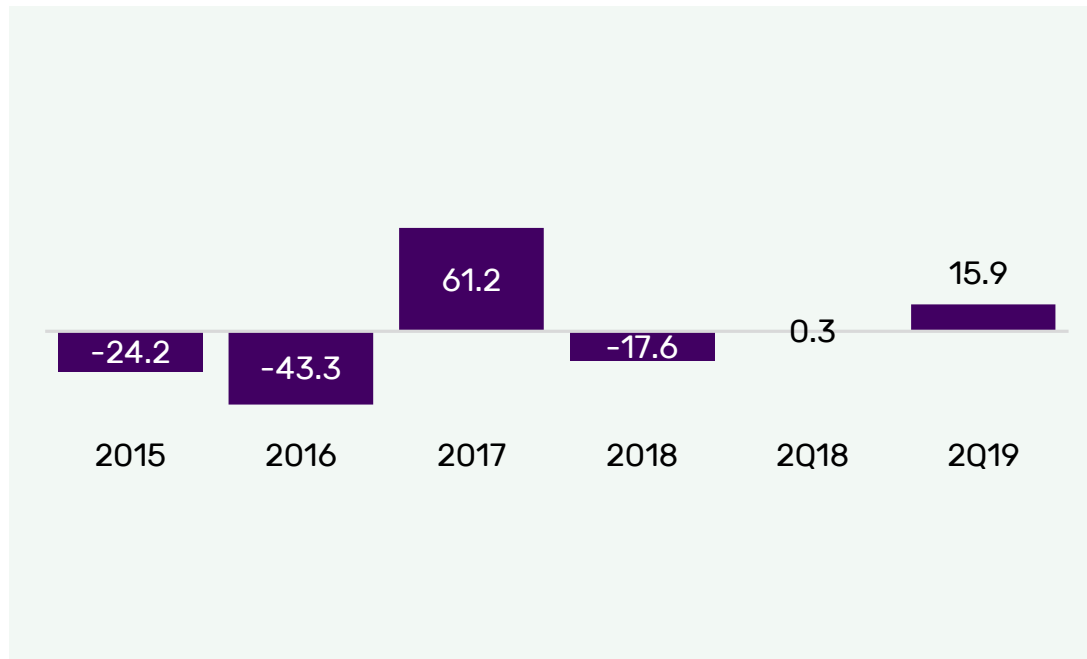
\* Excluding one-time items: \$1.2 M charge from rebooking passengers due to Avianca Brasil's cessation of operations, \$8.6 M rebranding campaign investments and \$0.4 M in bad debt charges due to exposure to Avianca Brasil

# Strong Balance Sheet and Cash Flow Generation

- Cash flow generation of \$15.9 M, mainly driven by increase in Tourist Payables due to higher YoY average payment days, together with a decrease in other assets and prepaid expenses driven by a decline in marketing advances, advances to suppliers, and incentive receivables. This was partially offset by a higher credit card receivable balance.
- Cash and cash equivalents, including restricted cash at June 30, 2019 of \$322.2 M and total debt of \$18.8 M

