
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

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

For the fiscal year ended December 31, 2018

OR

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

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 001-38209

Despegar.com, Corp.

(Exact Name of Registrant as Specified in its charter)

N/A

(Translation of Registrant's name into English)

British Virgin Islands

(Jurisdiction of Incorporation or Organization)

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(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

**Title of each class
Ordinary Shares, no par value**

**Name of each exchange on which registered
The New York Stock Exchange**

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

At December 31, 2018

69,235,699 ordinary shares

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Note- Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

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 or an emerging growth company. See definitions of “large accelerated filer,” “accelerated filer,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, 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.

[†] The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued
by the International Accounting Standards Board

Other

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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PART I
INTRODUCTION

Unless the context suggests otherwise, references in this Annual Report to “Despegar,” the “Company,” “we” “us” and “our” are to Despegar.com, Corp., a business company incorporated in the British Virgin Islands (“BVI”), and its consolidated subsidiaries. Unless the context suggests otherwise, references to “Latin America” are to South America, Mexico, Central America and the Caribbean (except in the case of certain industry information from Euromonitor travel research for Latin America; as set forth below).

We were formed as a new business company in BVI on February 10, 2017. On May 3, 2017, the stockholders of our predecessor, Decolar.com, Inc., a Delaware corporation, exchanged their shares of Decolar.com, Inc. for ordinary shares of Despegar.com, Corp. to create a new BVI holding company. Following the exchange, our shareholders own shares of Despegar.com, Corp. and Decolar.com, Inc. is a wholly-owned subsidiary of Despegar.com, Corp. The audited consolidated financial statements as of December 31, 2017 and 2016, and for the three years ended December 31, 2017 to the extent related to the events and periods prior to May 3, 2017, included in this Annual Report are the consolidated financial statements of Decolar.com, Inc., which is our predecessor for accounting purposes, and other information contained in this Annual Report related to events and periods prior to May 3, 2017 is based on Decolar.com, Inc.

Financial Statements

The financial information contained in this Annual Report derives from our audited consolidated financial statements as of December 31, 2018 and 2017 and for the fiscal years ended December 31, 2018, 2017 and 2016. Our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) and presented in dollars.

Non-GAAP Financial Measures

This Annual Report includes certain references to Adjusted EBITDA, a non-GAAP financial measure. We define Adjusted EBITDA as net income / (loss) exclusive of financial income / (expense), income tax, depreciation, amortization and share-based compensation. See “Item 3. Key Information —A. Selected Financial Data — Other Financial and Operating Data” for a reconciliation of Adjusted EBITDA to net income / (loss). Adjusted EBITDA is not prepared in accordance with U.S. GAAP. Accordingly, you are cautioned not to place undue reliance on this information and should note that Adjusted EBITDA, as calculated by us, may differ materially from similarly titled measures reported by other companies, including our competitors.

Market Data

This Annual Report includes industry, market and competitive position data and forecasts that we have derived from independent consultant reports, publicly available information, industry publications, official government information and other third-party sources, including Euromonitor International, and GSM Association, as well as our internal data and estimates. Independent consultant reports, industry publications and other published sources generally indicate that the information contained therein was obtained from sources believed to be reliable. Although we believe that this information is reliable, the information has not been independently verified by us.

All references to Euromonitor International across included in this Annual Report are sourced to Euromonitor International Limited, Travel 2019 edition, value sales. Latin America includes the following researched countries: Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, Peru, Venezuela, and 37 modelled countries. “Travel bookings” include airlines, car rentals, lodging and attractions. Also includes inbound arrivals, sales to residents and includes both corporate and leisure travel. “Online travel bookings” refer to Euromonitor International’s online travel sales to residents, which reflects TTV (total transaction value). This includes airlines, car rentals, lodging and attractions. Also includes inbound arrivals, sales to residents and both corporate and leisure travel.

Certain data included in this Annual Report related to the Latin American travel industry and the Latin American online travel market includes the purchase of hotel and other travel products (such as airlines, car rentals, lodging and attractions) by inbound travelers traveling to Latin America, as well as corporate travel. Our customer base, however, is primarily comprised of consumers from Latin America traveling for leisure domestically within their own country of origin, to other countries in the Latin American region, and outside of Latin America. Additionally, Euromonitor travel research for Latin America only includes the following countries: Mexico, Brazil, Chile, Argentina, Colombia, Peru, Venezuela and Ecuador. Market data related solely to the travel trends of Latin American consumers is limited. As a result, certain market data included in this Annual Report is being provided to investors to give a general sense of the trends of our industry but such market data does not capture the travel trends of only our targeted customers. Accordingly, investors should not place undue reliance on the market information in this Annual Report.

Information sourced to Euromonitor is from independent industry research carried out by Euromonitor International Limited as part of its annual Passport research. Euromonitor makes no warranties about the fitness of this intelligence for investment decisions.

Certain Operating Measures

This Annual Report includes certain references to number of transactions and gross bookings, both operating measures. Number of transactions is the total number of customer orders completed on our platform during a given period. Gross bookings is the aggregate purchase price of all travel products booked by our customers through our platform during a given period. For more information, see “Item 5. Operating and Financial Review and Prospects—A. Operating Results — Key Business Metrics.”

Currency Presentation

In this Annual Report, references to “dollars” and “\$” are to the currency of the United States, references to “Brazilian real,” “Brazilian reais” and “R\$” are to the currency of Brazil and references to “Argentine pesos” and “AR\$” are to the currency of Argentina. See “Item 10. Additional Information — Exchange Controls” for information regarding historical exchange rates of Brazilian reais and Argentine pesos to dollars.

Rounding

Certain figures included in this Annual Report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be exact arithmetic aggregations or percentages of the figures that precede them.

Trademarks

Our key trademarks are “Despegar.com,” “Decolar.com” and “Decolar.com.br.” Other trademarks or service marks appearing in this Annual Report are the property of their respective holders. Solely for the convenience of the reader, we refer to our brands in this Annual Report without the ® symbol, but these references are not intended to indicate in any way that we will not assert our rights to these brands to the fullest extent permitted by law.

Forward-Looking Statements

This Annual Report includes forward-looking statements, principally under the captions “Item 3. Key Information,” “Item 4. Information on the Company—Business Overview” and “Item 5. Operating and Financial Review and Prospects.” We have based these forward-looking statements largely on our current beliefs, expectations and projections about future events and financial trends affecting our business and our market. Many important factors, in addition to those discussed elsewhere in this Annual Report, could cause our actual results to differ substantially from those anticipated in our forward-looking statements, including:

- political, social and macroeconomic conditions in Latin America;
- currency exchange rates and inflation;
- current competition and the emergence of new market participants in our industry;
- government regulation;
- our expectations regarding the continued growth of internet usage and e-commerce in Latin America;
- failure to maintain and enhance our brand recognition;
- our ability to maintain and expand our supplier relationships;
- our reliance on technology;
- the growth in the usage of mobile devices and our ability to successfully monetize this usage;
- our ability to attract, train and retain executives and other qualified employees;
- our ability to successfully implement our growth strategies; and
- the other factors discussed under the caption “Item 3. Key Information—D. Risk Factors” in this Annual Report.

We operate in a competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Annual Report. The words “believe,” “may,” “should,” “aim,” “estimate,” “continue,” “anticipate,” “intend,” “will,” “expect” and similar words are intended to identify forward-looking statements. Forward-looking statements include information concerning our possible or assumed future results of operations, business strategies, capital expenditures, financing plans, competitive position, industry environment, potential growth opportunities, the effects of future regulation and the effects of competition. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update publicly or to revise any forward-looking statements after we distribute this Annual Report because of new information, future events or other factors. In light of the

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risks and uncertainties described above, the future events and circumstances discussed in this Annual Report might not occur or come into existence and forward-looking statements are thus not guarantees of future performance. Considering these limitations, you should not make any investment decision in reliance on forward-looking statements contained in this Annual Report.

Additional Information

Our principal website address are www.despegar.com and www.decolar.com. The information on our websites should not be deemed to be part of this annual report. SEC also maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with SEC using its EDGAR system.

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION**A. Selected Financial Data**

The following selected historical consolidated financial and other operating data should be read together with “Item 5. Operating and Financial Review and Prospects” and our consolidated financial statements included elsewhere in this Annual Report.

We derived the selected income statement and balance sheet data as of December 31, 2018 and 2017 and for the three years ended December 31, 2018 from our audited consolidated financial statements which are included elsewhere in this Annual Report. We derived the selected balance sheet data as of December 31, 2016 and 2015 and the selected Income Statement data for the year ended December 31, 2015 from our audited consolidated financial statements, which are not included in this Annual Report. Our consolidated financial statements are prepared and presented in accordance with U.S. GAAP in dollars. Our historical results do not necessarily indicate results expected for any future period.

Selected Income Statement Data

	Year Ended December 31,			
	2018	2017	2016	2015
	(in thousands, except per share data)			
Revenue				
Air	\$214,804	\$241,015	\$205,721	219,817
Packages, Hotels and Other Travel Products	315,810	282,925	205,441	201,894
Total revenue	530,614	523,940	411,162	421,711
Cost of revenue	172,110	142,479	126,675	154,213
Gross profit	358,504	381,461	284,487	267,498
Operating expenses				
Selling and marketing	174,357	166,288	121,466	170,149
General and administrative	67,240	72,626	64,683	78,181
Technology and product development	71,154	71,308	63,251	73,535
Impairment of long-lived assets	363	—	—	—
Total operating expenses	313,114	310,222	249,400	321,865
Operating income / (loss)	45,390	71,239	35,087	(54,367)
Financial income	7,621	2,389	8,327	10,797
Financial expense	(26,788)	(19,268)	(15,079)	(23,702)
Income / (loss) before income taxes	26,223	54,360	28,335	(67,272)
Income tax expense	7,069	11,994	10,538	18,004
Net income / (loss)	\$ 19,154	\$ 42,366	\$ 17,797	(85,276)
Earnings per share:				
Basic	0.28	0.69	0.30	(1.49)
Diluted	0.27	0.69	0.30	(1.49)
Weighted average shares outstanding:				
Basic	69,154	61,457	58,518	57,078
Diluted	71,254	61,548	58,609	57,186

Selected Balance Sheet Data

	As of December 31,			
	2018	2017	2016	2015
	(in thousands, except share data)			
Cash and cash equivalents (1)	\$346,480	\$371,013	\$ 75,968	102,116
Total assets	763,947	738,694	353,710	348,215
Total liabilities	516,373	520,736	435,973	431,348
Total shareholders' equity/(deficit) attributable to Despegar	247,574	217,958	(82,263)	(83,133)
Common stock	255,254	253,535	6	6
Number of Shares	69,235	69,097	58,518	58,518

(1) Excludes restricted cash. See note 4 of our audited consolidated financial statements.

Other Financial and Operating Data

We regularly review the following key metrics to evaluate our business, measure our performance, identify trends in our business, prepare financial projections and make strategic decisions.

	Year Ended December 31,			
	2018	2017	2016	2015
	(in thousands)			
Operational				
Number of transactions				
By country				
Brazil	4,230	3,713	2,924	3,620
Argentina	2,378	2,264	1,798	1,787
Other	3,785	3,079	2,490	2,298
Total	10,393	9,056	7,212	7,705
By segment				
Air	5,945	5,285	4,250	4,385
Packages, Hotels and Other Travel Products	4,449	3,771	2,963	3,320
Total	10,393	9,056	7,212	7,705
Gross bookings	\$4,715,235	\$4,454,548	\$3,260,234	3,596,260
Financial				
Adjusted EBITDA (unaudited)	\$ 67,329	\$ 89,354	\$ 48,585	(39,067)

Number of Transactions

The number of transactions for a period is an operating measure that represents the total number of customer orders completed on our platform in such period. We monitor the total number of transactions, as well as the number of transactions in each of our segments and the number of transactions with customers in each of Brazil, Argentina and the other countries in which we operate. The number of transactions is an important metric because it is an indicator of the level of engagement with our customers and the scale of our business from period to period but, unlike gross bookings and our financial metrics, the number of transactions is independent of the average selling price of each transaction, which can be significantly influenced by fluctuations in currency exchange rates.

Gross Bookings

Gross bookings is an operating measure that represents the aggregate purchase price of all travel products booked by our customers through our platform during a given period. We generate substantially all of our revenue from commissions and other incentive payments paid by our suppliers and service fees paid by our customers for transactions through our platform, and, as a result, we monitor gross bookings as an important indicator of our ability to generate revenue.

Adjusted EBITDA

We define Adjusted EBITDA as net income exclusive of financial income / (expense), income tax, depreciation, amortization and share-based compensation.

We believe that Adjusted EBITDA, a non-GAAP financial measure, provides useful supplemental information to investors about us and our results. Adjusted EBITDA is among the measures used by our management team to evaluate our financial and operating performance and make day-to-day financial and operating decisions. In addition, Adjusted EBITDA is frequently used by securities analysts, investors and other parties to evaluate companies in the online travel industry. We also believe that Adjusted EBITDA is helpful to investors because it provides additional information about trends in our core operating performance prior to considering the impact of capital structure, depreciation, amortization, and taxation on our results.

Adjusted EBITDA should not be considered in isolation or as a substitute for other measures of financial performance reported in accordance with U.S. GAAP. Adjusted EBITDA has limitations as an analytical tool, including:

- Adjusted EBITDA does not reflect changes in, including cash requirements for, our working capital needs or contractual commitments;
- Adjusted EBITDA does not reflect our financial expenses, or the cash requirements to service interest or principal payments on our indebtedness, or interest income or other financial income;
- Adjusted EBITDA does not reflect our income tax expense or the cash requirements to pay our income taxes;
- although depreciation and amortization are non-cash charges, the assets being depreciated or amortized often will need to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for these replacements;
- although share-based compensation is a non-cash charge, Adjusted EBITDA does not consider the potentially dilutive impact of share-based compensation; and
- other companies may calculate Adjusted EBITDA differently, limiting its usefulness as a comparative measure.

We compensate for the inherent limitations associated with using Adjusted EBITDA through disclosure of these limitations, presentation of our consolidated financial statements in accordance with U.S. GAAP and reconciliation of Adjusted EBITDA to the most directly comparable U.S. GAAP measure, net income.

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The table below provides a reconciliation of our net income to Adjusted EBITDA:

	Year Ended December 31,			2015
	2018	2017	2016	
Net income / (loss)	\$ 19,154	\$ 42,366	\$ 17,797	\$(85,276)
Add (deduct):				
Financial expense / (income), net	19,167	17,879	6,752	12,905
Income tax expense	7,069	11,994	10,538	18,004
Depreciation expense	5,348	5,075	5,089	5,152
Amortization of intangible assets	10,140	8,751	7,835	9,287
Share-based compensation expense	6,766	4,289	574	861
Adjusted EBITDA	<u>\$67,644</u>	<u>\$89,354</u>	<u>\$48,585</u>	<u>\$(39,067)</u>

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

You should carefully consider the risks described below, in addition to the other information contained in this Annual Report. We also may face additional risks and uncertainties that are not presently known to us, or that as of the date of this Annual Report we deem immaterial, which may impair our business, financial condition and results of operations. If any of these events occur, the trading price of our ordinary shares could decline. In general, you take more risk when you invest in the securities of issuers with operations in emerging markets such as Latin American countries than when you invest in the securities of issuers in the United States and other developed markets. The information in this Risk Factors section includes forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of numerous factors, including those described in “Forward-Looking Statements.”

Risks Related to Our Business

We are subject to the risks generally associated with doing business in Latin America.

Our business serves the Latin American travel industry and substantially all of our revenue is derived from Latin American countries. Substantially all of our operations are located in Latin America. Moreover, we have significant revenue from Brazil and Argentina: in 2018, Brazil accounted for 41% of our transactions and Argentina accounted for 23%. As a result, we are subject to the risks generally associated with doing business in the region, including:

- political, social and macroeconomic instability;
- cycles of severe economic downturns;
- currency devaluations and fluctuations;
- periods of high inflation;
- availability, quality and level of usage of the internet and e-commerce;
- high levels of credit risk, fraud and lack of secure payment methods;
- uncertainty or changes in governmental regulation, including applicable to travel services operations and internet and e-commerce services;
- uncertainty or changes in tax laws and regulations;
- limited access to financing, both for companies and for consumers;
- exchange and capital controls;
- limited infrastructure, including in the travel and technology sectors;
- adverse labor conditions and difficulties in hiring, training and retaining qualified personnel;
- the challenges of doing business across a region with multiple languages, different currencies and regulatory regimes that varies from country to country; and
- the impact of adverse global conditions in the region.

Any of these risks could have a material adverse effect on our business, financial condition and results of operations. For more information, see “—Risks Related to Latin America.”

General declines or disruptions in the travel industry may adversely affect our business and results of operations.

Our business is significantly affected by the trends that occur in the travel industry. As the travel industry is highly sensitive to business and personal discretionary spending levels, it tends to decline during general economic downturns. Trends or events that tend to reduce travel and are likely to reduce our revenue include:

- terrorist attacks or threats of terrorist attacks or wars;
- fluctuations in currency exchange rates;
- health-related risks, such as an outbreak of the Zika virus, H1N1 influenza, Ebola virus, yellow fever, avian flu or any other serious contagious diseases;
- increased prices in the airline ticketing, hotel, or other travel-related sectors;
- significant changes in oil prices;

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- travel-related strikes or labor unrest, bankruptcies or liquidations;
- travel-related accidents or the grounding of aircraft due to safety or other concerns;
- political unrest;
- high levels of crime;
- natural disasters or severe weather conditions, including volcanic eruptions, hurricanes, flooding or earthquakes;
- changes in immigration policy; and
- travel restrictions or other security procedures implemented in connection with any major events, particularly those that affect travel by Latin Americans within their respective countries, across the region and outbound from the region to the rest of the world.

We could be severely and adversely affected by declines or disruptions in the travel industry and, in many cases, have little or no control over the occurrence of such events. Such events could result in a decrease in demand for our travel services. Any decrease in demand, depending on the scope and duration, could significantly and adversely affect our business and financial performance over the short and long term.

Our business and results of operations may be adversely affected by macroeconomic conditions.

Consumer purchases of discretionary items generally decline during periods of recession and other periods in which disposable income is adversely affected. As a substantial portion of travel expenditure, for both business and leisure, is discretionary, the travel industry tends to experience weak or reduced demand during economic downturns.

General adverse economic conditions, including the possibility of recessionary conditions in Latin America or a worldwide economic slowdown, would adversely impact our business, financial condition and results of operations. Past weakness and uncertainty in the global economy and in Latin America have negatively impacted consumer spending patterns and demand for travel services and may continue to do so in the future. For example, consumer spending patterns and demand for travel services were negatively impacted by the 2008-2009 global financial crisis that arose in the United States, as well as the recession in Brazil of 2015-2016 and the Argentine financial crisis of 2001-2002 and recession of 2018.

As an intermediary in the travel industry, a significant portion of our revenue is affected by prices charged by our travel suppliers. During periods of poor economic conditions, airlines and hotels tend to reduce rates or offer discounted sales to stimulate demand, thereby reducing our commission-based income. A slowdown in economic conditions may also result in a decrease in transaction volumes and adversely affect our revenue, including our consumer fee-based income. It is difficult to predict the effects of the uncertainty in global economic conditions. If economic conditions decline globally or in Latin America, our business, financial condition and results of operations could be adversely impacted.

We are exposed to fluctuations in currency exchange rates.

Because we conduct our business outside the United States and receive almost all of our revenue in currencies other than the U.S. dollar, but report our results in dollars, we face exposure to adverse movements in currency exchange rates. The currencies of certain countries where we operate, including Brazil and Argentina, have historically experienced significant devaluations. For example, in December 2015, the Argentine government let the Argentine peso float freely, after several years of controlling foreign exchange rates, resulting in a significant devaluation. In addition, the Brazilian Real and the Argentine peso have experienced weakness during 2017 and 2018. The results of operations in the countries where we operate are exposed to foreign exchange rate fluctuations as the financial results of the applicable subsidiaries are translated from the local currency into dollars upon consolidation. If the dollar weakens against foreign currencies, the translation of these foreign-currency-denominated transactions will typically result in increased revenue and operating expenses, and our revenue and operating expenses will typically decrease if the dollar strengthens. Moreover, if the dollar strengthens against the foreign currencies of countries in which we operate, the purchasing power of our customers from those countries could be negatively affected by potentially increased prices in local currencies, and we could experience a reduction in the demand for our travel services.