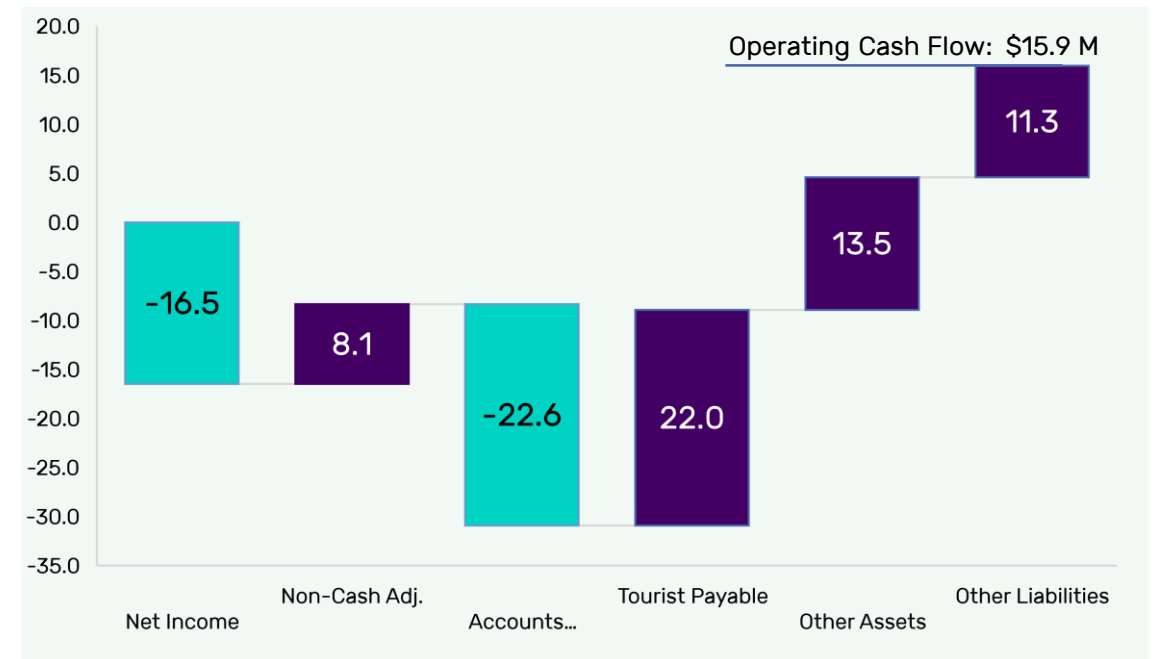
## Operating Cash Flows

In US\$ millions



## 2Q19 Cash Flow Bridge (in US\$ millions)

In US\$ millions



## Looking Ahead:

- **We are very positive on Latin America's and the Online Travel Industry long term potential, however short-term uncertainties still remain**
- **Q2 2019, marking a low point in the Company's trajectory**
  - **Continued investment in key levers: fees, financing and performance marketing**
  - **One-time investment in Rebranding Campaign**
  - **Quarter impact from Avianca Brasil cessation of operations**
- **Cautiously optimistic of a sequential improvement in 3Q19**
  - **Improving trends observed in late May which continued into July**
- **We have over two decades experience of successfully operating in Latin America. Even during periods of challenging macro environments, of which there have been quite a few, we have continued to gain market share, maintained a healthy financial position, including cash generation. At the same time, we continued investing for the long term.**

# Q&A



# Appendix





# Trends in Key Financial & Operating Metrics

(in thousands U.S. dollars, unless otherwise stated)

	Pro Forma				1Q18	2Q18	3Q18	4Q18	1Q19	2Q19
	1Q17	2Q17	3Q17	4Q17						
<b>FINANCIAL RESULTS</b>										
Revenue	\$124,999	\$123,462	\$131,468	\$144,011	\$148,593	\$128,259	\$121,247	\$132,515	\$133,114	\$114,087
Revenue Recognition Adjustment	(\$3,321)	(\$59)	\$1,310	\$7,578						
Cost of revenue	31,140	35,087	37,869	38,383	43,646	42,088	36,673	49,703	45,245	40,342
<b>Gross profit</b>	<b>90,538</b>	<b>88,316</b>	<b>94,909</b>	<b>113,206</b>	<b>104,947</b>	<b>86,171</b>	<b>84,574</b>	<b>82,812</b>	<b>87,869</b>	<b>73,745</b>
<b>Operating expenses</b>										
Selling and marketing	35,546	43,289	41,097	46,356	46,410	43,450	41,572	42,925	40,933	50,701
General and administrative	18,869	18,618	15,318	19,821	15,888	16,986	17,130	17,599	20,638	21,254
Technology and product development	15,408	17,644	18,907	19,349	19,225	18,732	16,821	16,376	18,713	18,077
<b>Total operating expenses</b>	<b>69,823</b>	<b>79,551</b>	<b>75,322</b>	<b>85,526</b>	<b>81,523</b>	<b>79,168</b>	<b>75,523</b>	<b>76,900</b>	<b>80,284</b>	<b>90,032</b>
<b>Operating income</b>	<b>20,715</b>	<b>8,765</b>	<b>19,587</b>	<b>27,680</b>	<b>23,424</b>	<b>7,003</b>	<b>9,051</b>	<b>5,912</b>	<b>7,585</b>	<b>(16,287)</b>
Net financial income (expense)	(6,156)	(1,611)	(2,880)	(6,232)	(2,831)	(5,292)	(11,026)	(18)	(5,220)	(1,663)
<b>Net income before income taxes</b>	<b>14,559</b>	<b>7,154</b>	<b>16,707</b>	<b>21,448</b>	<b>20,593</b>	<b>1,711</b>	<b>(1,975)</b>	<b>5,894</b>	<b>2,365</b>	<b>(17,950)</b>
Adj. Net Income tax expense	2,418	4,254	4,373	2,617	4,235	471	(501)	2,864	479	(1,483)
Income tax expense	2,486	3,806	4,190	1,512	4,235	471	(501)	2,864	479	(1,483)
Adjustment	\$68	(\$448)	(\$183)	(\$1,105)						
<b>Net income /(loss)</b>	<b>12,141</b>	<b>2,900</b>	<b>12,334</b>	<b>18,831</b>	<b>16,358</b>	<b>1,240</b>	<b>(1,474)</b>	<b>3,030</b>	<b>1,886</b>	<b>(16,467)</b>
Net income/ (loss)	\$12,141	\$2,900	\$12,334	\$18,831	\$16,358	\$1,240	(\$1,474)	\$3,030	\$1,886	(\$16,467)
<b>Add (deduct):</b>										
Financial expense, net	6,156	1,611	2,880	6,232	2,831	5,292	11,026	18	5,220	1,663
Income tax expense	2,418	4,254	4,373	2,617	4,235	471	(501)	2,864	479	(1,483)
Depreciation expense	1,343	1,362	1,337	1,033	859	1,475	1,338	1,676	845	2,683
Amortization of intangible assets	1,517	2,039	2,454	2,741	2,018	2,228	2,738	3,156	3,753	3,089
Share-based compensation expense	1,176	930	959	1,224	983	1,266	1,393	3,124	2,999	3,192
<b>Adjusted EBITDA</b>	<b>\$24,751</b>	<b>\$13,096</b>	<b>\$24,337</b>	<b>\$32,678</b>	<b>\$27,284</b>	<b>\$11,972</b>	<b>\$14,520</b>	<b>\$13,868</b>	<b>\$15,182</b>	<b>(\$7,323)</b>

# Trends in Key Financial & Operating Metrics

(in thousands U.S. dollars and thousand transactions, unless otherwise stated)