Additionally, foreign exchange exposure also arises from pre-pay transactions, where we accept upfront payments for bookings in the customer's home currency, but payment to the hotel is not due until after the customer checks out, and is paid by us in the hotel's home currency. We are therefore exposed to foreign exchange risk between the time of the initial reservation and the time when the hotel is paid.

We minimize our foreign currency exposures by managing natural hedges, netting our current assets and current liabilities in similarly denominated foreign currencies, and managing short term loans and investments for hedging purposes. Additionally, from time to time we enter into derivative transactions. However, depending on the size of the exposures and the relative movements of exchange rates, if we choose not to hedge or fail to hedge effectively our exposure, we could experience a material adverse effect on our consolidated financial statements and financial condition.

We have incurred operating losses in the past and may experience earnings declines or net losses in the future.

We have incurred operating losses in the past, though in the years ended December 31, 2018, 2017 and 2016 we had net income. We cannot assure you that we can sustain profitability or avoid net losses in the future. Our ability to remain profitable depends on various factors, including our ability to generate additional transaction volume and revenue and control our costs and expenses. We may incur significant losses in the future for a number of reasons, including the other risks described in this Annual Report, and we may further encounter unforeseen expenses, difficulties, complications, delays and other unknown events. If our costs and expenses increase at a more rapid rate than our revenue, we may not be able to sustain profitability and may incur losses.

If we are unable to maintain or increase consumer traffic to our sites and our conversion rates, our business and results of operations would be harmed.

Our ability to generate revenue depends, in part, on our ability to attract consumers to our platform. If we fail to maintain or increase consumer traffic and our conversion rates, our ability to grow our revenue could be negatively affected. We expect that our efforts to maintain or increase traffic are likely to include, among other things, significant increases to our marketing expenditures. We cannot assure you that any increases in our expenses will be successful in generating additional consumer traffic.

There are many factors that could negatively affect user retention, growth, and engagement, including if:

- we fail to offer compelling products;
- users increasingly engage with competing products instead of ours;
- we fail to introduce new and exciting products and services or those we introduce are poorly received;
- our websites or mobile apps fail to operate effectively on the iOS and Android mobile operating systems;
- we do not provide a compelling user experience;
- we are unable to combat spam or other hostile or inappropriate usage on our products, or if our anti-fraud measures are too conservative and we reject too many bona fide transactions;
- there are changes in user sentiment about the quality or usefulness of our existing products;
- there are concerns about the privacy implications, safety, or security of our products;
- our suppliers decide to discontinue the offering of their products through our platform;
- technical or other problems frustrate the user experience, particularly if those problems prevent us from delivering our products in a fast and reliable manner;
- we fail to provide adequate service to our customers and suppliers;
- we or other companies in our industry are the subject of adverse media reports or other negative publicity; or
- we do not maintain our brand image or our reputation is damaged.

Any decrease to user retention, growth, or engagement could render our products less attractive to consumers and would seriously harm our business.

We operate in a highly competitive and evolving market, and pressure from existing and new companies may adversely affect our business and results of operations.

The travel market in Latin America and worldwide is intensely competitive and rapidly evolving. Factors affecting our competitive success include, among other things, price, availability and breadth of choice of travel services and products, brand recognition, customer service, fees charged to travelers, ease of use, accessibility, consumer payment options and reliability. We currently compete with both established and emerging providers of travel services and products, including regional offline travel agency chains and tour operators, global OTAs with presence in Latin America and smaller, country-specific online and offline travel agencies and tour operators. In addition, our customers have the option to book travel directly with airlines, hotels and other travel service providers who are increasingly focused on further refining their online offerings. Large, established internet search engines have also launched

applications offering travel itineraries in destinations around the world, and meta-search companies who can aggregate travel search results also compete against us for customers. In addition, we face price competition from new entrants that offer discounted rates and other incentives from time to time, as well as social media channels that market travel products and experiences. Some of our competitors have significantly greater financial and other resources than us. From time to time we may be required to reduce service fees and revenue margins in order to compete effectively and maintain or gain customers, brand awareness and supplier relationships.

Further, we may also face increased competition from new entrants in our industry. We cannot assure you that we will be able to successfully compete against existing or new competitors. If we are not able to compete effectively, our business, financial condition and results of operations may be adversely affected.

Some travel suppliers are seeking to decrease their reliance on distribution intermediaries like us by promoting direct distribution channels. Many airlines, hotels, car rental companies and tour operators have call centers and have established their own travel distribution websites and mobile applications. From time to time, travel suppliers offer advantages, such as bonus loyalty awards and lower transaction fees or discounted prices, when their services and products are purchased from supplier-related channels. We also compete with competitors which may offer less content, functionality and marketing reach but at a relatively lower cost to suppliers. If our access to supplier-provided content or features were to be diminished either relative to our competitors or in absolute terms or if we are unable to compete effectively with travel supplier-related channels or other competitors, our business could be materially and adversely affected.

If we are unable to maintain existing, and establish new, arrangements with travel suppliers, our business may be adversely affected.

Our business is dependent on our ability to maintain our relationships and arrangements with existing suppliers, such as airlines, global distribution system (“GDS”), service providers, hotels, hotel consolidators and destination services companies, car rental companies, bus operators, cruise companies and travel assistance providers, as well as our ability to establish and maintain relationships with new travel suppliers. In addition, the hotel and other lodging products that we offer through our platform for all countries outside Latin America are provided to us exclusively by affiliates of Expedia and Expedia is the preferred provider to us of hotel and other lodging products in Latin America pursuant to a lodging outsourcing agreement (the “Expedia Outsourcing Agreement”). In the event the Expedia Outsourcing Agreement is terminated, we may be required to pay a \$125.0 million termination fee. For more information on our relationships with Expedia, see “Item 7. Major Shareholders and Related Party Transactions — B. Related Party — Relationship with Expedia.” Adverse changes in key arrangements with our suppliers, including an inability of any key travel supplier to fulfill its payment obligation to us in a timely manner, increasing industry consolidation or our inability to enter into or renew arrangements with these parties on favorable terms, if at all, could reduce the amount, quality, pricing and breadth of the travel services and products that we are able to offer, which could adversely affect our business, financial condition and results of operations. For example, American Airlines discontinued our access to its inventory from July 2013 to March 2016, until a mutually satisfactory settlement was reached and American Airlines resumed supplying us with airline tickets.

In addition, adverse economic developments affecting the travel industry could also adversely impact our ability to maintain our existing relationships and arrangements with one or more of our suppliers. We cannot assure you that our agreements or arrangements with our travel suppliers or travel-related service providers will continue or that our travel suppliers or travel-related service providers will not further reduce commissions, terminate our contracts, make their products or services unavailable to us as part of exclusive arrangements with our competitors or default on or dispute their payment or other obligations towards us, any of which could reduce our revenue and margins or may require us to initiate legal or arbitral proceedings to enforce their contractual payment obligations, which may adversely affect our business, financial condition and results of operations.

We rely on the value of our brands, and any failure to maintain or enhance consumer awareness of our brands could adversely affect our business and results of operations.

We believe continued investment in our brand is critical to retain and expand our business. We have invested in developing and promoting our brand since our inception and expect to continue to spend on maintaining the value of our brands to enable us to compete against increased spending by competitors and to allow us to expand into new services or increase our penetration in certain markets where our brands are less well known.

We cannot assure you that we will be able to successfully maintain or enhance consumer awareness of our brands. Even if we are successful in our branding efforts, such efforts may not be cost-effective. Our marketing costs may also increase as a result of inflation in media pricing. If we are unable to maintain or enhance consumer awareness of our brands and generate demand in a cost-effective manner, it would negatively impact our ability to compete in the travel industry and would have a material adverse effect on our business, financial condition and results of operations.

We rely on information technology to operate our business and maintain our competitiveness, and any failure to adapt to technological developments or industry trends could adversely affect our business.

We depend on the use of sophisticated information technology and systems, for search and reservation for airline tickets, hotels, and any of the other products that we offer on our platform, as well as payments, refunds, customer relationship management, communications and administration. As our operations grow in both size and scope, we must continuously improve and upgrade our systems and infrastructure to improve services, features and functionality, while maintaining the reliability and integrity of our systems and infrastructure in a cost-effective manner. Our future success also depends on our ability to upgrade our services and infrastructure ahead of rapidly evolving consumer demands while continuing to improve the performance, features and reliability of our service in response to competitive offerings.

We may not be able to maintain or replace our existing systems or introduce new technologies and systems as quickly as our competitors, in a cost-effective manner or at all. We may also be unable to devote adequate financial resources to develop or acquire new technologies and systems in the future.

We may not be able to use new technologies effectively, or we may fail to adapt our websites, mobile apps, transaction processing systems and network infrastructure to meet consumer requirements or emerging industry standards, comply with government regulation or prevent fraud or security breaches. If we face material delays in introducing new or enhanced solutions, our customers may forego the use of our services in favor of those of our competitors. Any of these events could have a material adverse effect on our business, financial condition and results of operations.

Some of our airline suppliers (including our GDS service providers) may reduce or eliminate the commission and other compensation they pay to us for the sale of airline tickets and this could adversely affect our business and results of operations.

In our air business, we generate revenue through commissions and incentive payments from airline suppliers (including our GDS service providers) and service fees charged to our customers. Our airline suppliers (including our GDS service providers) may reduce or eliminate the commissions, incentive payments or other compensation they pay to us. To the extent any of our airline suppliers (including our GDS service providers) reduce or eliminate the commissions, incentive payments or other compensation they pay to us, our revenue may be reduced unless we are able to adequately mitigate such reduction by increasing the service fee we charge to our customers or increasing our transaction volume in a sustainable manner. However, any increase in service fees may also result in a loss of potential customers. In addition, our arrangement with the airlines that supply airline tickets to us may limit the amount of service fee that we are able to charge our customers. Our business would also be negatively impacted if competition or regulation in the Latin American travel industry causes us to have to reduce or eliminate our service fees.

Our business and results of operations could be adversely affected if one or more of our major travel suppliers suffers a deterioration in its financial condition or restructures its operations.

As we are an intermediary in the travel industry, a substantial portion of our revenue is affected by the prices charged by our suppliers, including airlines, GDS service providers, hotels, destination service providers, car rental suppliers, tour operators, supply aggregators (such as other OTAs), cruise operators, bus service providers and travel assistance providers, and the volume of products offered by our suppliers. As a result, if one or more of our major suppliers suffers a deterioration in its financial condition or restructures its operations, it could adversely affect our business, financial condition and results of operations. Accordingly, our business may be negatively affected by adverse changes in the markets in which our suppliers operate.

In particular, as a substantial portion of our revenue depends on our sales of airline flights, we could be adversely affected by changes in the airline industry, including consolidation or bankruptcies and liquidations, and in many cases, we will have no control over such changes. Any consolidation in the airline industry in the future would result in fewer airlines with potentially more bargaining power with respect to the commissions and incentive payments or other fees they pay to intermediaries. Events or weaknesses specific to the airline industry that could negatively affect our business include air fare fluctuations, airport, airspace and landing fee increases, seat capacity constraints, removal of destinations or flight routes, travel-related strikes or labor unrest, imposition of taxes or surcharges by regulatory authorities and fuel price volatility. While decreases in prices for flights and other travel products generally increase demand, such price decreases generally also have a negative effect on the commissions we earn, particularly in our non-flight business, which is more dependent on commissions than our flight business. The overall effect of a price increase or decrease is therefore uncertain.

In the past, major airlines have filed for bankruptcy, exited bankruptcy, or discussed publicly the risk of bankruptcy. In addition, some of these and other airlines have merged, or discussed merging, with other airlines. If one of our major airline suppliers merges or consolidates with, or is acquired by, another company that either does not participate in the GDS systems we use, or that participates in such systems but at substantially lower levels, the surviving company may elect not to make supply available to us or may elect to do so at lower levels than the previous supplier. Similarly, in the event that one of our major airline suppliers voluntarily or

involuntarily declares bankruptcy and is subsequently unable to successfully emerge from bankruptcy, and we are unable to replace such supplier, our business would be adversely affected. Further consolidation of one or more of the major airlines could result in further capacity reductions, a reduction in the number of airline tickets available for booking on our website and increased air fares, which may have a negative impact on demand for travel products.

We are subject to payments-related fraud risks.

We are held liable for accepting fraudulent bookings on our platform and other bookings for which payment is successfully disputed by the cardholder, both of which lead to the reversal of payments received by us for such bookings (referred to as a “chargeback”). Our results of operations may be negatively affected by our acceptance of fraudulent bookings made using credit cards, as occurred in 2015, when there was an increase in fraud in the Latin American travel industry, particularly in Brazil. In the fourth quarter of 2015, we experienced an increase in attempted fraudulent transactions in Brazil, resulting in both the first quarter of 2016 and the fourth quarter of 2015 in an increase in fraud expense in the form of chargebacks. We also experienced a decrease in gross bookings in both quarters, as we imposed more restrictive anti-fraud protocol in response to the uptick in fraudulent transactions that resulted in more rejections of legitimate transactions. Our ability to detect and combat fraud, which has become increasingly common and sophisticated, may be negatively impacted by the adoption of new payment methods, the emergence and innovation of new technology platforms, including smartphones, tablets and other mobile devices, and our expansion, including into geographies with a history of elevated fraudulent activity. If we are unable to effectively combat fraud on our platform or if we otherwise experience increased levels of chargebacks, our results of operations could be materially adversely affected.

We have agreements with companies that process customer credit and debit card transactions for the facilitation of customer bookings of travel services from our travel suppliers. These agreements allow these processing companies, under certain conditions, to hold an amount of our cash (referred to as a “holdback”) or require us to otherwise post security equal to a portion of bookings that have been processed by such companies. These processing companies may be entitled to a holdback or suspension of processing services upon the occurrence of specified events, including material adverse changes in our financial condition. Moreover, there can be no assurances that the rates we pay for the processing of customer credit and debit card transactions will not increase, which could reduce our revenue thereby adversely affecting our business and financial performance.

Moreover, credit card networks, such as Visa and MasterCard, have adopted rules and regulations that apply to all merchants which process and accept credit cards and include the Payment Card Industry Data Security Standards (“PCI DSS”). Under these rules, we are required to adopt and implement internal controls over the use, storage and security of card data. We are currently PCI DSS certified and in compliance with PCI DSS. We assess our compliance with PCI DSS rules on a periodic basis and make necessary improvements to our internal controls as needed. Failure to comply may prevent us from processing or accepting credit cards.

In addition, when onboarding suppliers to our platform, we may fail to identify falsified or stolen supplier credentials, which may result in fraudulent bookings or unauthorized access to personal or confidential information of users of our websites and mobile applications. A fraudulent supplier scheme could also result in negative publicity and damage to our reputation, and could cause users of our websites and mobile applications to lose confidence in the quality of our services. Any of these events would have a negative effect on the value of our brands, which could have an adverse impact on our financial performance.

Any system interruption, security breaches or lack of sufficient redundancy in our information systems may harm our businesses.

We rely on information technology systems, including the internet and third-party hosted services, to support a variety of business processes including booking transactions, and activities and to store sensitive data, including our proprietary business information and that of our suppliers, personally identifiable information and other information of our customers and employees and data with respect to invoicing and the collection of payments, accounting and procurement activities. In addition, we rely on our information technology systems to process financial information and results of operations for internal reporting purposes and to comply with financial reporting, legal, and tax requirements. The risk of a cybersecurity-related attack, intrusion, or disruption, including by criminal organizations, hacktivists, foreign governments, and terrorists, is persistent. We have experienced and may in the future experience system interruptions that make some or all of these systems unavailable or prevent us from efficiently fulfilling orders or providing services to third parties. Interruptions of this nature could include security intrusions and attacks on our systems for fraud or service interruption. Significant interruptions, outages or delays in our internal systems, or systems of third parties that we rely upon—including multiple co-location providers for data centers, cloud computing providers for application hosting, and network access providers—and network access, or deterioration in the performance of such systems, would impair our ability to process transactions, decrease our quality of service that we can offer to our customers, damage our reputation and brands, increase our costs and/or cause losses.

Potential security breaches to our systems or the systems of our service providers, whether resulting from internal or external sources, could significantly harm our business. We devote significant resources to network security, monitoring and testing, employee training, and other security measures, but we cannot assure you that these measures will prevent all possible security breaches or attacks. A party, whether internal or external, that is able to circumvent our security systems could misappropriate customer or employee information, proprietary information or other business and financial data or cause significant interruptions in our operations. We may need to expend significant resources to protect against security breaches or to address problems caused by breaches, and reductions in website availability could cause a loss of substantial business volume during the occurrence of any such incident. Because the techniques used to sabotage security change frequently, often are not recognized until launched against a target and may originate from less regulated and remote areas around the world, we may be unable to proactively address these techniques or to implement adequate preventive measures. We have obtained cyber insurance, however we cannot assure you that our insurance will be sufficient to protect against our losses or will cover all potential incidents. Moreover, security breaches could result in negative publicity and damage to our reputation, exposure to risk of loss or litigation and possible liability due to regulatory penalties and sanctions or pursuant to our contractual arrangements with payment card processors for associated expenses and penalties. Security breaches could also cause customers and potential users and our suppliers to lose confidence in our security, which would have a negative effect on the value of our brands. Failure to adequately protect against attacks or intrusions, whether for our own systems or those of our suppliers, could expose us to security breaches that could have an adverse impact on our financial performance. For example, in 2014, hackers breached our system security and accessed credit card information from customers who had made purchases through our platform, representing approximately 663,000 unique credit card numbers.

In addition, we cannot assure you that our backup systems or contingency plans will sustain critical aspects of our operations or business processes in all circumstances, many other systems are not fully redundant and our disaster recovery or business continuity planning may not be sufficient. Fire, flood, power loss, telecommunications failure, break-ins, earthquakes, acts of war or terrorism, acts of God, computer viruses, electronic intrusion attempts from both external and internal sources and similar events or disruptions may damage or impact or interrupt computer or communications systems or business processes at any time. Although we have put measures in place to protect certain portions of our facilities and assets, any of these events could cause system interruption, delays and loss of critical data, and could prevent us from providing services to our customers and/or third parties for a significant period of time. Remediation may be costly and we may not have adequate insurance to cover such costs. Moreover, the costs of enhancing infrastructure to attain improved stability and redundancy may be time consuming and expensive and may require resources and expertise that are difficult to obtain.

Our ability to attract, train and retain executives and other qualified employees, particularly highly-skilled IT professionals, is critical to our business and future growth.

Our business and future success is substantially dependent on the continued services and performance of our key executives, senior management and skilled personnel, particularly personnel with experience in our industry and our information technology and systems. Any of these individuals may choose to terminate their employment with us at any time and we cannot assure you that we will be able to retain these employees or find adequate replacements, if at all. The specialized skills we require can be difficult, time-consuming and expensive to acquire and/or develop and, as a result, these skills are often in short supply. A lengthy period of time may be required to hire and train replacement personnel when skilled personnel depart our company. Our ability to compete effectively depends on our ability to attract new employees and to retain and motivate our existing employees. We may be required to increase our levels of employee compensation more rapidly than in the past to remain competitive in attracting the quality of employees that our business requires. Competition for these personnel is intense, and we cannot assure you that we will be able to successfully attract, integrate, train, retain, motivate and manage sufficiently qualified personnel. If we do not succeed in attracting well-qualified employees or retaining or motivating existing employees, our business and prospects for growth could be adversely affected.

In addition, we compete for talented individuals not only with other companies in our industry but also with companies in other industries, such as software services, engineering services and financial services companies, among others, and there is a limited pool of individuals who have the skills and training needed to help us grow our company. High attrition rates of qualified personnel could have an adverse effect on our ability to expand our business, as well as cause us to incur greater personnel expenses and training costs.

Moreover, while we sometimes require our senior management to sign non-compete agreements, typically for a period of one year following termination, we cannot assure you that our former employees will not compete with us in the future. In addition, these non-compete agreements may be difficult to enforce in certain Latin-American jurisdictions.

We rely on third-party systems and service providers and any disruption or adverse change in their businesses could have a material adverse effect on our business.

We currently rely on a variety of third-party systems, service providers and software companies, including the GDS and other electronic central reservation systems used by airlines, various channel managing systems and reservation systems used by other suppliers, as well as other technologies used by payment gateway providers. In particular, we rely on third parties for:

- the hosting of our websites;
- certain software underlying our technology platform;
- transportation ticketing agencies to issue transportation tickets and travel assistance products, confirmations and deliveries;
- third-party local tour operators to deliver on-site services to our packaged-tour customers;
- assistance in conducting searches for airfares and process air ticket bookings;
- processing hotel reservations for hotels not connected to our management system;
- processing credit card, debit card and net banking payments;
- providing computer infrastructure critical to our business; and
- providing customer relationship management (CRM) services.

Any interruption or deterioration in performance of these third-party systems and services could have a material adverse effect on our business. Further, the information provided to us by certain of these third-party systems may not always be accurate due to either technical glitches or human error, and we may incur monetary and/or reputational loss as a result.

Our success is also dependent on our ability to maintain our relationships with these third-party systems and service providers. In the event our arrangements with any of these third parties are impaired or terminated, we may not be able to find an adequate alternative source of systems support on a timely basis or on commercially reasonable terms, which could result in significant additional costs or disruptions to our business. Any security breach at one of these companies could also affect our customers and harm our business.

We rely on banks or payment processors to collect payments from customers and facilitate payments to suppliers, and changes to credit card association fees, rules or practices may adversely affect our business.

We rely on banks or payment processors to process collections and payments, and we pay a fee for this service. In the countries where we operate, the number of processors is limited so there is little or no competition among processors. From time to time, credit card associations may increase the interchange fees that they charge for each transaction using one of their cards.

For certain payment methods, including credit cards, we pay transaction and other fees, which may increase over time and raise our operating costs, lowering profitability. We rely on third parties to provide payment processing services and it could disrupt our business if these companies become unwilling or unable to provide these services to us. If we fail to comply with these third-party servicers' rules or requirements, or if our data security systems are breached or compromised (similar to the increase in fraud attempts we experienced in the fourth quarter of 2015 in Brazil), we may be liable for chargebacks, credit card issuing banks' costs, fines and higher transaction fees and we may lose our ability to accept credit card payments from our customers, process electronic funds transfers, or facilitate other types of online payments. If any of these situations were to occur, our business and results of operations could be adversely affected.

Our business depends on the availability of credit cards and financing options for consumers.

Our business is highly dependent on the availability of credit cards and financing options for consumers. In 2018, 2017 and 2016, substantially all our net sales were derived from payments effected through credit cards. Moreover, approximately 57% of transactions in the year ended December 31, 2018 were paid by installment, using credit cards. As a result, the continued growth of our business is also partially dependent on the expansion of credit card penetration in Latin America, which may never reach a percentage similar to more developed countries for reasons that are beyond our control, such as low credit availability for a significant portion of the population in such countries. The provision of credit cards and other consumer financing depends on the product offerings at local and regional banks operating in the countries we serve. In the past, banking systems in Latin America have suffered disruptions and significantly limited availability and increased cost of consumer credit. Banks may also change their product offerings that they provide to consumers, or may change the availability or costs of such products, due to credit, regulations or other reasons beyond our control. For example, Argentina recently enacted regulations requiring vendors to disclose to customers the full price of items purchased by installment plan, including implicit financing costs. Furthermore, in Argentina, the rules that govern the credit card business provide for variable caps on the interest rates that financial entities may charge clients and the fees that they may charge merchants. Moreover, general legal provisions exist pursuant to which courts could decrease the interest rates and fees agreed upon by the parties on the grounds that they are excessively high.

We rely on various banks to provide financing to our customers who elect to use an installment plan payment option. Some of our competitors also offer installment plans and may offer installment plans with more attractive terms. If we are not able to offer a competitive selection of installment plan financing at competitive rates, our business and results of operations could be adversely affected. Moreover, our agreements with local banks allow us to offer installment payment plans without assuming collection risk from the customer and receive payment in full (provided we choose not to factor such installment payments). We cannot assure you that local banks will not change their credit practices in the future. If our arrangements with local banks are impaired or terminated, our business and results of operations could be adversely affected.

Furthermore, as secure methods of payment for e-commerce transactions have not been widely adopted in certain emerging markets, consumers and other merchants may have relatively low confidence in the integrity of e-commerce transactions and remote payment mechanisms, which may have a material and adverse effect on our business prospects or limit our growth.

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

We utilize internet search engines such as Google, principally through the purchase of travel-related keywords, to generate a significant portion of the traffic to our websites. Search engines frequently update and change the algorithms that determine the placement and display of results of a user's search. It is possible that any such update could negatively affect us or may negatively affect us relative to our competitors. We have developed search engine management tools that are designed to bid more efficiently on portfolios of travel-related keywords and we have a search engine management team dedicated to reviewing the return of investment of all biddings. We cannot assure you that these tools will be effective over the long term, as the search engine market is a dynamic and rapidly changing.

In addition, a significant amount of traffic is directed to our websites through participation in pay-per-click and display advertising campaigns on search engines, including Google, and travel metasearch engines, including TripAdvisor and Trivago. A search or metasearch engine could, for competitive or other purposes, adopt emerging technologies, such as voice, or alter its search algorithms or results, any of which could cause us to place lower in search query results, or exclude our website from the search query results. If a major search engine changes its algorithms or results in a manner that negatively affects the search engine ranking, paid or unpaid, of our websites, or if competitive dynamics impact the costs or effectiveness of search engine optimization, search engine marketing or other traffic-generating arrangements in a negative manner, this may have a material and adverse effect on our business and financial performance. In addition, certain metasearch engines have added or may add various forms of direct or assisted booking functionality to their sites. To the extent such functionality is promoted at the expense of traditional paid listings, this may reduce the amount of traffic to our websites or those of our affiliates.

Changes in internet browser functionality could result in a decrease in our overall revenue.

Some of our services and marketing activities rely on cookies, which are placed on individual browsers when users visit websites. We use these cookies to optimize our marketing campaigns, to better understand our users' preferences and to detect and prevent fraudulent activity. Users can block or delete cookies through their browsers or "adblocking" software or apps. The most common internet browsers allow users to modify their browser settings to prevent cookies from being accepted by their browsers, or are set to block third-party cookies by default. Increased use of methods, software or apps that block cookies, or diminished interest of users resulting from our use of such marketing activities, may adversely affect our business, financial condition and results of operations.

Our business depends on the continued growth of e-commerce and the availability and reliability of the internet in Latin America.

The market for e-commerce is developing in Latin America. Our future revenue depends substantially on Latin American consumers' widespread acceptance and use of the internet as a way to conduct commerce. The use of and interest in the internet (particularly as a way to conduct commerce) has grown rapidly since our inception and we cannot assure you that this acceptance, interest and use will continue in the regions we target. For us to grow our user base successfully, more consumers in our markets must accept and use new ways of conducting business and exchanging information.

The price of personal computers and/or mobile devices and internet access may limit our potential growth in countries with low levels of internet penetration and/or high levels of poverty. In addition, the infrastructure for the internet may not be able to support continued growth in the number of internet users, their frequency of use or their bandwidth requirements.

The internet could lose its viability in our target markets due to delays in telecommunications technological developments, or due to increased government regulation. If telecommunications services change or are not sufficiently available to support the internet, response times would be slower, which would adversely affect use of the internet and our service in particular. Moreover, lack of investment in mobile infrastructure in Latin America may limit the expansion of our mobile offerings, which is one of our key growth strategies.

Growth of e-commerce transactions in Latin America may be impeded by the lack of secure payment methods.

As secure methods of payment for e-commerce transactions have not been widely adopted in Latin America, both consumers and merchants may have a relatively low confidence level in the integrity of e-commerce transactions. Consumer confidence can be adversely affected by incidents of fraud and security breaches, including generally in the marketplace, which is beyond our control. Moreover, although we are PCI DSS certified, most of our suppliers with which we share information are not. The continued growth of e-commerce in the region will depend on consumers' confidence in the safety of online payment methods.

Our future success depends on our ability to expand and adapt our operations in a cost-effective and timely manner.

We plan to continue to expand our operations by developing and promoting new and complementary services and increasing our penetration in our markets. Moreover, we seek to expand our customer base as income levels and access to internet and banking services, such as credit card issuances, increase in Latin America. We may not succeed at expanding our operations in a cost-effective or timely manner, and our expansion efforts may not have the same or greater overall market acceptance as our current services. Furthermore, any new service that we launch that is not favorably received by consumers could damage our reputation and diminish the value of our brands. To expand our operations we will also need to spend significant amounts on development, operations and other resources, and this may place a strain on our management, financial and operational resources. Similarly, a lack of market acceptance of these services or our inability to generate satisfactory revenue from any expanded services to offset their cost could have a material adverse effect on our business, financial condition and results of operations.

We may not be successful in implementing our growth strategies.

Our growth strategies involve expanding our service and product offerings, enhancing our service platforms and potentially pursuing acquisitions or other strategic opportunities.

Our success in implementing our growth strategies could be affected by:

- our ability to attract customers in a cost-effective manner, including in markets where we have lower brand awareness or operational history;
- our ability to improve the competitiveness of our product offerings including by expanding the number of suppliers and negotiating fares and rates with existing and potential suppliers;
- our ability to market and cross-sell our travel services and products to facilitate the expansion of our business;
- our ability to compete effectively with existing and new entrants to the Latin American travel industry;
- our ability to expand and promote our mobile platform and make it user-friendly;
- our ability to build required technology;
- our ability to expand our businesses through strategic acquisitions and successfully integrate such acquisitions;
- the general condition of the global economy (particularly in Latin America) and continued growth in demand for travel services, particularly online;
- the growth of the internet and mobile technology as a medium for commerce in Latin America; and
- changes in the regulatory environments where we operate.

Many of these factors are beyond our control and we cannot assure you that we will succeed in implementing our strategies. Even if we are successful in executing our growth strategies, our different businesses may not grow at the same rate or with a uniform effect on our revenue and profitability.

Acquisitions could present risks and disrupt our ongoing business.

We undertake strategic acquisitions from time to time and may do so in the future. For example, in April 2019 we announced our acquisition of Viajes Falabella in Chile, Colombia, Peru and Argentina, together with the license to use the Viajes Falabella brand

name total consideration of \$27 million. We cannot assure you that we will be successful in identifying opportunities and consummating acquisitions on favorable terms or at all. Depending on the size and timing of an acquisition, we may be required to raise future financing to consummate the acquisition. Moreover, even if we are able to consummate a transaction, acquisitions may involve significant risks and uncertainties, including distraction of management from current operations, difficulties in integration with our existing business and technology, greater than expected liabilities and expenses, inadequate return on capital, and unidentified issues not discovered in our pre-acquisition investigations and evaluations of those strategies and acquisitions.

If we continue to grow, we may not be able to appropriately manage the increased size of our business.

We have experienced significant expansion in recent years and anticipate that further expansion will be required to address potential growth in our customer base and market opportunities. This expansion has placed, and is expected to continue to place, significant demands on management and our operational and financial resources.

We must constantly improve our software, technology infrastructure, product offering and human resources to accommodate the increased use of our website. This upgrade process is expensive, and the increasing complexity and enhancement of our website result in higher costs. Failure to upgrade our technology, features, transaction processing systems, security infrastructure, or network infrastructure to accommodate increased traffic or transaction volume or the increased complexity of our website could materially harm our business. Adverse consequences could include unanticipated system disruptions, slower response times, degradation in levels of customer support, impaired quality of users' experiences with our services and delays in reporting accurate financial information. Furthermore, we may need to enter into relationships with various strategic partners and other third-party service providers necessary to our business. The increased complexity of managing multiple commercial relationships could lead to execution problems that can affect current and future revenue and operating margins.

Our failure to manage growth effectively could have a material adverse effect on our business, results of operations and financial condition.

Internet regulation in the countries where we operate is scarce, and several legal issues related to the internet are uncertain.

Most of the countries where we operate do not have specific laws governing the liability of e-commerce business intermediaries, such as ourselves, for fraud, intellectual property infringement or other illegal activities committed by individual users or third-party infringing content hosted on a provider's servers. This legal uncertainty allows for different judges or courts to decide very similar claims in different ways and establish contradictory case law.

In addition, we are subject to a variety of laws, decrees and regulations across the countries where we operate that affect e-commerce, electronic or mobile payments, information requirements for internet providers, data collection, data protection, privacy, anti-money laundering, taxation (including VAT or sales tax collection obligations), obligations to provide certain information to certain authorities about transactions which are processed through our platforms or about our users and those regulations applicable to consumer protection and businesses in general. However, it is not clear how existing laws governing issues such as general commercial activities, property ownership, copyrights and other intellectual property issues, taxation (including tax laws that require us to provide certain information about transactions consummated through our platforms or about our users) and personal privacy apply to online businesses. Many of these laws were adopted before the internet was available and, as a result, do not contemplate or address the unique issues of the internet.

Moreover, due to these areas of legal uncertainty, and the increasing popularity and use of the internet and other online services, it is possible that new laws and regulations will be adopted with respect to the internet or other online services. If laws relating to these issues are enacted, they may have a material adverse effect on our business, results of operation and financial condition.

We are subject to laws relating to the collection, use, storage and transfer of personally identifiable information about our users, especially financial information. Several jurisdictions have regulations in this area, and other jurisdictions are considering imposing additional restrictions or regulations. If we violate these laws, which in many cases apply not only to third-party transactions but also to international transfers of information or transfers of information to third parties with which we have commercial relations, we could be subject to significant penalties and negative publicity, which would adversely affect us.

Because our services are accessible worldwide, other foreign jurisdictions may claim that we are required to comply with their laws. Laws regulating internet companies outside of the Latin American jurisdictions where we operate may be more restrictive to us than those in Latin America. In order to comply with these laws, we may have to change our business practices or restrict our services. We could be subject to penalties ranging from criminal prosecution, significant fines or outright bans on our services for failure to comply with foreign laws.

We process, store and use personal information, card payment information and other consumer data, which subjects us to risks stemming from possible failure to comply with governmental regulation and other legal obligations.

In our business, we use personal information, card payment information and other consumer data from users of our website and mobile applications. There are numerous laws regarding privacy and the storing, sharing, use, processing, transfer, disclosure and protection of personal information, card payment information and other consumer data, the scope of which are changing, subject to differing interpretations, and may be inconsistent between countries or conflict with other rules. We strive to comply with all applicable laws, policies, legal obligations and industry codes of conduct relating to privacy and data protection. It is possible, however, that these obligations may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or the practices of the company. Any failure or perceived failure by us, or our service providers, to comply with the privacy policies, privacy-related obligations to users or other third parties, or privacy related legal obligations, or any compromise of security that results in the unauthorized release or transfer of personally identifiable information, payment card information or other consumer data, may result in governmental enforcement actions, litigation or public statements against the company by consumer advocacy groups or others and could cause our customers and members to lose trust in the company, as well as subject us to bank fines, penalties or increased transaction costs, all of which could have an adverse effect on our business.

The regulatory framework for privacy issues is currently in flux and is likely to remain so for the foreseeable future. Practices regarding the collection, use, storage, transmission and security of personal information by companies operating over the internet have recently come under increased public scrutiny. Countries in Latin America are increasingly implementing new privacy regulations, resulting in additional compliance burdens and uncertainty as to how some of these laws will be interpreted.

Application of existing tax laws or regulations are subject to interpretation by taxing authorities.

The application of income and non-income tax laws and regulations to our products and services is subject to interpretation by the applicable taxing authorities across the multiple jurisdictions in which we operate our business. For example, in Brazil we are subject to corporate income tax (IRPJ), social contribution on net profits (CSLL), social contribution on total revenue (PIS and COFINS), withholding taxes, and a municipal tax on services (ISS). In Argentina, we are subject to income tax, value added tax, and turnover tax. In both countries, we are subject to transfer pricing rules applicable to cross-border operations with related parties or parties in tax havens or subject to privileged fiscal regimes. These taxing authorities may become more aggressive in their interpretation and/or enforcement of such laws and regulations over time, as governments are increasingly focused on ways to increase revenue. This may contribute to an increase in audit activity and harsher stances by tax authorities. As such, additional taxes or other assessments may be in excess of our current tax reserves or may require us to modify our business practices to reduce our exposure to additional taxes going forward, any of which could have a material adverse effect on our business, financial condition and results of operations.

While we believe we currently comply in all material respects with applicable tax laws and regulations in the jurisdictions we operate, tax authorities may determine that we owe additional taxes. Moreover, we may have historical tax contingencies across multiple jurisdictions, and while we have made provisions for those contingencies which we considered probable, the amount of total contingencies may exceed our provisions. We estimate that as of December 31, 2018 we have approximately \$13.7 million of unasserted possible losses, including related to taxes, for which we have not recorded provisions. In accordance with U.S. GAAP, we record provisions for contingencies based on probable loss or when otherwise required under accounting rules, but we do not record provisions for possible and remote losses.

Significant judgment and estimation is required in determining our tax liabilities. In the ordinary course of our business, there are transactions and calculations, including intercompany transactions and cross-jurisdictional transfer pricing, for which the ultimate tax determination may be uncertain or otherwise subject to interpretation. Tax authorities may disagree with our intercompany charges, including the amount of or basis for such charges, cross-jurisdictional transfer pricing or other matters, and assess additional taxes. Although we believe our tax estimates are reasonable, the final determination of tax audits could be materially different from our historical income tax provisions and accruals, in which case we may be subject to additional tax liabilities, possibly including interest and penalties, which could have a material adverse effect on our cash flows and results of operations. Moreover, we have in the past and may in the future be required in certain jurisdictions to pay any such tax assessments prior to contesting their validity, which payments may be substantial.

Amendment to existing tax laws or regulations or enactment of new unfavorable tax laws or regulations could adversely affect our business and results of operations.

Many of the underlying laws or regulations imposing taxes and other obligations were established before the growth of the internet and e-commerce. If the tax or other laws or regulations were amended, or if new unfavorable laws or regulations were enacted, our tax payments or other obligations could increase, prospectively or retrospectively, subject us to interest and penalties, decrease the demand for our products and services if we pass on such costs to our customers, result in increased costs to update or expand our technical or administrative infrastructure or effectively limit the scope of our business activities if we decided not to conduct business in particular jurisdictions. As a result, these changes could have an adverse effect on our business, financial condition or results of operations.

Governments could adopt tax laws that increase our tax rate or tax liabilities or affect the carrying value of deferred tax assets or liabilities, including the termination of tax-free incentives or termination of treaties for the avoidance of double taxation. Any changes to tax laws could impact the tax treatment of our earnings and adversely affect our profitability. Our effective tax rate in the future could also be adversely affected by changes to our operating structure, changes in the mix of earnings in countries with differing statutory tax rates, or changes in the valuation of deferred tax assets and liabilities. Moreover, our results of operations and financial condition may be affected if certain beneficial tax incentives are not retained or renewed.

New laws and regulations requiring economic substance in the BVI

On 1 January 2019 the Economic Substance (Companies and Limited Partnerships) Act, 2018 (the “**ES Act**”) came into force in the British Virgin Islands. The ES Act was enacted in direct response to a scoping paper issued by the European Union’s Code of Conduct Group (Business Taxation) in June 2018. The scoping paper (a) expressed concerns regarding so-called harmful tax competition and the potential “misuse” of offshore entities for profit-shifting; and (b) set out requirements that certain jurisdictions outside the European Union must adopt in order for the jurisdiction to avoid being “blacklisted” by the European Union.

Under the ES Act, companies incorporated in the BVI that are not tax resident in another jurisdiction and which carry on certain specified activities must establish and maintain ‘economic substance’ in the BVI. Considering the company is Tax-Resident in the US substance requirements should not apply.

We are subject to anti-corruption and economic sanctions laws and regulations in the jurisdictions in which we operate, including the U.S. Foreign Corrupt Practices Act and regulations administered and enforced by the U.S. Treasury Department’s Office of Foreign Assets Control. Failure to comply with these laws and regulations could negatively impact our business, our results of operations, and our financial condition.