KEY METRICS	Pro Forma				1Q18	2Q18	3Q18	4Q18	1Q19	2Q19
	1Q17	2Q17	3Q17	4Q17						
<b>Operational</b>										
<b>Gross bookings</b>	<b>\$1,019,102</b>	<b>\$1,061,026</b>	<b>\$1,116,022</b>	<b>\$1,258,398</b>	<b>\$1,231,496</b>	<b>\$1,184,355</b>	<b>\$1,092,287</b>	<b>\$1,207,186</b>	<b>\$1,157,512</b>	<b>\$1,118,134</b>
- YoY growth	54%	40%	32%	26%	21%	12%	(2%)	(4%)	(6%)	(6%)
<b>Number of transactions</b>	<b>2,129</b>	<b>2,210</b>	<b>2,298</b>	<b>2,419</b>	<b>2,514</b>	<b>2,607</b>	<b>2,596</b>	<b>2,676</b>	<b>2,652</b>	<b>2,448</b>
- YoY growth	30%	30%	25%	19%	18%	18%	13%	11%	5%	(6%)
Air	1,246	1,324	1,328	1,386	1,362	1,513	1,512	1,557	1,517	1,459
- YoY growth	34%	31%	22%	13%	9%	14%	14%	12%	11%	(4%)
Packages, Hotels & Other Travel Products	883	886	970	1,033	1,152	1,094	1,085	1,119	1,135	989
- YoY growth	25%	27%	29%	27%	30%	23%	12%	8%	(1%)	(10%)
<b>Revenue per transaction</b>	<b>\$57.2</b>	<b>\$55.8</b>	<b>\$57.8</b>	<b>\$62.7</b>	<b>\$59.1</b>	<b>\$49.2</b>	<b>\$46.7</b>	<b>\$49.5</b>	<b>\$50.2</b>	<b>\$46.6</b>
- YoY growth					3%	(12%)	(18%)	(21%)	(15%)	(5%)
Air	\$45.6	\$45.2	\$44.3	\$47.7	\$44.7	\$35.1	\$33.4	\$32.3	\$32.8	\$32.5
- YoY growth					(2%)	(22%)	(25%)	(32%)	(27%)	(8%)
Packages, Hotels & Other Travel Products	\$73.5	\$71.7	\$76.2	\$82.7	\$76.2	\$68.6	\$65.2	\$73.5	\$73.5	\$67.5
- YoY growth					4%	(4%)	(14%)	(11%)	(4%)	(2%)
<b>ASPs</b>	<b>\$479</b>	<b>\$480</b>	<b>\$486</b>	<b>\$520</b>	<b>\$490</b>	<b>\$454</b>	<b>\$421</b>	<b>\$451</b>	<b>\$436</b>	<b>\$457</b>
- YoY growth	18%	8%	6%	6%	2%	(5%)	(13%)	(13%)	(11%)	1%

# Unaudited Consolidated Balance Sheets

(in thousands U.S. dollars)



	As of June 30, 2019	As of March 31, 2019
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$317,522	\$311,657
Restricted cash and cash equivalents	\$4,711	\$4,390
Accounts receivable, net of allowances	\$239,705	\$214,173
Related party receivable	7,396	8,606
Other current assets and prepaid expenses	60,065	75,877
<b>Total current assets</b>	<b>629,399</b>	<b>614,703</b>
<b>Non-current assets</b>		
Other Assets	17,241	14,119
Restricted cash and cash equivalents	-	-
Right of use	8,589	5,818
Property and equipment net	21,102	19,767
Intangible assets, net	45,832	40,745
Goodwill	49,319	36,162
<b>Total non-current assets</b>	<b>142,083</b>	<b>116,611</b>
<b>TOTAL ASSETS</b>	<b>771,482</b>	<b>731,314</b>

	As of June 30, 2019	As of March 31, 2019
<b>LIABILITIES AND SHAREHOLDERS' DEFICIT</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	49,253	46,086
Travel suppliers payable	186,645	160,988
Related party payable	79,664	82,378
Loans and other financial liabilities	18,839	8,423
Deferred Revenue	8,941	8,560
Other liabilities	49,871	35,345
Contingent liabilities	5,616	4,082
Lease liabilities	3,455	-
<b>Total current liabilities</b>	<b>402,284</b>	<b>345,862</b>
<b>Non-current liabilities</b>		
Other liabilities	451	361
Contingent liabilities	1,807	2,052
Lease liabilities	4,368	5,456
Related party liability	125,000	125,000
<b>Total non-current liabilities</b>	<b>131,626</b>	<b>132,869</b>
<b>TOTAL LIABILITIES</b>	<b>533,910</b>	<b>478,731</b>
<b>SHAREHOLDERS' EQUITY (DEFICIT)</b>		
Common stock	259,741	259,781
Additional paid-in capital	323,331	320,099
Other reserves	(728)	(728)
Accumulated other comprehensive income	4,378	3,175
Accumulated losses	(320,182)	(303,714)
Treasury Stock	(28,968)	(26,030)
<b>Total Shareholders' Equity Attributable / (Deficit) to Despegar.com Corp</b>	<b>237,572</b>	<b>252,583</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>771,482</b>	<b>731,314</b>

## INVESTOR RELATIONS CONTACT

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