We are subject to a number of anti-corruption and economic sanctions laws and regulations, including the U.S. Foreign Corrupt Practices Act (“FCPA”) and regulations administered and enforced by the U.S. Treasury Department’s Office of Foreign Assets Control (“OFAC”). Failure to comply with these laws and regulations could negatively impact our business, our results of operations, and our financial condition.

The FCPA and similar anti-bribery laws generally prohibit companies and their intermediaries from making improper payments or improperly providing anything of value to foreign officials, directly or indirectly, for the purpose of obtaining or keeping business and/or other benefits. The FCPA also requires maintenance of adequate record-keeping and internal accounting practices to accurately reflect transactions. Under the FCPA, companies operating in the United States may be held liable for actions taken by their strategic or local partners or representatives. Other jurisdictions in which we operate have adopted similar anti-corruption, anti-bribery and anti-kickback laws to which we are subject.

Economic sanctions and embargo laws and regulations, such as those administered and enforced by OFAC, vary in their application, as they do not all apply to the same covered persons or proscribe the same activities, and such sanctions and embargo laws and regulations may be amended or strengthened over time. Although we believe that we are in compliance with all applicable sanctions and embargo laws and regulations, and intend to maintain such compliance, there can be no assurance that we will be in compliance in the future, particularly as the scope of certain laws may be unclear and may be subject to changing interpretations.

Civil and criminal penalties may be imposed for violations of these laws. We operate in some countries which are viewed as high risk for corruption and/or economic sanctions issues. Despite our ongoing efforts to ensure compliance with the FCPA and similar laws, and economic sanctions laws and regulations, there can be no assurance that our directors, officers, employees, agents, and third-party intermediaries will comply with those laws and our policies, and we may be ultimately held responsible for any such non-compliance. If we or our directors or officers violate such laws or other similar laws governing the conduct of our business (including local laws), we or our directors or officers may be subject to criminal and civil penalties or other remedial measures, which could harm our reputation and have a material adverse impact on our business, financial condition, and results of operations. Any investigation of any actual or alleged violations of such laws could also harm our reputation or have an adverse impact on our business, financial condition, and results of operations.

We are, and may be in the future, involved in various legal proceedings, the outcomes of which could adversely affect our business and results of operations.

We are, and may be in the future, involved in various legal proceedings relating to allegations of our failure to comply with consumer protection, labor, tax or antitrust regulations, that could involve claims or sanctions for substantial amounts of money or for other relief or that might necessitate changes to our business or operations.

Our websites contain information about hotels, flights, popular vacation destinations and other travel-related topics. It is possible that if any information, accessible on our websites, contains errors or false or misleading information, third parties could take action against us for losses incurred in connection with the use of such information. In addition, because consumer protection laws in many of our markets provide for joint liability, customers may bring claims against us for a failure or deficiencies in the provision of a travel product or service by one of our suppliers that is outside of our control.

The defense of any of these actions is, and may continue to be, both time-consuming and expensive. We cannot assure you that we will prevail in these legal proceedings or in any future legal proceedings and if such disputes were to result in an unfavorable outcome, it could result in reputational damage and have a material adverse effect on our business, financial condition and results of operations. For a discussion of certain key legal proceedings relating to us, see “Item 4. Information on the Company — Business Overview — Legal Proceedings.”

We may not be able to adequately protect and enforce our intellectual property rights; and we could potentially face claims alleging that our technologies infringe the property rights of others.

Our websites and mobile applications rely on brands, domain names, technology and content. We protect our brands and domain names by relying on trademark and domain name registration in accordance with laws in Latin America. We have also entered into confidentiality and invention assignment agreements with our employees and certain contractors, as well as confidentiality agreements with certain suppliers and strategic partners, in order to protect our technology and content. We own our technology platform, which is comprised of applications that we develop in-house using primarily open source software. We have not registered our technology, however, because we believe it would be difficult to replicate and that it is adequately protected by the agreements we have in place. Additionally, our technology is constantly evolving and any registration may run the risk of protecting outdated technology. Even with these precautions, it may be possible for another party to copy or otherwise obtain and use our intellectual property without our authorization or to develop similar intellectual property independently. Effective trademark protection may not be available in every jurisdiction in which our services are made available, and policing unauthorized use of our intellectual property is difficult and expensive. Any misappropriation or violation of our rights could have a material adverse effect on our business. Furthermore, we may need to go to court or other tribunals to enforce our intellectual property rights or to determine the validity and scope of the proprietary rights of others. These proceedings might result in substantial costs and diversion of resources and management attention.

We currently license from third parties some of the technologies, trademarks and content incorporated into our websites. As we continue to introduce new services that incorporate new technologies, third parties’ trademarks and content, we may be required to license additional technologies, third parties’ trademarks and content. We cannot be sure that such technologies and content licenses will be available on commercially reasonable terms, if at all.

Third parties may assert that our services, products and technology, including software and processes, violate their intellectual property rights. As competition in our industry increases and the functionality of technology offerings further overlaps, such claims and counterclaims could increase. We cannot assure you that we do not or will not inadvertently infringe on the intellectual property rights of third parties. Any intellectual property claim against us, regardless of its merit, could have an adverse effect on our business, financial condition and results of operations and could be expensive and time consuming to defend. Our failure to prevail in such matters could result in loss of intellectual property rights, judgments awarding substantial damages and injunctive or other equitable relief against us, or require us to delay or cease offering services or reduce features in our services.

Increased labor costs, compliance with labor laws and regulations and failure to maintain good relations with labor unions may adversely affect our results of operations.

We are required to comply with extensive labor regulations in each of the countries in which we have employees, including with respect to wages, social security benefits and termination payments. If we fail to comply with these regulations we may face labor claims and government fines.

In the past, governments from certain countries in which we operate, including Argentina, have adopted laws, regulations and other measures requiring companies in the private sector to increase wages and provide specified benefits to employees. We cannot assure you that these governments will not do so again in the future.

In addition, some of our employees in Argentina, Brazil and certain other countries are currently represented by labor unions. We may face pressure from our labor unions or otherwise to increase salaries. In Argentina, for example, employers in both the public and private sectors have historically experienced, and are currently experiencing, significant pressure from unions and their employees to further increase salaries due to the devaluation of the peso and high inflation. The INDEC published data regarding the evolution of salaries in the private and public sectors in Argentina, which reflects approximately 30.4% and 30.3% for 2017 and 30.4% and 30.3% for 2018 salary increases in the private and public sectors, respectively.

Due to high levels of inflation and full employment in the tech industry, we expect to continue to raise salaries. If future salary increases in the Argentine peso or the currencies of other countries in which we have employees exceed the pace of the devaluation of those currencies, such salary increases could adversely affect our business, results of operations and financial condition.

Moreover, while we have enjoyed satisfactory relationships with labor unions that represent our employees, labor-related disputes may still arise. Labor disputes that result in strikes or other disruptions could adversely affect our business, financial condition and result of operations.

A failure to comply with current laws, rules and regulations or changes to such laws, rules and regulations and other legal uncertainties may adversely affect our business, results of operations or business growth.

We have been subject, and we will likely be subject in the future, to inquiries from time to time from regulatory bodies concerning compliance with consumer protection, tax, labor, antitrust and travel industry-specific laws and regulations.

Such inquiries have included investigations and legal proceedings relating to the travel industry and, in particular, parity provisions in contracts between hotels and travel companies, including us, as well as allegations of “geopricing” or “geoblocking practices.” See Item 4. “Business—Legal and Regulatory—Legal Proceedings” for more information. Parity provisions are significant to our business model, and their removal or modification may adversely affect our business, financial condition and results of operations. We are unable at this time to predict the timing or outcome of these various investigations and lawsuits, or similar future investigations or lawsuits, and their impact, if any, on our business and results of operations.

The failure of our businesses to comply with these laws and regulations could result in fines and/or proceedings against us by governmental agencies and/or consumers, which if material, could adversely affect our business, financial condition and results of operations. Further, if such laws and regulations are not enforced equally against other competitors in a particular market, our compliance with such laws may put us at a competitive disadvantage vis-à-vis competitors which do not comply with such requirements.

Complaints from customers or negative publicity about our services can diminish consumer confidence and adversely affect our business.

Because volume and growth in the number of new customers are key drivers of our revenue and profitability, customer complaints or negative publicity about our customer service could severely diminish consumer confidence in and use of our services. Measures we sometimes take to combat risks of fraud and breaches of privacy and security can damage relations with our customers. To maintain good customer relations, we need prompt and accurate customer service to resolve irregularities and disputes. Effective customer service requires significant personnel expense and investment in developing programs and technology infrastructure to help customer service representatives carry out their functions. These expenses, if not managed properly, could significantly impact our profitability. Failure to manage or train our customer service representatives properly could compromise our ability to handle customer complaints effectively. If we do not handle customer complaints effectively, our reputation and brand may suffer and we may lose our customers’ confidence.

Consumer adoption and use of mobile devices creates new challenges.

Widespread adoption of mobile devices, coupled with the web browsing functionality and development of apps available on these devices, is driving substantial online traffic and commerce to mobile platforms. We have experienced a significant shift of business to mobile platforms and our suppliers are also seeing a rapid shift of traffic to mobile platforms. Many of our competitors and new market entrants are offering mobile apps for travel products and other functionality, including proprietary last-minute discounts for accommodation reservations. Advertising and distribution opportunities may be more limited on mobile devices given their smaller screen sizes. The average price of travel products purchased in mobile transactions may be less than a typical desktop transaction due to different consumer purchasing patterns. 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 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 drive 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 desktop computer. As a result, it is increasingly important for

us to develop and maintain effective mobile apps and websites optimized for mobile devices to provide consumers with an appealing, easy-to-use mobile experience. If we are unable to continue to innovate rapidly and create new, user-friendly and differentiated mobile offerings and advertise and distribute on these platforms efficiently and effectively, or if our mobile offerings are not used by consumers, we could lose considerable market share to existing competitors or new entrants and our business, financial condition and results of operations could be adversely affected.

Moreover, we are dependent on the compatibility of our app with popular mobile operating systems that we do not control, such as Android and iOS, and any changes in such systems that degrade our products' functionality or give preferential treatment to competitive products could adversely affect the usage of our app on mobile devices. Additionally, in order to deliver high quality mobile products, it is important that our products work well with a range of mobile technologies, systems, networks, and standards that we do not control. We may not be successful in developing relationships with key participants in the mobile industry or in developing products that operate effectively with these technologies, systems, networks, or standards. In the event that it is more difficult for our users to access and use our app on their mobile devices, or if our users choose not to access or use our app on their mobile devices or use mobile products that do not offer access to our app, our user growth and user engagement could be harmed.

We rely exclusively on Expedia for the hotel and other lodging products that we offer for all countries outside Latin America.

The hotel and other lodging products that we offer through our platform for all the countries outside Latin America are provided to us exclusively by affiliates of Expedia pursuant to the Expedia Outsourcing Agreement. In addition, Expedia is the preferred provider to us of hotel and other lodging products in Latin America. For more information on our relationships with Expedia, see "Item 7. Major Shareholders and Related Party Transactions — B. Related Party — Relationship with Expedia."

If Expedia's affiliates cease to provide us with their hotel and other lodging products, we may be unable to offer these products to our users for some time and it might be difficult for us to replace this supply in the short term, which would negatively affect our business, financial condition and results of operations. The Expedia Outsourcing Agreement may be terminated by Expedia, and we may be required to pay a \$125.0 million termination payment, if we do not meet certain minimum performance requirements or if the termination by Expedia is for our material breach of certain terms under the Expedia Outsourcing Agreement or our Shareholder Agreements. In addition, Expedia may unilaterally terminate the Expedia Outsourcing Agreement in the event of a change of control of our Company.

Moreover, if the hotel and other lodging products provided by Expedia were to suffer a deterioration in scale or quality, or if their pricing were not attractive, the products and services that we offer to our users would be adversely affected. The Expedia Outsourcing Agreement may be terminated by us unilaterally beginning from March 6, 2022 upon payment of a \$125.0 million termination payment to Expedia. Consequently, if a deterioration in the scale or quality of the products and services provided exclusively to us by affiliates of Expedia were to occur, or if their pricing were not attractive, it could be difficult for us to terminate the Expedia Outsourcing Agreement.

We may experience constraints in our liquidity and may be unable to access capital when necessary or desirable, either of which could adversely affect our financial condition.

Although we believe we have a sufficient level of cash and cash equivalents to cover our working capital needs in the ordinary course of business, we may, from time to time, explore additional financing sources and means to improve our liquidity and lower our cost of capital, which could include equity, equity-linked and debt financing and factoring activities. In addition, from time to time, we review acquisition and investment opportunities to further implement our business strategy and may fund these investments with bank financing, the issuance of debt or equity or a combination thereof.

The availability of financing depends in significant measure on capital markets and liquidity factors over which we exert no control. In light of periodic uncertainty in the capital and credit markets, we can provide no assurance that sufficient financing will be available on desirable or even any terms to improve our liquidity, fund investments, acquisitions or extraordinary actions or that our counterparties in any such financings would honor their contractual commitments, which in turn could negatively affect our business, results of operations and financial condition. In addition, if we raise funding through the issuance of new equity or equity-linked securities, it would dilute the percentage ownership of our then existing shareholders.

Our business experiences seasonal fluctuations and quarter-to-quarter comparisons of our results may not be meaningful.

Our business experiences fluctuations, reflecting seasonal variations in demand for travel services. For example, bookings for vacation and leisure travel are generally higher during the fourth quarter, although we have historically recognized more revenue associated with those bookings in the first quarter of each year. As a result, quarter-to-quarter comparisons of our results may not be meaningful. Moreover, seasonal fluctuations in our results of operations could result in declines in our share price that are not related to the overall performance and prospects of our business.

The use of derivative financial instruments may adversely affect our results of operations, particularly in a volatile and uncertain market.

From time to time, we enter into derivative transactions to manage our risks associated with currency exchange rates and interest rates. Significant changes may occur in our portfolio of derivative instruments due to increasing volatility and the fluctuation of the currencies of certain countries where we operate, including Brazil and Argentina, against the dollar and volatility in the relevant interest rates, and we may incur net losses from our derivative financial instruments. The fair value of the derivative instruments fluctuates over time as a result of the effects of future interest rates and exchange rates. These values must be analyzed in connection with the underlying transactions and as a part of our total average exposure to interest rate and exchange rate fluctuations. It is difficult to predict the magnitude of the risk resulting from derivative instruments because the appreciation is imprecise and variable. We may be adversely affected by our derivative financial positions.

Risks Related to Latin America

Latin American countries are subject to political and social instability.

Political and social developments in Latin America, including government deadlock, instability, civil strife, terrorism, high levels of crime, expropriations and other risks of doing business in Latin America could impact our business, financial condition and results of operations.

For example, in Brazil, in the last couple of years, as a result of the ongoing Operation Car Wash (*Lava Jato* investigation), a number of senior politicians have resigned or been arrested and other senior elected officials and public officials are being investigated for allegations of corruption. One of the most significant events that elapsed from this operation was the impeachment of the former President Rousseff by the Brazilian Senate on August, 2016, for violations of fiscal responsibility laws and the governing of its Vice-President, Michel Temer, during the last two years of the presidential mandate, which due to the development of the investigations conducted by the Federal Police Department and the General Federal Prosecutor's Office indicted President Temer on corruption charges. Since Temer's mandate as President has ceased in the beginning of 2019, the proceeding against him that was suspended is going to be analyzed and judged soon.

Along with the political and economic uncertainty period the country was facing, in July 2017, former President Luiz Inácio Lula da Silva was convicted of corruption and money laundering by a lower federal court in the State of Paraná in connection with the Operation Car Wash (*Lava Jato*). With the arrest of former President Lula da Silva on April 7, 2018, who was a frontrunner in the elections to be held in 2018, Fernando Haddad assumed as a frontrunner disputing the elections against several candidates, among which was Jair Bolsonaro, the elected President of Brazil.

Even though there are a lot of variables to be considered, especially the global scenario, the election of Jair Bolsonaro brought expectation to the economy and politics, once the market predicted a more stable scene that would favor the foreign investors and the local industry. Up to this moment, the economy has shown a moderate growth compared to the recession faced by Brazil in 2015 and 2016 and the weak recovery from the last couple of years.

However, the new government will face a challenge of regaining the trust of its people and the market, and even more challenging than making the economy grow fast is to maintain its stability for the next 4 years.

In Argentina, during 2001 and 2002, the country experienced social and political turmoil, including the resignation of President De la Rúa, riots, looting, protests, strikes and street demonstrations. Also, in the past decade, the prior Argentine administration nationalized or announced plans to nationalize certain industries and expropriate private sector companies and property. In December 2008, the Argentine government transferred approximately AR\$94.4 billion (\$29.3 billion) in assets held by the country's private Administradoras de Fondos de Jubilaciones y Pensiones (pension fund management companies, or "AFJPs") to the government-run social security agency ("ANSES"). AFJPs were the largest participants in the country's local capital market. With the nationalization of their assets, the local capital market decreased in size and became substantially concentrated. In addition, the Argentine government became a significant shareholder in many of the country's public companies, including YPF S.A., the main Argentine oil and gas company, in which the majority of the capital stock was expropriated from the Spanish company Repsol, S.A. in 2012.

Argentine presidential, congressional, municipal, state government and other relevant local and federal elections will be held in October, 2019, and their impact on the future economic and political environment is uncertain, but likely to be material. We can offer no assurances as to the policies that may be implemented by the next Argentine administration, or that political developments in Argentina will not adversely affect the Argentine economy and our financial condition and results of operations. In addition, we cannot assure you that future economic, regulatory, social and political developments in Argentina will not impair our business.

Although political and social conditions in one country may differ significantly from another country, events in any of our key markets could adversely affect our business, financial conditions or results of operations.

Latin American countries have experienced periods of adverse macroeconomic conditions.

Our business is dependent upon economic conditions prevalent in Latin America. Latin American countries have historically experienced economic instability, including uneven periods of economic growth as well as significant downturns. As a consequence of economic conditions in global markets and lower commodity prices and demand for commodities, many of the economies of Latin American countries have recently slowed their rates of growth, and some have entered recessions.

For example, Brazil Real GDP decreased 3.8% in 2015, decreased 3.6% in 2016, increased 1% in 2017 and increased 1,1% in 2018, according to the Brazilian Institute for Geography and Statistics (Instituto Brasileiro de Geografia e Estatística, or “IBGE”). In addition, the credit rating of the Brazilian federal government was downgraded in 2015 and 2016 by all major credit rating agencies and is no longer investment grade. Additionally, political tensions in Venezuela have risen in January 2019 as a number of countries have not recognized the legitimacy of Nicolás Maduro as the Venezuelan head of state. In addition, on January 25, 2019, President Trump signed an Executive Order amending prior economic sanctions targeting the Maduro government.

Argentina during 2001 and 2002 underwent a period of severe political, economic and social crisis with real GDP contracting 10.9% in 2002. Among other consequences, the crisis resulted in the Argentine government defaulting on its foreign debt obligations, a significant devaluation of the Argentine peso, the introduction of emergency measures and numerous changes in regulations and economic policies, which in turn caused numerous Argentine private sector companies to default on their outstanding debt. According to INDEC, Argentina’s real GDP decreased 3.5% for the period from October 2017 through October 2018, compared to a 2.9% increase in 2017, after reducing 2.3% in 2016.

Since our business is dependent on discretionary consumer spending, which is influenced by general economic conditions, any prolonged economic downturn in any of our key markets could have adverse effects on our business, financial condition and results of operations.

Latin American governments have exercised and continue to exercise significant influence over their economies.

Governments in Latin America frequently intervene in the economies of their respective countries and occasionally make significant changes in policy and regulations. Governmental actions have often involved, among other measures, nationalizations and expropriations, price controls, currency devaluations, mandatory increases on wages and employee benefits, capital controls and limits on imports. Our business, financial condition and results of operations may be adversely affected by changes in government policies or regulations, including such factors as exchange rates and exchange control policies; inflation control policies; price control policies; consumer protection policies; import duties and restrictions; liquidity of domestic capital and lending markets; electricity rationing; tax policies, including tax increases and retroactive tax claims; and other political, diplomatic, social and economic developments in or affecting the countries where we operate.

In the future, the level of intervention by Latin American governments may continue or increase. We cannot assure you that these or other measures will not have a material adverse effect on the economy of each respective country and, consequently, will not adversely affect our business, financial condition and results of operations.

Inflation, and government measures to curb inflation, may adversely affect Latin American economies.

Many of the countries in which we operate have experienced, or are currently experiencing, high rates of inflation. For example, the inflation rate in Brazil, as reflected by the Broad Consumer Price Index (*Índice Nacional de Preços ao Consumidor Amplo* , or “IPCA”), published by the IBGE, was 6.4% in 2014, 10.7% in 2015, 6.3% in 2016, 2.9% in 2017 and 3.8% in 2018.

In Argentina, inflation has materially undermined the economy and the government’s ability to foster conditions that permit stable growth. The Consumer Price Index (*Índice de Precios al Consumidor de la Ciudad de Buenos Aires* or “IPCBA”) measured by the City of Buenos Aires (national statistical data was not available in Argentina from December 2015 to June 2016) showed an increase 26.9% in 2015 and 41% in 2016. According to measurements from INDEC of the national consumer price index, inflation for the first nine months of 2015 was 10.7%, for the period from May to December 2016 was 15.8%, and cumulative consumer price inflation for the year 2017 was 24.8%, and for the year 2018 was 47.6%. Moreover, INDEC reported that the 2019 monthly consumer price index increased by 2.9% in January compared to December 2018, 3.8% in February compared to January 2019 and 7.7% in March compared to February 2019.

On December 2015 the Argentine government declared the national statistics agency; i.e., the INDEC, in state of administrative emergency until December 31, 2016 through Decree No. 55/2016, which was not renewed, and announced the implementation of certain methodological reforms and adjustment of certain macroeconomic statistics on the basis of these reforms. As a result of the declaration of emergency, the INDEC ceased publishing certain statistical data until June 16, 2016, when it resumed publishing inflation rates, and began to release revised data. On November 9, 2016, the International Monetary Fund (“IMF”) Executive Board lifted its censure on Argentina, noting that Argentina had resumed the publication of data. As of the date of this annual report, INDEC has resumed publication of mentioned statistical data, although for some indicators it has not disclosed or provided estimated figures for certain time periods.

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The current Argentine government has set goals to reduce the primary fiscal deficit as a percentage of GDP over time, reduce the Argentine government's reliance on Central Bank financing and has requested financial assistance from International Monetary Fund. If in spite of these measures the current Argentine government is unable to address Argentina's structural inflationary imbalances, the prevailing high rates of inflation may continue, which would have an adverse effect on Argentina's economy.

Inflation in Argentina could increase our costs of operations and impact our financial condition and results of operations. Inflation rates may continue to increase in the future, and the effects and effectiveness of government measures to control inflation, adopted presently or in the future, remains uncertain.

Exchange rate fluctuations against the dollar in the countries in which we operate could negatively affect our results of operations.

Local currencies used in the conduct of our business are subject to depreciation and volatility. The currencies of many countries in Latin America have experienced significant volatility in the past, particularly against the dollar.

Furthermore, the Brazilian Real has historically experienced frequent, sometimes significant, fluctuations relative to the dollar. The Real depreciated 47% in 2015, appreciated 17% in 2016, depreciated 2% and 17% in 2017 and 2018, respectively, based on official exchange rates as reported by the Brazilian Central Bank. In addition, the Argentine peso has also continued to suffer significant devaluations against the U.S. dollar. The Argentine peso depreciated 52% against the dollar in 2015, primarily after the lifting of certain foreign exchange restrictions in the month of December, depreciated 17% against the dollar in the year ended December 31, 2016 and depreciated 18% against the dollar in 2017 and 51% against the dollar in 2018.

We are subject to foreign currency exchange controls in certain countries in which we operate.

Certain Latin American economies have experienced shortages in foreign currency reserves and their respective governments have adopted restrictions on the ability to transfer funds out of the country and convert local currencies into dollars.

For example, Brazilian law provides that whenever there is a serious imbalance in Brazil's balance of payments or reason to foresee a serious imbalance, the Brazilian government may impose temporary restrictions on the remittance to foreign investors of the proceeds of their investments in Brazil.

Argentina in 2001 and 2002 imposed exchange controls and transfer restrictions substantially limiting the ability of companies to make payments abroad. Since the last quarter of 2011, the Argentine government increased controls on the sale of foreign currency and the acquisition of foreign assets by local residents, limiting the possibility of transferring funds abroad. In December 2015, the new administration lifted several exchange control restrictions, and in August 2016, the Argentine Central Bank issued new regulations which repealed most of the restrictions for the purchase of foreign currency and the inflow and outflow of funds from Argentina, providing greater flexibility and access to the Argentine official foreign exchange market (the "MULC" for its acronym in Spanish or the "FX Market"). Furthermore, on May 19, 2017, the Central Bank issued new regulations regarding access to the foreign exchange market essentially abrogating all prior regulations and restrictions.

We cannot assure you that foreign exchange controls in Brazil, Argentina or any other country where we operate, may not reemerge or worsen in the future to prevent capital flight, counter a significant depreciation of the Brazilian real, Argentine peso or other currency, or address other unforeseen circumstances. Additional controls could have a negative effect on the ability of our operating entities in the affected country to access the international credit or capital markets.

Any shortages or restrictions on the transfer of funds from abroad may impede our ability to convert these currencies into dollars and to transfer funds, including for the payment of dividends or debt. Moreover, such restrictions limit our ability to use funds for operating purposes in other countries. Consequently, if we are prohibited from transferring funds out of the countries in which we operate, our business, financial condition and results of operations could be adversely affected. For a discussion of certain foreign exchange regulations applicable to us, see "Item 10. Additional Information — Exchange Controls."

Developments in other markets may affect Latin America.

The market value of companies like us may be, to varying degrees, affected by economic and market conditions in other global markets. Various Latin American economies have been adversely impacted by the political and economic events that occurred in several emerging economies in recent times, including Mexico in 1994, the collapse of several Asian economies between 1997 and 1998, the economic crisis in Russia in 1998, the Brazilian devaluations in January of 1999 and 2002 and the Argentine crisis of 2001 and 2012. In addition, Latin American economies have been adversely affected by events in developed countries, such as the 2008 and 2009 global financial crisis that arose in the United States.

As of the date of this Annual Report, recent global developments have occurred in the world which could impact the economies of the Latin American countries in which we operate and consequently have an adverse effect on our business, financial condition and the results of operations, such as any new restrictions on travel, immigration or trade.

Developments of a similar magnitude to the international markets in the future can be expected to adversely affect the economies of Latin American countries and, therefore, us.

Risks Related to our Ordinary Shares

An active or liquid trading market for our ordinary shares may not be maintained.

An active, liquid trading market for our ordinary shares may not be maintained in the long term. Loss of liquidity could increase the price volatility of our ordinary shares. Moreover, we cannot assure you that investors will be able to sell ordinary shares should they decide to do so.

The price of our ordinary shares may fluctuate significantly and your investment may decline in value.

The price of our ordinary shares may fluctuate significantly in response to factors, many of which are beyond our control, including those described above under “—Risks Related to our Business” and “—Risks Related to Latin America.” The stock markets in general, and the shares of emerging market and technology companies in particular, have experienced price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of the companies involved. We cannot assure you that any trading price or valuation will be sustained. These factors may materially and adversely affect the market price of our ordinary shares, which may limit or prevent investors from readily selling our ordinary shares and may otherwise affect liquidity, regardless of our operating performance. Market fluctuations, as well as general political and economic conditions in the markets in which we operate, such as recession or currency exchange rate fluctuations, may also adversely affect the market price of our ordinary shares. Following periods of volatility in the market price of a company’s securities, that company may often be subject to securities class-action litigation. This kind of litigation may result in substantial costs and a diversion of management’s attention and resources, which would have a material adverse effect on our business, financial condition and results of operation.

The sale or availability for sale of substantial amounts of our ordinary shares could adversely affect their market price.

Sales of substantial amounts of our ordinary shares in the public market, or the perception that such sales could occur, could adversely affect the market price of our ordinary shares, even if there is no relationship between such sales and the performance of our business.

A portion of our ordinary shares are currently held by affiliates, which means they may not be sold unless the sale is registered under the Securities Act, other than if an exemption from registration is available. Certain of our shareholders have demanded and/or other may demand piggyback registration rights which may enable them to sell some or all of their ordinary shares in a public offering in the United States registered under the Securities Act. For more information, see “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions.”

The strategic interests of our significant shareholders may, from time to time, differ from, and conflict with, our interests and the interests of our other shareholders.

As of December 31, 2018, Expedia held 13.9% and funds affiliated with Tiger Global held 17.8% of our outstanding ordinary shares. If Expedia or other investors acquire or continue to own and control, directly or indirectly, a substantial portion of our voting share capital, even if their respective interests represent less than a majority of our total voting share capital, such shareholders may be able to exert influence over decisions at both the shareholder and board level of our Company. For more information, see “Item 7. Major Shareholders and Related Party Transactions.”

The strategic interests of our significant shareholders, may differ from, and conflict with, our interests and the interests of our other shareholders in material respects. In addition, our memorandum and articles of association provides that Expedia and any of our directors affiliated with Expedia do not have any duty to refrain from engaging, directly or indirectly, in the same business activities or similar business activities or lines of business in which we operate.

Expedia also competes in the global travel industry, and also acts as a supplier to us and certain of our competitors. For a further description of our relationship with Expedia, see “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions,” “—Risks Related to our Business—We rely exclusively on Expedia for the hotel and other lodging products that we offer for all countries outside Latin America,” and “Item 16G. Corporate Governance—Differences in Corporate Law—Conflict of Interest.”

We cannot assure you that the actions of Expedia and other significant shareholders, will not conflict with our interests or the interests of our other shareholders.

We have not determined any specific use for our net proceeds from our initial public offering and we may use the proceeds in ways with which you may not agree.

The principal purposes of our initial public offering in September 2017 was to increase our financial flexibility and create a public market for our ordinary shares. We have not allocated our net proceeds from our initial public offering to any particular purpose. Rather, our management has considerable discretion in the application of the net proceeds that we received. Our net proceeds may be used for corporate purposes that do not improve our profitability or increase our share price. In addition, net proceeds we received from our initial public offering may be placed in investments that do not produce income or that lose value.

Investors should not unduly rely on market information included in this Annual Report.

Facts, statistics, forecasts and other information included in this Annual Report relating to the Latin America travel and e-commerce markets are derived from various sources, including independent consultant reports, publicly available information, industry publications, official government information and other third-party sources, as well as internal data and estimates. Although we believe that this information is reliable, the information has not been independently verified by us. Additionally, we cannot assure you that the market data included in this Annual Report is compiled or stated on the same basis as may be the case in the United States or elsewhere, particularly as the publication of certain market data for the Latin American region may be relatively newer than in the United States or elsewhere.

In addition, certain data related to the Latin American travel market and the Latin American online travel market includes the purchase of hotel and other travel products by inbound travelers traveling to Latin America, as well as corporate travel. Our customer base, however, is primarily comprised of consumers from Latin America traveling for leisure domestically within their own country of origin, to other countries in the Latin American region, and outside of Latin America. Market data related solely to the travel trends of Latin American consumers is limited. As a result, certain market data included in this Annual Report is being provided to investors to give a general sense of the trends of our industry but such market data does not capture the trends of only our targeted customers.

Accordingly, investors should not place undue reliance on the market information included in this Annual Report.

We are a foreign private issuer under U.S. securities regulations and, as a result, we are not subject to U.S. proxy rules and we are subject to Exchange Act reporting obligations that, to some extent, are more lenient and less frequent than those of a U.S. issuer.

We report under the Exchange Act as a non-U.S. company and a “foreign private issuer,” as such term is defined under U.S. securities regulations. Because we qualify as a foreign private issuer, we are exempt from certain provisions of the Exchange Act that are applicable to U.S. public companies, including (1) the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act; (2) the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time; and (3) the rules under the Exchange Act requiring the filing with the Securities and Exchange Commission (the “SEC”) of quarterly reports on Form 10-Q containing unaudited financial and other specified information, or current reports on Form 8-K upon the occurrence of specified events. In addition, we are not required to file our annual report on Form 20-F until 120 days after the end of each fiscal year, while U.S. domestic issuers that are accelerated filers are required to file their annual report on Form 10-K within 75 days after the end of each fiscal year. Foreign private issuers are also exempt from Regulation Fair Disclosure, aimed at preventing issuers from making selective disclosures of material information. As a result of the above, even though we are required to furnish reports on Form 6-K disclosing whatever information we have made or are required to make public pursuant to BVI law or distribute to our shareholders and that is material to our Company, you may not have the same protections afforded to shareholders of companies that are not foreign private issuers.

We are exempt from certain corporate governance requirements of the New York Stock Exchange.

We are exempt from certain corporate governance requirements of the New York Stock Exchange, by virtue of being a foreign private issuer. The standards applicable to us are considerably different than the standards applied to U.S. domestic issuers. For instance, we are not required to:

- have a majority of our board of directors be independent;
- have a compensation committee or a nominating or corporate governance committee;
- have regularly scheduled executive sessions with only non-management directors;
- have an executive session of solely independent directors each year; or
- adopt and disclose a code of business conduct and ethics for directors, officers and employees.

For more information, see “Item 6. Directors, Senior Management and Employees — A. Directors and Senior Management.” We have relied on and intend to continue to rely on some of these exemptions. As a result, you may not be provided with the benefits and protections of certain corporate governance requirements of the New York Stock Exchange.

We are an “emerging growth company” and the reduced disclosure and attestation requirements applicable to emerging growth companies could make our ordinary shares less attractive to investors.

We are an “emerging growth company” (an “EGC”), as defined in the Jumpstart Our Business Startups Act (the “JOBS Act”), and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not EGCs, including not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act for up to five fiscal years after our initial public offering in September 2017. Section 404(b) of the Sarbanes-Oxley Act would otherwise require our independent registered public accounting firm to attest to and report on the effectiveness of our internal control structure and procedures for financial reporting.

In addition, Section 107 of the JOBS Act also provides that an EGC may take advantage of the extended transition period provided in Section 13(a) of the Exchange Act for complying with new or revised accounting standards. In other words, an EGC may delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected not to take advantage of the benefits of this extended transition period and, therefore, are subject to the same new or revised accounting standards as other public companies that are not emerging growth companies. This election is irrevocable.

We will cease to be an EGC upon the earliest of: (1) the last day of the fiscal year during which we have revenue of \$1.07 billion or more, (2) the last day of the fiscal year following the fifth anniversary of our initial public offering in September 2017, (3) the date on which we have issued more than \$1 billion in non-convertible debt during the previous three-year period, or (4) when we become a “large accelerated filer,” as defined in Rule 12b-2 under the Exchange Act.

The requirements of being a public company may strain our resources and distract our management.

As a public company, we are subject to the reporting requirements of the Exchange Act and requirements of the Sarbanes-Oxley Act applicable to a foreign private issuer and EGC. These requirements may place a strain on our systems and resources. The Exchange Act requires that we file annual and current reports with respect to our business and financial condition. The Sarbanes-Oxley Act requires that we maintain effective disclosure controls and procedures and internal controls over financial reporting. To maintain and improve the effectiveness of our disclosure and internal controls and procedures, we need to commit significant resources, potentially hire additional staff and provide additional management oversight. We are implementing additional procedures and processes for the purpose of addressing the standards and requirements applicable to public companies. In addition, sustaining our growth also will require us to commit additional management, operational and financial resources to identify new professionals to join our Company and to maintain appropriate operational and financial systems to adequately support expansion. These activities may divert management’s attention from other business concerns, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We may lose our foreign private issuer status in the future, which could result in significant additional costs and expenses.

We are a “foreign private issuer,” as such term is defined under the Securities Act, and, therefore, we are not required to comply with all the periodic disclosure and current reporting requirements of the Exchange Act and related rules and regulations. Under the Securities Act, the determination of foreign private issuer status is made annually on the last business day of an issuer’s most recently completed second fiscal quarter and, accordingly, the next determination will be made with respect to us on June 30, 2019.

In the future, we would lose our foreign private issuer status if a majority of our shareholders, directors or management are U.S. citizens or residents and we fail to meet additional requirements necessary to avoid loss of foreign private issuer status. Although we have elected to comply with certain U.S. regulatory provisions, our loss of foreign private issuer status would make such provisions mandatory. If we are not a foreign private issuer, we will be required to file periodic reports and registration statements on U.S. domestic issuer forms with the SEC, which are more detailed and extensive than the forms available to a foreign private issuer. For example, the annual report on Form 10-K requires domestic issuers to disclose executive compensation information on an individual basis with specific disclosure regarding the domestic compensation philosophy, objectives, annual total compensation (base salary, bonus and equity compensation) and potential payments in connection with change in control, retirement, death or disability, while the annual report on Form 20-F permits foreign private issuers to disclose compensation information on an aggregate basis. We will also have to mandatorily comply with U.S. federal proxy requirements, and our executive officers, directors and principal shareholders will become subject to the short-swing profit disclosure and recovery provisions of Section 16 of the Exchange Act. We may also be required to modify certain of our policies to comply with good governance practices associated with U.S. domestic issuers. In addition, we may lose our ability to rely upon exemptions from certain corporate governance requirements on U.S. stock exchanges that are available to foreign private issuers. Such transition and modifications will involve additional costs and may divert our management’s attention from other business concerns, which could have a material adverse effect on our business, financial condition and results of operations.

Any failure to maintain an effective system of internal controls may result in material misstatements of our consolidated financial statements or cause us to fail to meet our reporting obligations or fail to prevent fraud; and in that case, our shareholders could lose confidence in our financial reporting, which would harm our business and could negatively impact the price of our ordinary shares.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, we are required to furnish a report by our senior management on our internal control over financial reporting. However, while we remain an EGC we are not required to include an attestation report on internal control over financial reporting issued by our independent registered public accounting firm. To prepare for eventual compliance with Section 404, once we no longer qualify as an EGC, we are engaged in a process to document and validate through testing that our internal controls are functioning as documented and implementing a continuous reporting and improvement process for internal controls over financial reporting, which is both costly and challenging. In this regard, we will need to continue to dedicate internal resources, potentially engage outside consultants, adopt a detailed work plan to assess and document the adequacy of internal control over financial reporting, continue steps to improve control processes as appropriate. Despite our efforts, there is a risk that we will not be able to conclude, within the prescribed timeframe or at all, that our internal control over financial reporting is effective as required by Section 404. If we identify one or more material weaknesses, it could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our financial statements.

Effective internal controls are necessary for us to provide reliable and accurate financial reports on a timely basis and prevent fraud. If we fail to maintain an effective system of internal controls, we might not be able to report our financial results accurately or on a timely basis or prevent fraud; and in that case, our shareholders could lose confidence in our financial reporting or we could be sanctioned by the SEC, which would harm our business and could negatively impact the price of our ordinary shares. While we believe that we have sufficient personnel and review procedures to allow us to maintain an effective system of internal controls, we cannot provide assurance that we will not experience potential material weaknesses in our internal control. Even if we conclude that our internal control over financial reporting provides reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with GAAP, because of its inherent limitations, internal control over financial reporting may not prevent or detect fraud or misstatements. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our results of operations or cause us to fail to meet our future reporting obligations.

Future issuances of our ordinary or other classes of shares may cause a dilution in your shareholding.

We may raise additional funding to meet our working capital, capital expenditure requirements for our planned long-term capital needs, or to fund future acquisitions. If such funding is raised through issuance of new equity or equity-linked securities, it may cause a dilution in the percentage ownership of our then existing shareholders.

From time to time we may grant equity-based compensation to our management and employees, which may dilute the value of your ordinary shares.

From time to time, we may grant options or other equity-based compensation to our management and employees.

As of the date of this Annual Report, we have reserved 4,861,777 ordinary shares for issuance under our 2016 Stock Incentive Plan, of which 2,978,499 stock options were issuable upon the exercise of outstanding equity awards and 1,422,747 RSUs were authorized for granting by our board on March 1, 2018. Furthermore, under our 2015 Stock Option Plan, we also granted 90,626 RSUs, which are all vested. For more information about our equity-based compensation, see “Item 6. Directors, Senior Management and Employees — B. Compensation.”

If our board of directors approves the issuance of new equity incentive plans (or the issuance of additional shares under the existing equity incentive plans), the interests of other shareholders may be diluted.

If securities or industry research analysts do not publish or cease publishing research or reports about our business or if they issue unfavorable commentary or downgrade our ordinary shares, our stock price and trading volume could decline.

The trading market for our ordinary shares will rely in part on the research and reports that securities and industry research analysts publish about us, our industry and our business. We do not have any control over these analysts. Our stock price and trading volumes could decline if one or more securities or industry analysts downgrade our ordinary shares, issue unfavorable commentary about us, our industry or our business, cease to cover us or fail to regularly publish reports about us, our industry or our business.

Investors may have difficulty enforcing judgments against us, our directors and management.

We are incorporated under the laws of the BVI and many of our directors and officers reside outside the United States. Moreover, many of these persons do not have significant assets in the United States. As a result, it may be difficult or impossible to effect service of process within the United States upon these persons, or to recover against us or them on judgments of U.S. courts, including judgments predicated upon the civil liability provisions of the U.S. federal securities laws.

Furthermore, our memorandum and articles of association include an exclusive jurisdiction clause pursuant to which, to the fullest extent permitted by applicable law, (i) other than claims specified in clause (ii) below and except as may otherwise be expressly agreed between the Company and a shareholder or between two or more shareholders in relation to the Company, we and all our shareholders agree that the BVI courts shall have exclusive jurisdiction to hear and determine all disputes of any kind regarding us and shareholders’ respective investments in us, irrevocably submit to the jurisdiction of the BVI courts, irrevocably waive any objection to the BVI courts being nominated as the forum to hear and determine any such dispute, and undertake and agree not to claim any such court is not a convenient or appropriate forum; and (ii) the federal district courts of the United States of America shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act, in each case unless our board of directors consents in writing to the selection of an alternative forum.

An award of punitive damages under a U.S. court judgment based upon U.S. federal securities laws is likely to be construed by BVI courts to be penal in nature and therefore unenforceable in the BVI. Further, no claim may be brought in the BVI against us or our directors and officers in the first instance for violation of U.S. federal securities laws because these laws have no extraterritorial application under BVI law and do not have force of law in the BVI. However, a BVI court may impose civil liability, including the possibility of monetary damages, on us or our directors and officers if the facts alleged in a complaint constitute or give rise to a cause of action under BVI law. Moreover, it is unlikely that a court in the BVI would award damages on the same basis as a foreign court if an action were brought in the BVI or that a BVI court would enforce foreign judgments if it viewed the judgment as inconsistent with BVI practice or public policy.

The courts of the BVI would not automatically enforce judgments of U.S. courts obtained in actions against us or our directors and officers, or some of the experts named herein, predicated upon the civil liability provisions of the U.S. federal securities laws, or entertain actions brought in the BVI against us or such persons predicated solely upon U.S. federal securities laws. Further, there is no treaty in effect between the United States and the BVI providing for the enforcement of judgments of U.S. courts in civil and commercial matters, and there are grounds upon which BVI courts may decline to enforce the judgments of U.S. courts. Some remedies available under the laws of U.S. jurisdictions, including remedies available under the U.S. federal securities laws, may not be allowed in the BVI courts if contrary to public policy in the BVI. Because judgments of U.S. courts are not automatically enforceable in the BVI, it may be difficult for you to recover against us or our directors and officers based upon such judgments.

Certain types of class or derivative actions generally available under U.S. law may not be available as a result of the fact that we are incorporated in the BVI and the exclusive jurisdiction clause included in our memorandum and articles of association. As a result, the rights of shareholders may be limited.

Shareholders of BVI companies may not have standing to initiate a shareholder derivative action in a court of the United States. Furthermore, our memorandum and articles of association include an exclusive jurisdiction clause which, to the fullest extent permitted by applicable law, will act as a bar to any such action in a court of the United States. In any event, the circumstances in which any such action may be brought, if at all, and the procedures and defenses that may be available in respect to any such action, may result in the rights of shareholders of a BVI company being more limited than those of shareholders of a company organized in the United States. Accordingly, shareholders may have fewer alternatives available to them if they believe that corporate wrongdoing has occurred. The BVI courts are also unlikely to recognize or enforce against us judgments of courts in the United States based on certain liability provisions of U.S. securities law or to impose liabilities against us, in original actions brought in the BVI, based on certain liability provisions of U.S. securities laws that are penal in nature.

You may have more difficulty protecting your interests than you would as a shareholder of a U.S. corporation.

Our corporate affairs are governed by the provisions of our memorandum and articles of association, as amended and restated from time to time, and by the provisions of applicable BVI law. The rights of shareholders and the fiduciary responsibilities of our directors and officers under BVI law are not as clearly established as they would be under statutes or judicial precedents in some jurisdictions in the United States, and some states (such as Delaware) have more fully developed and judicially interpreted bodies of corporate law.

These rights and responsibilities are to a large extent governed by the BVI Business Companies Act, 2004 as amended from time to time (the “BVI Act”) and the common law of the BVI. The common law of the BVI is derived in part from judicial precedent in the BVI as well as from English common law, which has persuasive, but not binding, authority on a court in the BVI. In addition, BVI law does not make a distinction between public and private companies and some of the protections and safeguards (such as statutory pre-emption rights, save to the extent expressly provided for in the memorandum and articles of association) that investors may expect to find in relation to a public company are not provided for under BVI law.

There may be less publicly available information about us than is regularly published by or about U.S. issuers. Also, the BVI regulations governing the securities of BVI companies may not be as extensive as those in effect in the United States, and the BVI law and regulations regarding corporate governance matters may not be as protective of minority shareholders as state corporation laws in the United States. Therefore, you may have more difficulty protecting your interests in connection with actions taken by our directors and officers or our principal shareholders than you would as a shareholder of a corporation incorporated in the United States.

The laws of BVI provide limited protections for minority shareholders, so minority shareholders will not have the same options as to recourse in comparison to the United States if the shareholders are dissatisfied with the conduct of our affairs.

Under the laws of the BVI there is limited statutory protection of minority shareholders other than the provisions of the BVI Act dealing with shareholder remedies. The principal protections under BVI statutory law are derivative actions, actions brought by one or more shareholders for relief from unfair prejudice, oppression and unfair discrimination and/or to enforce the BVI Act or the memorandum and articles of association. Shareholders are entitled to have the affairs of the company conducted in accordance with the BVI Act and the memorandum and articles of association, and are entitled to payment of the fair value of their respective shares upon dissenting from certain enumerated corporate transactions. For more information, see “Item 10. Additional Information — Memorandum and Articles of Association” and “Item 16G. Corporate Governance — Differences in Corporate Law” below.

There are common law rights for the protection of shareholders that may be invoked, largely dependent on English company law, since the common law of the BVI is limited. Under the general rule pursuant to English company law known as the rule in *Foss v. Harbottle*, a court will generally refuse to interfere with the management of a company at the insistence of a minority of its shareholders who express dissatisfaction with the conduct of the company’s affairs by the majority or the board of directors. However, every shareholder is entitled to seek to have the affairs of the company conducted properly according to law and the constitutional documents of the company. As such, if those who control the company have persistently disregarded the requirements of company law or the provisions of the company’s memorandum and articles of association, then the courts may grant relief. Generally, the areas in which the courts will intervene are the following: (i) a company is acting or proposing to act illegally or beyond the scope of its authority; (ii) the act complained of, although not beyond the scope of the authority, could only be effected if duly authorized by more than the number of votes which have actually been obtained; (iii) the individual rights of the plaintiff shareholder have been infringed or are about to be infringed; or (iv) those who control the company are perpetrating a “fraud on the minority.”

These rights may be more limited than the rights afforded to minority shareholders under the laws of states in the United States.

We have no current plans to pay any cash dividends on our ordinary shares.

We currently intend to retain our future earnings, if any, to fund the development and growth of our business. As a result, capital appreciation, if any, of our ordinary shares are likely to be your sole source of gain for the foreseeable future. Consequently, in the foreseeable future, you will likely only experience a gain from your investment in our ordinary shares if the trading price of our ordinary shares increases.

Anti-takeover provisions in our Shareholder Agreements and memorandum and articles of association might discourage, delay or prevent acquisition or other change of control attempts for us that you and/or other of our shareholders might consider favorable.

Certain provisions of our Shareholder Agreements and memorandum and articles of association may discourage, delay or prevent a change in control of our Company or management that shareholders may consider favorable, including but not limited to the following provisions:

Pursuant to our Shareholder Agreements:

- Until September 19, 2020, we may not directly or indirectly issue or transfer any of our securities to certain specified entities that conduct business in the travel industry, and certain of our existing shareholders and their affiliates are also precluded from directly or indirectly transferring any of our securities to such entities, subject to limited exceptions.
- Expedia has agreed not to acquire more than 35% of the voting or economic power of our outstanding shares prior to September 19, 2020 except by means of a tender offer that, if consummated, would result in Expedia being the beneficial owner of more than 75% of the voting or economic power of our outstanding shares entitled to vote in the election of the board of directors.

Pursuant to our memorandum and articles of association:

- Our board of directors may without prior notice to shareholders, or obtaining any shareholder approval, amend our memorandum and articles of association to authorize and subsequently issue an unlimited number of preferred shares in one or more classes and series and designate the issue prices, rights, preferences, privileges, restrictions and terms of such preferred shares.
- Our board of directors is currently made up of six directors divided into three classes. Other than the initial terms of each class, (the first of which expire at the Company's annual meeting in 2021 and the second and third of which will expire at the Company's annual meeting in 2019 and 2020, respectively), directors in each class will have a term of three years. The only circumstance in which shareholders can elect new directors is at an annual meeting and in respect of those board seats whose term is expiring at the annual meeting. Elections will take place by plurality voting. Shareholders do not have the power to increase or reduce the size of the board or fill a vacancy on the board, which matters are the exclusive authority of our board of directors.
- Our shareholders may only remove directors for cause and only by resolution approved by shareholders holding not less than two-thirds of the voting rights at a meeting of shareholders called for the stated purpose of removing the director.
- There are a number of restrictions, conditions and other requirements (including advance notice period requirements) that apply to our shareholders' ability to (i) request special meetings of our shareholders; (ii) nominate persons for election as directors at annual meetings of our shareholders; and (iii) propose other items of business or other matters for consideration at any annual or special meetings of our shareholders.
- All resolutions of the shareholders must be adopted at a meeting of our shareholders convened in accordance with our memorandum and articles of association. Shareholders are prohibited from adopting resolutions by written consent.
- There are restrictions on amending our memorandum and articles of association. Certain provisions of our memorandum and articles of association (including many of the provisions described above) may only be amended with the approval of both our shareholders and our board of directors. Provisions that may be amended by the shareholders without board approval require the affirmative vote of holders of two-thirds of the shares entitled to vote on the resolution.

For more information on our Shareholder Agreements, see "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions." For more information on our memorandum and articles of association, see "Item 10. Additional Information—Memorandum and Articles of Association" and "Item 16G. Corporate Governance—Differences in Corporate Law."

These provisions and other provisions under BVI law could discourage, delay or prevent potential takeover attempts and other transactions involving a change in control of our Company, including actions that our shareholders may deem advantageous. As such, these provisions may reduce the price that investors might be willing to pay for our ordinary shares in the future and negatively affect the trading price of our ordinary shares.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

Despegar.com, Corp. was formed as a business company incorporated in the BVI on February 10, 2017. On May 3, 2017, the stockholders of our predecessor, Decolar.com, Inc., a Delaware corporation, exchanged their shares for ordinary shares of Despegar.com, Corp. to create a new BVI holding company. Following the exchange, our shareholders own shares of Despegar.com, Corp., and Decolar.com, Inc. is a wholly-owned subsidiary of Despegar.com, Corp.

We are known by our two brands, Despegar, our global brand, and Decolar, our Brazilian brand.

Our principal executive office is located at Juana Manso 999, Ciudad Autónoma de Buenos Aires, Argentina C1107CBR, and our telephone number is: +54 11 4894 3500. Our agent for service of process in the United States is Cogency Global Inc., located at 10 E. 40th Street, 10th Floor, New York, New York 10016.

Our History and Development

Our business has grown substantially in revenue, products and geographic scope since launching in 1999. The following table shows the timeline of key milestones:

- | | |
|-------------|--|
| 1999 | <ul style="list-style-type: none">• Launched site in Argentina |
| 2000 | <ul style="list-style-type: none">• Launched sites in Brazil, Chile, Colombia, Mexico and Uruguay |
| 2001 | <ul style="list-style-type: none">• Launched sites in the United States and Venezuela |
| 2007 | <ul style="list-style-type: none">• Launched site in Peru |
| 2009 | <ul style="list-style-type: none">• Expanded our offering to include hotels• Launched sites in Bolivia, Costa Rica, Dominican Republic, Ecuador, Guatemala, Nicaragua, Panama, Paraguay and Puerto Rico |
| 2010 | <ul style="list-style-type: none">• Launched sites in El Salvador and Honduras, reaching our 20th market• Cumulative one million customers served |
| 2012 | <ul style="list-style-type: none">• Launched our mobile apps on Android and iOS• Expanded offering to include packages, rental cars and cruise products |
| 2013 | <ul style="list-style-type: none">• Reached one million downloads of our mobile app• Expanded our offering to include destination services• Expanded hotel offering to include vacation rentals |
| 2014 | <ul style="list-style-type: none">• Cumulative 10 million customers served• Our mobile app is included in the iTunes Store's "Best of 2014"• Launched travel affiliates program• Expanded our offering to include travel insurance |
| 2015 | <ul style="list-style-type: none">• Reached 10 million downloads of our mobile app• Completed migration from call center sales to fully online model• Deepened strategic partnership with Expedia, including its equity investment in our Company |
| 2016 | <ul style="list-style-type: none">• Awarded "E-commerce Leader in the Tourism Industry in LATAM" by the Latin American E-Commerce Institute• Expanded our offering to include our bus product• Expanded our destination services offering to include our local concierge product |
| 2017 | <ul style="list-style-type: none">• Initial public offering and listing on the New York Stock Exchange |
| 2018 | <ul style="list-style-type: none">• Launched of sales call centers in Peru, Ecuador, Mexico, Chile, Colombia, Argentina and Brazil• Development of Tour Operation Business |
| 2019 | <ul style="list-style-type: none">• Completed rebranding our core business, including logos, website and images in order to update our outward facing content |

- Announced our acquisition of Viajes Falabella in Chile, Colombia, Peru and Argentina, together with the license to use the Viajes Falabella brand name total consideration of \$27 million, subject to certain closing conditions

Capital Expenditures

See “Item 5. Operating and Financial Review and Prospects—C. Research and Development, Patents and Licenses.”

B. Business Overview

Overview

We are the leading online travel company in Latin America, known by our two brands, Despegar, our global brand, and Decolar, our Brazilian brand. We have a comprehensive product offering, including airline tickets, packages, hotels and other travel-related products, which enables consumers to find, compare, plan and purchase travel products easily through our marketplace. We provide our network of travel suppliers a technology platform for managing the distribution of their products and access to our users. We believe that our focus on the underpenetrated Latin American online travel market, our knowledge of the consumer and supplier landscape in the region and our ability to manage the business successfully through economic cycles will allow us to continue our industry leadership. In 2018 and 2017, we had approximately 5.3 million and 4.6 million unique customers, generating \$530.6 million and \$523.9 million in revenue, respectively. Our gross bookings were \$4.4 billion and \$4.7 billion in 2017 and 2018, respectively.

Local currencies were converted to US dollars using an annual (August 2017 – August 2018) exchange rate, based on the August 2018 publication of Euromonitor’s annual Travel & Tourism report.

Latin America online travel bookings were approximately \$46 billion and \$41 billion in 2018 and 2017, respectively, and are expected to grow to approximately \$71 billion (in current terms) by 2022, representing an estimated compound annual growth rate (“CAGR”) of 11.6% for the period 2018 – 2022, according to Euromonitor International. In 2018, 42% of all travel bookings were done online, a percentage that is expected to increase to approximately 50% in 2022. Factors driving the growth in online travel bookings include the increase of internet penetration, further adoption of smartphones, tablets and other mobile devices and a growing middle class with greater access to banking services and credit products, together enabling a larger segment of the growing population to transact online or on mobile devices.

Latin America online travel bookings were approximately \$41 billion in 2018 when using an annual (January 2018 – December 2018) exchange rate from Bloomberg.

The Latin American travel industry is characterized by significant fragmentation in suppliers across airlines, hotels and other travel products. This fragmentation is compounded by regional complexities, including differences in language, local customs, travel preferences, currencies and regulatory regimes across the more than 40 countries in the region. These factors create challenges for suppliers to reach customers directly and, consequently, create a significant market opportunity for us.

We believe we have the broadest travel portfolio among OTAs in Latin America, with inventory from global suppliers, including over 270 airlines and over 512,960 hotels, as well as approximately 1,190 car rental agencies and approximately 326 destination services suppliers with more than 5,690 activities. Our business benefits from network effects: our large customer base helps us to attract additional travel suppliers and, in turn, a larger network of travel suppliers helps us to attract new customers by enhancing our product offering. Additionally, as we continue to grow our marketplace, we are increasingly able to offer more competitive pricing and product availability to our customers as well as enhance the effectiveness of our marketing strategy.

We launched our award-winning mobile travel app in 2012 and it is an increasingly important part of our business, as it allows consumers to access and browse our real-time inventory, compare prices and transact through their mobile devices quickly. As of December 31, 2018, our apps have more than 59.4 million cumulative downloads from the iOS App Store and Google Play (21.3 million of which were downloaded in the last two years) and we believe they are the most downloaded OTA apps in Latin America. During 2018 and 2017, mobile accounted for approximately 61% and 54%, respectively, of all of our user visits, and approximately 34% and 28%, respectively, of our transactions were purchased on our mobile platform, complementing our desktop website traffic. As internet, smartphone and other mobile device penetration continue to increase, we believe that our strength in mobile will continue to be a strategic advantage.

Through mobile and online marketing, brand promotion and cross-marketing, we have created strong brand recognition among Latin America travelers, which we view as one of our key competitive advantages. According to data from Google Adwords, Despegar and Decolar had the highest brand recognition among OTAs in Latin America. To date, we have invested more than \$1.3 billion in marketing and branding initiatives promoting our brand, which we believe, combined with the quality of the service we have delivered over the years, has made us a trusted brand with our customers. In 2018 and 2017, 71.8% and 64.4% of our customers had completed previous purchases on our platform, respectively.

Travel Market Opportunity in Latin America

Latin America is one of the largest and most diverse regions in the world. Comprised of over 40 countries with a total population of over 600 million, the region encompasses multiple languages, currencies and regulatory regimes. The travel market serving Latin American consumers presents a significant opportunity for us due to its large market size, highly fragmented base of travel suppliers and rapid growth in the adoption of technology-based solutions for consumers and travel suppliers. In addition, long-term favorable macroeconomic trends in the region have contributed to the expansion of the middle class and increased consumption in the region.

Large and Growing Travel Industry

Latin American travel bookings (both online and offline) represented an estimated \$109 billion market in 2018 and it is expected to grow to approximately \$143 billion by 2022, according to Euromonitor. This represents an estimated CAGR of 7.0% for the period 2018 – 2022. In 2018, airline bookings for Latin America were \$45 billion while lodging bookings recorded \$53 billion. Car rental and attractions bookings in Latin America combined reached \$11 billion in 2018.

Latin American travel bookings (both online and offline) represented an estimated \$97 billion market in 2018 when using an annual (January 2018 – December 2018) exchange rate from Bloomberg.

Overview of Suppliers in the Latin American Travel Industry

The Latin American travel industry is characterized by significant supplier fragmentation across airlines, hotels and other travel products. Regional complexities, including differences in language, local customs, travel preferences, currencies and regulatory regimes across the more than 40 countries in the region create challenges for suppliers to reach customers directly, at scale and across the region. Further driving this fragmentation is the growing number of smaller airlines, including low-cost airlines that have been commencing operation in recent years. Today, travel agencies are the leading distribution channel in the region for airlines, due to their ability to provide greater selection and scale across the region.

We believe that due to a lack of scale or unified brand, other travel services in Latin America tend to be even more fragmented, operating in specific cities or countries.

Trends Driving Online Travel and Our Growth

An expanding and evolving travel market, coupled with greater internet, smartphone and other mobile device penetration, is expected to drive robust growth in online travel bookings in Latin America. Latin America online travel bookings were approximately \$46 billion and \$41 billion in 2018 and 2017, respectively, and are expected to grow to approximately \$71 billion (in constant terms) by 2022, representing an estimated CAGR of 11.6% for the period 2018 – 2022, according to Euromonitor. In 2018, 42% of all travel bookings were done online, a percentage that is expected to increase to approximately 50% in 2022. As consumers shift to researching and booking travel online, travel suppliers have adapted their offerings and deepened their relationships with online marketing and booking channels, such as OTAs, to generate revenue. OTAs provide travel suppliers with scale and distribution into new and existing markets and 24/7 customer service and localization services, including language and payment capabilities.

Factors driving the growth in online travel include:

- ***Increasing internet penetration*** . While internet penetration in Latin America has increased, we believe it has substantial room for growth. As internet penetration increases, Latin American consumers are increasingly using the internet to research and purchase products, including travel.
- ***Increasing adoption of mobile devices, including smartphones*** . The number of unique mobile subscribers, in Latin America is expected to grow by approximately 110 million new unique subscribers, according to the GSM Association, bringing the total to approximately 524 million in the region by 2020. With the proliferation of smartphones and tablets, mobile has become a prominent tool for travelers to search, discover and purchase travel services.

- **Superior user experience** . Online travel booking channels, which include websites and mobile apps, empower travelers to search products and user-generated reviews and easily compare real-time availability and pricing options from multiple travel providers simultaneously, which we believe leads to higher user engagement and customer conversion.
- **Growth in banked consumers and proliferation of credit products** . With the continued development of the Latin American economy, a larger portion of the population has opened bank accounts, enabling access to new forms of payments including credit cards and other financial products. With the increased number of consumers with bank and credit card accounts, more people have the ability to make purchases online. Access to bank accounts and credit cards also gives consumers access to additional financing options from banks, such as payment by installments.

As the leading OTA in Latin America, we believe we are well positioned to succeed as consumers' destination of choice for fast, easily searchable and more transparent travel research and shopping. As our market share grows, we are increasingly able to capture significant amounts of customer data including travel history and preferences and serve personalized recommendations to drive higher customer conversion. Additionally, we are able to provide better pricing through scale and by bundling multiple travel products together in a single offer.

In addition to the foregoing, in April 2019 we announced our acquisition of Viajes Falabella in Chile, Colombia, Peru and Argentina, together with the license to use the Viajes Falabella brand name total consideration of US \$27 million. The transaction assumes the transfer of these operations free of any financial debt. With this agreement, we anticipate clients of both companies will have access to an enhanced travel and tourism product and service offering, through an alternative service models (online, call center and assetlight physical stores). In addition, customers will be able to access exclusive discounts, earn double CMR Points Falabella's loyalty program, both at Viajes Falabella and Despegar, as well as an expanded product offering in exchange for CMR Points at Viajes Falabella.

Our Competitive Strengths

We are the leading OTA in Latin America, offering our customers a broad and diversified selection of travel products at attractive prices. Our leadership position is a result of our following core strengths:

Industry Leader in Latin America

With our launch in 1999, we have benefited from an early mover advantage in Latin America, which has allowed us to achieve significant scale and brand awareness. In 2018 and 2017, we had approximately 5.3 million and 4.6 million unique customers, primarily in Latin America, generating \$530.6 million and \$523.9 million in revenue and approximately \$4.7 billion and \$4.4 billion, respectively, in gross bookings.

We have established relationships with a large network of travel suppliers in Latin America and we have become the leading online air ticketing provider in Latin America, having sold approximately 19% and 17% of all airline tickets purchased through GDS in the region during 2018 and 2017, respectively, according to Amadeus. Additionally, we believe we provide our customers with the largest travel portfolio among Latin American OTAs, with access to over 270 global airlines and over 512,960 hotels globally as well as approximately 1,190 car rental agencies and approximately 326 destination services suppliers with more than 5,690 activities. Additionally, we have accumulated approximately fourteen million user-generated reviews in total as of December 31, 2018, of which 4.2 million and 2.1 million were submitted in 2018 and 2017, respectively, which we believe drive user engagement. Our platform is also of increasing importance to airlines based outside of Latin America, which generally have a limited local presence in the region, and which account for over 70% of the outbound international travel booked on our platform. Such international travel is more attractive because of its price point and higher commission structure.

Our technology platform allows us to offer our customers the ability to create custom packages of two or more products, such as a combination of airfare and a hotel booking for a particular trip, allowing us to offer customers lower combined prices that may not be available for individual products. We are also able to better cross-sell multiple travel products and provide customers with a comprehensive solution for their travel needs.

We benefit from network effects: our large customer base helps us to attract additional travel suppliers and, in turn, a larger network of travel suppliers helps us to attract new customers by enhancing our product offering. Furthermore, by growing our user base and aggregating different products from our supplier base, we are able to offer attractive pricing and availability of travel products to our customers as well as enhance the effectiveness of our marketing strategy.

Strong Brand Recognition and Awareness

Despegar, our global brand, and Decolar, our Brazilian brand, have leading brand awareness in online travel in key markets, including Brazil and Argentina. According to search engine trend data that is based on the relative number of searches of brand related keywords on Google during 2018, we had an approximate 26% share (as compared with what we believe to be the next five largest competitors in the market) in Latin America.

Local Market Expertise and Leadership

We have a strong track record in Latin America, with a point of sale in 20 markets, representing 95% of the region's population, and with a leading OTA presence in key markets such as Brazil, Argentina, Mexico, Chile, and Colombia. In our two largest markets, Brazil and Argentina, we have operated for 19 and 20 years, respectively. Our knowledge of local consumers, and their buying patterns and travel preferences, as well as our ability to offer financing through our relationships with financial institutions, have enabled us to serve our customers more effectively than global competitors from outside the region. Furthermore, our extensive supplier relationships allow us to offer a greater scale and breadth of offerings than smaller, local competitors. We understand the objectives of, and challenges faced by, Latin American travel suppliers and we are well-positioned to address those challenges by helping the suppliers grow their businesses, all to the benefit of consumers who receive more choice at attractive pricing.

As the leading Latin American OTA, we have developed long-standing relationships with a wide range of local banks to offer installment payment plans to their credit card holders as an alternative purchase option. We believe that local banks look to partner with us because of our scale, access to our online audience and high transaction volume. We believe this differentiates us from other local and global travel agencies as those agencies either do not offer installment plans or offer installment plans from a more limited selection of financing providers or in a more limited selection of countries. We believe our portfolio of installment plans is a meaningful driver of traffic to our platform as well as conversion. Approximately 55% and 57% of our transactions in both 2017 and 2018 were paid by installment. Our agreements with local banks allow us to offer installment plans without assuming collection risk from the customer.

Leading Mobile Offering

Mobile is an increasingly important part of our business, as consumers are quickly able to access and browse our real-time travel offerings, compare prices and make purchases through their mobile devices. We launched our leading mobile travel apps in 2012. As of December 31, 2018, our mobile apps have more than 59.4 million cumulative downloads from the iOS App Store and Google Play (21.3 million of which were downloaded in the last two years). In addition, our iOS App Store and Google Play apps were rated 4.6 and 4.4 stars as of December 31, 2018. During 2018 and 2017, mobile, which includes both mobile web and our mobile apps, accounted for approximately 61% and 54%, respectively, of all of our user visits, and approximately 34% and 28%, respectively, of our transactions. In addition, transactions via mobile increased by approximately 36% from 2017 compared to 2018. We continue to provide innovative features and functionality to consumers through our mobile apps, including push notifications, dynamic updates, inventory alerts and personalized promotions as well as in-app customer service. Our customers using mobile devices have historically made more repeat transactions than customers using desktop computers. Additionally, our mobile presence allows in-destination marketing, which facilitates cross-selling of additional travel products, such as rental cars and destination services to customers, after they have arrived at their destination.

Many of our customers use their mobile device to search for travel products but complete their transactions on their desktop. However, as mobile purchasing becomes increasingly prevalent in the region, we believe our award-winning mobile platform, coupled with the widespread adoption of our apps, positions us well for an increasingly mobile future.

Powerful Data and Analytics Platform

Our large web and mobile audience and transaction volume generate a significant amount of data that allows us to better understand our customers and provide personalized travel offerings and also helps us to drive our sales, marketing and operational strategy. To offer the most effective content and products for each customer, we extensively analyze the data we collect to identify and highlight the most valuable products and destinations in each customer interaction. By gathering and analyzing data in real-time, we are quickly able to assess and react to changes in customer behavior, market pricing and other market dynamics. Currently, the majority of visitors to our platform see a personalized landing page based on such factors as user account information, past search and purchasing history and geolocation. We believe that this personalization of the user experience increases engagement and likelihood of purchase.

Effective Marketing Capabilities

We have invested significant resources in our marketing team, which we believe is a significant driver of our business. Through our vertically-integrated, in-house marketing team, we are able to control all aspects of our budget, marketing campaigns and market analytics, without the need for agencies or external consultants. Our marketing team's local knowledge and expertise in our key markets have allowed us to develop direct relationships with a broad range of local and regional media providers and purchase media directly, avoiding more costly intermediaries. We have invested in our own creative, production and media execution teams, who are quickly able to adapt our marketing strategy, while also leveraging our extensive data and analytics capabilities for more precise audience targeting. Furthermore, we have developed our own software platform for managing our search optimization capabilities, allowing us to tailor messages effectively for specific target markets and customers.

Proven and Experienced Team

Our management team has significant experience in the travel sector and across a variety of industries in Latin America. Members of our management team have worked at organizations such as Kimberly-Clark, LATAM Airlines, McKinsey, Morgan Stanley, PwC and Thales, among others. In addition to our management team, we have an extensive technology team including more than 1000 developers and technology professionals. By fostering a distinctive, collaborative and high-performance working culture, we attract software developers with world-class talent and offer an engaging working environment for ongoing career development. We believe we are perceived as a top talent recruiter for IT professionals in Latin America, allowing us to attract the highest quality professionals and specialists dedicated to the enhancement of our platform.

Our Customers

We had approximately 5.3 million and 4.6 million unique customers for 2018 and 2017, respectively, primarily in Latin America. Our customers are primarily from Latin America traveling domestically within their own country of origin, to other countries in the Latin American region, and outside of Latin America. Most of our customers are traveling for leisure, although we do have some independent business travelers as well.

Our Products

We offer a wide range of travel and travel-related products catering to the needs of Latin Americans traveling domestically within their own country of origin, to other countries in the Latin American region and outside of Latin America. We provide these travelers with the comprehensive tools and information, in multiple languages, that they need to research, plan, book and purchase travel products efficiently. That information includes approximately 8 million user-generated reviews from the last 3 years, in total as of December 31, 2018, of which 4.2 million and 2.1 million were submitted in 2018 and 2017, respectively. We organize our business into two segments: (1) Air, which consists of the sale of airline tickets, and (2) Packages, Hotels and Other Travel Products, which consists of travel packages (which can include airline tickets and hotel rooms), as well as stand-alone sales of hotel rooms (including vacation rentals), car rentals, bus tickets, cruise tickets, travel insurance and destination services. We offer our products online through our website and mobile applications, and use data and analytics to personalize the customer experience on our platform, based on geolocation, past search and purchasing history and social network interactions, which we believe increases engagement and likelihood of purchase.

Air

Through our Air segment, we offer airline tickets, primarily targeted at leisure travelers in Latin America, including travel domestically, to other countries in the region and outside of Latin America. Our Air segment includes airline tickets purchased on a stand-alone basis but excludes airline tickets that are packaged with other non-airline flight products. Our customers booked approximately 5.9 million, 5.3 million and 4.3 million transactions in our Air segment using our platform in 2018, 2017 and 2016, respectively.

We provide our customers with access to over 270 full service and low-cost airlines. We obtain inventory from these airlines either through a GDS or, primarily in the case of low cost airlines, via direct connections to the airlines' booking systems. We believe our platform provides comprehensive information to our customers in a time efficient and transparent manner. Customers are quickly and easily able to evaluate a broad range of fares and airline combinations. Customers may search for flights based on their preferred travel dates, destinations, number of passengers, number of stops and class of travel, or they may use our more advanced search tool and include additional search parameters. Customers can also filter and sort the results of their search easily according to their preferences.

Packages, Hotels and Other Travel Products

The total number of transactions in our Packages, Hotels and Other Travel Products segment was 4.5 million, 3.8 million and 3.0 million in 2018, 2017 and 2016, respectively.

Packages

We offer travelers the opportunity to create custom packages by combining two or more travel products, such as airline tickets and hotel, airline tickets and car rental or hotel and car rental, and booking them in a single transaction. Combining multiple products into a package with a single quoted price allows us to offer customers lower prices than are available for individual products and also helps us to cross-sell multiple products in a single transaction.

Hotels

Through our platform, customers can search, compare and book reservations at more than 512,960 hotels globally through our direct network and third-party inventory. In addition, since 2013 our hotels offering includes vacation rentals.

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Customers may search for hotels based on their destination and preferred dates for check-in and checkout, and may filter and sort our search results easily by selecting star ratings, specific hotel chains and location.

Customers can also indicate amenity preferences such as business services, internet access, fitness centers, swimming pools and more. Customers can also view hotel pictures and read hotel reviews from other Despegar customers on our platform. Our platform features approximately fourteen million user-generated reviews in total as of December 31, 2018, of which 4.2 million and 2.1 million were generated in 2018 and 2017, respectively.

As of December 31, 2018, approximately 31,000 of our hotel suppliers in Latin America were directly connected to our booking system. Through these direct connections, our hotel suppliers allocate rooms to us either by managing their room inventory directly on an extranet supported by us, or on an extranet supported by one of our more than 42 third-party channel managers.

In 2018 and 2017, 9.2% and 9.1%, respectively, of our gross bookings were attributable to supply provided to us by affiliates of Expedia. Expedia, the beneficial owner of 13.9% of our ordinary shares outstanding as of December 31, 2018, holds certain rights in its capacity as a shareholder. For more information on our relationships with Expedia, see “Item 7. Major Shareholders and Related Party Transactions —B. Related Party — Relationship with Expedia” for more information.

We typically do not assume inventory risk as we do not pre-purchase hotel room inventory from our hotel suppliers. Hotel suppliers are paid by one of two methods: “pre-pay” and “pay-at-destination.” Under the pre-pay model, the customer pays us at the time of booking and we pay the hotel after the customer checks out. Under the pay-at-destination model, the customer pays the hotel directly at checkout and we either receive our commission from the hotel or from the customer as a customer booking fee.

Other Travel Products

We also offer other travel products on our platform. We provide our customers access to approximately 1,190 car rental agencies, more than 180 bus carriers, 6 cruise carriers, approximately 326 destination services suppliers with more than 5,690 activities, and one travel insurance supplier. While we offer both pre-pay and pay-at-destination options for car rentals, the other travel products that we offer must be prepaid.

Destination Services: We offer in-destination services as an opportunity for us to offer attractions, tickets, tours and activities and local concierge services to package with other products and as a way to encourage in-destination transactions. The wide array of options offered is intended to suit varying budgets and preferences of potential customers.

Car Rentals: Currently, we offer car rentals worldwide, with a focus in Latin America and the United States.

Cruise Tickets: Currently, cruise tickets are available to customers in Argentina, Brazil, Chile, Colombia and Mexico. We currently have relationships with six cruise carriers.

Travel Insurance: We offer travel insurance through one third-party provider in Latin America, Assist Card, which whom we entered into an exclusivity agreement in 2017. Customers can choose from a range of coverage options depending on their particular needs, such as medical insurance and lost or damaged baggage. Typically, this product is requested in conjunction with a flight and hotel booking. Prior to confirming and proceeding with the reservation of and payment for a flight or hotel booking or a package booking, our customers are offered the opportunity to purchase travel insurance.

Bus Tickets: Currently, bus tickets are available only in Brazil and Argentina, and we intend to expand our coverage further to major cities in Latin America. We currently have relationships with three suppliers that give us access to more than 182 bus carriers.

In addition, we sell digital advertising on our platform, which represents approximately 3% of our revenue annually.

Payment Options

Credit cards are the primary means of payment for products on our platform. We allow for the use of more than one credit card in a single transaction, permitting customers with lower credit limits to make larger purchases. We also offer other payment alternatives including debit cards as well as several localized payment options by market.

In addition, we have established agreements with a wide range of local and regional banks that allow their credit card holders to purchase our travel products via installment purchase plans, which we believe differentiates us from other global travel agencies which either do not offer installment plans or offer installment plans from a more limited selection of financing providers or in a more limited selection of countries. Local banks look to partner with us because of our scale, access to our online audience and high

transaction volume. Credit card customers may choose from a range of installment plan offerings and terms from different financial institutions with which the customer holds or obtains a credit card. Many of these installment plan offerings are interest-free to the customer. Installment plans allow our customers to make larger purchases than they may otherwise be able to make in a single payment. Our agreements with local banks allow us to offer installment payment plans without assuming collection risk from the customer and receive payment in full (provided we choose not to factor such installment payments). When customers make purchases using installment plans, the facilitating bank bears the risk that the customer will make the required installment payments. In all markets except Brazil, we typically receive payment in less than one month after booking. In Brazil, we generally receive payment from the installment financing bank only after each scheduled payment due date from the customer (whether or not the customer makes the scheduled payments to the bank). In some cases, we elect to factor or discount these longer-term Brazilian installment receivables, allowing us to receive the payment of the purchase price more quickly. More than 55% of our transactions in both 2018 and 2017 were completed using an installment plan.

In Brazil, during 2018, we have started to work with a provider for purposes of financing purchases without credit card in up to twelve installments with an interest rate of 1.85% monthly for our customer. The provider bears the risk of payment and fraud. We have made this payment option available in 2018 for refundable hotels sold through our sales call center.

Marketing and Affiliates

Marketing

We execute a multi-channel marketing strategy. Through this effort, we have created a long-standing brand that is associated with superior travel products, high quality services and competitive prices in Latin America. We have an experienced in-house marketing team dedicated to delivering efficient allocation of time and resources across media channels, without relying on outside agencies or consultants. Our marketing strategy allowed us to increase, during 2018, 12% our total unique customers and a 27% our unique customers from mobile devices. Key elements of our marketing strategy include:

In-house Teams. We have teams dedicated to: audiovisual content generation across online and offline channels; negotiation with media and agencies to control budget; performance trends and market analysis through strong data analytics; and targeted campaign monitoring.

Buy Direct. Through our direct relationships with key media suppliers throughout Latin America, we believe we are able to secure highly competitive rates across the region, without unnecessary interaction with intermediaries.

“Always On” Strategy. We have 24/7 continuity of marketing campaigns through a combination of online, television, radio, print and other channels tailored for every country and market. We run campaigns to drive maximum awareness, and we use a multi-channel approach in our top markets.

Cross-Device Insights and Custom Attribution Model and Bidding Tools. We measure marketing success across all media channels and devices by reconstructing the user’s marketing path across devices and applying our custom attribution model that feeds our optimization strategy. We have also developed proprietary tools to optimize our investment in search engine marketing (“SEM”) campaigns for Google Adwords by tracking sources of traffic and attributing a percentage of conversions to each event in a user’s marketing path.

Focus on Efficient Use of Media. We continuously analyze the minimum frequency needed on each media channel to deliver targeted marketing messages, events and promotions to customers based on the specific demographics of each market.

Promotions and Sales. We focus aggressively on promotions including discounts, holiday campaigns and financing options. Our technology-driven marketing allows us to dynamically optimize promotions on a daily basis. Some of our recurring promotions are included below:



In addition, we have partnered with Mercado Libre, Latin America’s largest online marketplace, for the SiWeek promotion, which is a one-week promotion with our company and Mercado Libre offering attractive discounts. For us, this is an opportunity to increase sales as the promotion also appeals to the impulse traveler. We offered discounts of up to 60% for selected hotels, car rentals as well as financing options of up to 21 months to pay with no interest. It was available in Argentina, Brazil and Chile.

Affiliates

We have relationships with a network of over 9,100 affiliates, including travel agents, airlines, websites and other third parties such as online and offline retailers, in seven countries across Latin America. Our agreements with these affiliates allows them to access our product inventory directly through our platform or through our application program interface (“API”). We believe our affiliate program is attractive because we provide access to a range of travel products that our affiliates otherwise may not be able to access cost-effectively or at all. Our affiliates earn commissions from us depending on country and type of products sold. Furthermore, our affiliate program allows us to expand our footprint in Latin America and distribution network in a cost-effective manner.

Sales call centers

In 2018, we launched call center operations through third parties in Peru, Ecuador, Mexico, Colombia, Chile, Argentina and Brazil. Through these call centers we sell all our products with the exception of buses, cruise lines and vacation rentals. We set forth our sales call number in the homepage of each website. We see this as a good opportunity to complement our online platform to gain new customers and interact with those who might not be digitally enabled. Our customers are quickly embracing this option as gross bookings from our sales call centers increased over 55% on average, quarter over quarter, totaling \$70.2 million in 2018.

Customer Service

Customer experience is a key focus for our business and we believe this is reflected in our strong brand recognition and loyalty throughout Latin America. We emphasize providing personalized support throughout the customer purchase cycle, including automated web-based support and support from live customer service representatives.

In addition to our customer service centers in Brazil and Colombia, we rely on outsourced services to provide 24/7 support to our customers for issues that cannot be resolved through our platform. Our customer service facilities in Brazil are dedicated to our Portuguese-speaking customers, while our customer service facilities in Colombia serve Spanish-speaking customers. Many of our customer service staff at these facilities speak English in addition to Portuguese and/or Spanish. We also have a team of customer service staff dedicated specifically to addressing urgent customer needs, primarily those of customers that are in-destination.

To control expenditures related to customer support, we also outsource certain functions to international call center service providers. These outsourced customer service providers support our internal call center operations and improve our ability to support customers around the world.

We also have implemented comprehensive performance measures to monitor our calls to ensure that our customers receive quality service. In addition, as a part of our customer experience we maintain a database containing customer transactions and user preferences for each customer who has booked services through us in order to provide customized support and offerings in the future. We believe that the design of our existing systems can scale to meet further increases in call volume.

In addition, during 2018 we launched a service button on the mobile App which enables customers to reach our Company no matter where they are via VOIP or WI-FI at no cost.

As a result of our efforts we managed to increase our net promoter score (“NPS”) 432 basic points, up to 66% during 2018.

Technology and Data

We use our technology platform to improve the customer experience and optimize the efficiency of our business operations. We have successfully built an innovative technology culture that we believe is unique in Latin America and enables us to attract and retain some of the best talent in the region. We employ more than 1000 dedicated technology professionals. We actively recruit and train these highly-skilled technology professionals and many of our current technology managers started in our training program.

We own our technology platform, which is comprised of applications that we develop in-house using primarily open source software. Our technology team has adopted a continuous improvement, high-frequency testing approach to our business, aimed at improving both traffic and conversion rates, while maintaining reliability.

Our platform is engineered to provide a personalized and secure experience to our customers. We invest heavily in understanding our customers’ behavior and intentions through a combination of detailed behavioral data collection and machine learning algorithms. Our machine learning algorithms also help us detect fraud attempts. We collect, maintain and analyze behavioral data from all the devices our customers are using to interact with our platform. The insights derived from the analysis of this data form the basis of our enhanced conversion strategies. We use email, social media marketing and retargeting campaigns to remind customers of their searches.

We believe our technology can scale to accommodate significantly higher volumes of site traffic, customers, bookings and the overall growth in our business. We routinely test and expand the capacity of our servers so we are prepared to provide our customers with uninterrupted access to our sites during periods with high levels of user traffic, such as when we are offering promotions. Our information technology platform employs a horizontal architecture, which allows us to increase our processing capacity by adding more hardware in parallel with our existing servers. With this structure, we can grow our platform to accommodate the growth of our business with minimal disruption to the operation of our customer-facing platform and without having to replace our existing equipment.

Our system has been designed around an open architecture with a focus on robust reliability to reduce downtime in the event of outages or catastrophic occurrences. Our platform provides 24/7 availability, except during twice-monthly planned maintenance periods. Our system hardware, which we own, is hosted by a third-party data center in Miami, Florida, which also provides redundant communications lines and emergency power backup.

We believe our technology infrastructure is an important asset due to its robustness, cost-effectiveness and scalability. We continuously evaluate, research and develop new services, platforms infrastructure, and software to improve and solidify our technological systems further and provide a reliable, personalized, fast and secure experience to our customers.

For more information, see “—Intellectual Property” and “Item 3. Key Information — D. Risk Factors—Risks Related to Our Business—We may not be able to adequately protect and enforce our intellectual property rights; and we could potentially face claims alleging that our technologies infringe the property rights of others.”

Security, Privacy and Anti-Fraud

We are committed to operating a secure online business. We use various security methods in an effort to protect the integrity of our networks and the confidential data collected and stored on our servers. For example, we use firewalls to protect access to our networks and to the servers and databases on which we store confidential data; we restrict access to our network by virtual private network (“VPN”) with two-factor authentication and conduct periodic audits of data access and modifications of our network; and we use password-protected encryption technology to protect our communication channels and sensitive customer data. In addition, we have developed and use internal policies and procedures to protect the personal information of our customers, and we comply with the Payment Card Industry Data Security Standard (“PCI DSS”). To enforce our security framework we have a dedicated cybersecurity team that conducts penetration testing and application security analysis, develops policies and standards, and ensures compliance with those policies and standards.

We believe that issues relating to privacy and the use of personally identifiable information are becoming increasingly important as the internet and its commercial use continue to grow. We have adopted what we believe is a detailed privacy policy that complies with local legal requirements in each of the Latin American countries in which we operate and outlines the information that we collect concerning our users and how we use it. Users must acknowledge and expressly agree to this policy when registering with our platform, signing up for our newsletters, or making a purchase.

Although we send marketing communications to our users periodically, we use our best efforts to ensure that we respect users’ communication preferences. For example, when users register with us, they can opt out of receiving marketing e-mails from us. Users can modify their communication preferences at any time in the “My Account” section of our sites.

We use information about our users for internal purposes in order to improve marketing and promotional efforts and in order to improve our content, product offerings and site layout. We may also disclose information about our users in response to legal requirements. All information is stored on our servers located in Miami, Florida.

Moreover, we are committed to detecting and deterring possible instances of fraudulent transactions before they are completed. The key components of our fraud-prevention strategy include: (1) a dedicated and specialized fraud prevention team that works closely with our IT staff; (2) engagement with key actors in the online travel industry, such as banks and airlines, which strengthens our early-detection capabilities, thereby reducing the exposure period to potential fraud events; and (3) machine learning systems that analyze multiple factors, including intelligence gathered from our industry relationships, to help us adapt better to changing market conditions and detect and address fraudulent transactions. Our in-house team works with third-party vendors, allowing us to leverage best practices and scale quickly.

Competition

We operate in a highly competitive and evolving market. Travelers have a range of options, both online and offline, to research, find, compare, plan and book air, packages, hotels and other travel products.

Our competitors include:

- global OTAs with presence in Latin America, such as Booking.com and Expedia and travel metasearch sites;
- search websites and apps, such as Google and its travel businesses, and e-commerce and group buying websites and apps;
- alternative accommodation and vacation rental businesses, such as Airbnb;
- local offline travel agency chains and tour operators, such as CVC Brasil Operadora e Agência de Viagens; and
- smaller online travel agencies lacking a pan-regional presence.

In addition, our customers have the option to book travel directly with travel suppliers, including airlines, hotels and other travel service providers via online and offline channels. See “Item 3. Key Information — D. Risk Factors—Risks Related to Our Business—We operate in a highly competitive and evolving market, and pressure from existing and new companies may adversely affect our business and results of operations” for more information.

We believe that the primary competitive factors in the travel industry, in particular as consumers increasingly research, plan and book travel online, are, among other things, brand recognition, price, availability and breadth of choice of travel services and products, customer service, ease of use, fees charged to travelers, accessibility and reliability. We believe our brands, scale, operational and technological capabilities, including our local knowledge and marketing expertise, provide us with a sustainable competitive advantage.

Intellectual Property

We regard our intellectual property as critical to our future success and rely on a combination of trademark laws and contractual restrictions to establish and protect our proprietary rights in our products. Our intellectual property includes trademarks and domain names associated with the names “Despegar.com” and “Decolar.com.” To protect our platform and technology, we have entered into confidentiality and invention assignment agreements with our employees and certain contractors and suppliers. We own our technology platform, which is comprised of applications that we develop in-house using primarily open source software. We have not registered our technology, however, because we believe it would be difficult to replicate and that it is adequately protected by the agreements we have in place. Additionally, our technology is constantly evolving and any registration may run the risk of protecting outdated technology. We cannot assure you that all our intellectual property is fully protected and enforceable vis-à-vis third parties under all applicable laws in Latin America. For more information, see “Item 3. Key Information — D. Risk Factors—Risks Related to our Business—We may not be able to adequately protect and enforce our intellectual property rights; and we could potentially face claims alleging that our technologies infringe the property rights of others.”

Seasonality

See “Item 5. Operating and Financial Review and Prospects — Operating Results.”

Regulation

Regulations Related to the Travel Industry

The laws and regulations applicable to the travel industry affect us and our travel suppliers in the jurisdictions in which we operate, the jurisdictions in which our customers reside and the jurisdictions of their destinations. We are also required to be accredited by the International Air Transport Association (“IATA”) in order to promote and sell tickets for airlines connected to IATA.

Brazil

In addition to the standard licenses and permits required for all companies to operate in the travel industry in Brazil, we are subject to a specific registration of tourism providers with the Ministry of Tourism (“CADASTUR”). In Brazil, there are four main norms that govern the activities related to tourism, as well as the enrollment of services providers in the tourism industry: (i) Law No. 11,771/2008, which regulates the National Tourism Policy and defines the responsibilities of the federal government in planning, developing and stimulating the tourism sector; (ii) Decree No. 7,381/2010, which regulates Law No. 11,771/2008; (iii) Ordinance No. 130/2011 from the Ministry of Tourism, which establishes the CADASTUR, the CADASTUR’s consulting committee and regulates other measures; and (iv) Law No. 12,974/2014, which regulates the activities of tourism agencies.

Argentina

As a travel agency in Argentina, Despegar.com.ar must be registered with the Registry of Travel Agents (*Registro de Agentes de Viajes*) created by Section 5 of Decree No. 2,182/72. The local regulation on commercial tourism activities is comprised of: (i) Law 25,997 and its applicable regulation which governs the development and promotion of tourism in Argentina; (ii) Law 18,829 which defines the regulations applicable to travel agents; (iii) the resolutions issued by the Secretariat of Tourism; and (iv) Law 24,240 as amended, which sets forth the provisions for the protection of consumers.

Regulations that apply to the E-Commerce Industry

We are also subject to a variety of laws, decrees and regulations that affect companies conducting business on the internet in the countries where we operate related to e-commerce, electronic or mobile payments; data collection; data protection; privacy; information requirements for internet providers; taxation (including value added taxes (“VAT”) or sales tax collection obligations); obligations to provide information to certain authorities; and other legislation which also applies to other companies conducting business in general. It is not clear how existing laws in Latin America governing issues such as general commercial activities, property ownership, copyrights and other intellectual property issues, taxation, consumer protection, digital signatures and personal privacy, apply to online businesses. Some of these laws were adopted before the internet was available and, as a result, do not contemplate or address the unique issues of the internet. Due to these areas of legal uncertainty, and the increasing popularity and use of the internet and other online services in our markets, it is possible that new laws and regulations will be adopted with respect to the internet or other online services. These regulations could cover a wide variety of issues, including e-commerce; internet service providers’ responsibility for third-party content hosted in their servers; user privacy; electronic or mobile payments; pricing, content and quality of products and services; taxation (including VAT or sales tax collection obligations, obligation to provide certain information about transactions that occurred through our platform, or about our users); advertising; intellectual property rights; consumer protection and information security. See “Item 3. Key Information — D. Risk Factors—Risks Related to our Business—We process, store and use personal information, card payment information and other consumer data, which subjects us to risks stemming from possible failure to comply with governmental regulation and other legal obligations” and “Item 3. Key Information — D. Risk Factors—Risks Related to our Business—Internet regulation in the countries where we operate is scarce, and several legal issues related to the internet are uncertain” for more information.

Brazil

Resolution (*Circular*) issued by the Central Bank of Brazil No. 3,682 regulates the payment arrangement (*arranjos de pagamento*) services in Brazil (“Payment Arrangement Services Rule”). On July 27, 2017 and March 26, 2018, the Central Bank of Brazil revoked and amended certain provisions and included new provisions to the Payment Arrangement Services Rule, which introduced a definition of subaccrediting entities (*subrecediador*) and determined that all participants of the payment arrangements should be subject to a centralized settlement system not later than September 28, 2018.

Pursuant to Payment Arrangement Services Rule, subaccrediting entity is defined as a party of the payment arrangement that accredits a recipient to accept a payment instrument issued by a payment institution or a financial institution that is a party to the same payment arrangement, but that does not participate in the settlement process of transactions as creditor in relation to the issuer. In addition, the rule sets forth that the submission to the centralized settlement system is optional if the amount of transactions performed by each subaccrediting entity does not exceed R\$500,000,000 (approximately \$135,000,000) in a period of 12 months.

The definition of subaccrediting entity provided by the Payment Arrangement Services Rule is not precise enough to confirm that our Brazilian subsidiary would be subject to it.

We have been carrying on a series of discussions with the Central Bank of Brazil, financial institutions and other participants involved in the payments arrangements in order to obtain the necessary clarifications. However, the application of the Payment Arrangement Services Rule to our Brazilian subsidiary, could negatively impact the working capital of our business in Brazil.

Decolar demonstrated to the Central Bank of Brazil: (i) Resolution 3,682 does not applies to its business; (ii) Decolar should not be deemed a subaccrediting institution; and (iii) it should not be obliged to integrate its activities into the Payment Arrangement Services nor be subject to the payment arrangement rules issued by the Central Bank of Brazil.

On September 21, 2018, the Central Bank of Brazil issued a list of the entities and companies which should (not) be subjected to Resolution 3,682 as well as classifying each of them. Decolar has been classified as a non-subaccreditor and not as a marketplace entity as provided in the regulation 3,682. Decolar has been classified as a simple business establishment and not subjected to Resolution 3,682.

Regulations Related to Consumer and Data Protection

We are subject to consumer and data protection laws in every country where we have a website.

Brazil

There are several laws in Brazil dealing with privacy and data protection, including: (i) the Brazilian Federal Constitution, which provides for the protection of individuals' fundamental and inviolable rights of intimacy/privacy, private life and image; (ii) the Brazilian Civil Code (Law No. 10,406/2002), which reaffirms the Federal Constitution's provision of fundamental rights, and provides for the right to act against violators in order to cease the violation and seek compensation for suffered damage; (iii) the Consumer Protection and Defense Code (Law No. 8,078/1990), which provides for consumer-related databases, data collection and penalties related therewith; (iv) the Brazilian Internet Act (Law No. 12,965/2014), which establishes principles, guarantees, rights and obligations related to the use of the internet in Brazil; and (v) the Brazilian Internet Act Regulation (Decree No. 8,771/2016), which sets forth security standards to be complied with by internet connection and application providers (online platform operators) when storing personal data.

Brazilian consumer protection authorities and courts take the view that the express consent of the consumer must be obtained before the collection, treatment, sharing and transmission of personal data. With regard to data collection, the Brazilian Internet Act provides that personal data collection, use, storage, sharing, transmission and treatment must be authorized previously and expressly by the individual, consistent with the general privacy principle set forth by the Federal Constitution and Consumer Defense Code. For the purposes of the Brazilian Internet Act and its regulation, personal data is deemed any data related to an identified or identifiable individual, including identifying numbers, location data or electronic identifiers, when related to an individual.

In addition, Law No. 9,507/1997 regulates privacy requirements and the habeas data process, by which individual citizens can ask a court to issue an order to protect, correct or remove their personal data, and recognizes consumers' rights to access, correct and update their personal information stored in governmental or public databases. For the purposes of this law, a public database is composed by information that either: (i) is and/or may be transmitted to third parties; or (ii) is not exclusively used by the governmental agency or legal entity generating or managing the information.

As an internet-based retailer, we are also subject to several laws and regulations designed to protect consumer rights—most importantly the Consumer Protection and Defense Code, which regulates commercial practices, product and service liability, strict liability of the supplier of products or services, reversal of the burden of proof to the benefit of consumers, joint and several liability of all companies within the supply chain, abuse of rights in contractual clauses, and advertising and information on products and services offered to the public. The Consumer Protection and Defense Code establishes the legal framework for the protection of consumers, setting out certain basic rights, including the right to clear and accurate information about products and services offered in the consumer market, with correct specification of characteristics, structure, quality and price and the risks they pose. In addition, Executive Decree No. 7.962/13 applies with regards to retaining of service in an online environment. This legislation describes, among others, the rules on disclosure of information, consumer service, payment protection and other procedures for the rendering of online services.

Brazilian General Data Protection Law, N.º 13.709/2018

The Brazilian General Data Protection Law (Law No. 13.709/2018 – “LGPD”) was approved in August 2018 and it will be effective as of August, 2020. This *vacatio legis* was proposed in order to provide public and private institutions with a period for them to adapt to the LGPD. The LGPD is applicable to any individual or legal entity governed by public or private law treating personal data (i) in the Brazilian territory; or (ii) for the purposes of offering or supplying goods or services or treating information of data subjects located in Brazil; or (iii) if personal data has been collected in the Brazilian territory.

According to the LGPD, personal data can only be processed (i) upon data subject consent; (ii) in compliance with statutory or regulatory obligations; (iii) by public administration; (iv) for development of studies by research entities; (v) by contractual and preliminary contractual relationship; (vi) through lawsuits; (vii) for the protection of life and health; (viii) to legitimate interest of the controller; (ix) for credit protection. The treatment of sensitive personal data (e.g., regarding ethnical or racial origin, religion, political opinion or affiliation, health information, sexual orientation) is subject to a higher scrutiny.

As for liability, the general rule of the LGPD is that any Controller or Processor that, in the performance of the activity of personal data processing, causes any property, moral, individual or collective damage to any third party, in violation of the personal data protection law, shall be required to indemnify it. It is important to highlight that the Processor shall be jointly liable for any damages caused by the processing if the Processor fails to comply with the obligations of the data protection law or fails to follow the lawful instructions of the Controller.

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According to the LGPD, there are eight situations in which the international transfer of data is allowed:

- Data Subject has provided specific and highlighted consent for such transfer;
- To countries or international organizations that provide the appropriate level of protection of PERSONAL Data provided for by Brazilian law;
- Controller provides and demonstrates safeguards of compliance with the principles, rights of the data subject and data protection regime established in the law, in the form of specific contractual clauses for a given transfer, among others;
- The transfer is required for international legal cooperation between public bodies of intelligence;
- The transfer is required for life protection of the data subject or any third party;
- The national authority authorizes such transfer;
- The transfer results in a commitment undertaken under an international cooperation agreement; or
- The transfer is required for enforcement of a public policy.

Provisional Measure No. 869/2018 of December 27th, 2018 (MP 869/2018) created the National Data Protection Authority (“ANPD”), with powers to: (a) ensure the protection of personal data; (b) edit rules and procedures related to the protection of personal data; (c) interpret, in the administrative sphere, Law No. 13,709/2018 (Brazilian General Data Protection Regulation—LGPD), being the central body for interpretation of the LGPD and the establishment of norms and guidelines for its interpretation; (d) request information from controllers and operators of personal data; (e) implement simplified mechanisms, including by electronic means, for the recording of complaints about the treatment of personal data not in accordance with the LGPD; (f) supervise and apply sanctions, through administrative proceedings, in cases of non-compliance with the LGPD, having exclusive jurisdiction to apply such sanctions; and (g) promote cooperative actions with international data protection authorities; among others.

In order to gain definitive effectiveness, the MP 869/2018 must be converted into law.

Argentina

In Argentina, we are subject to e-commerce laws such as Resolution No. 104/05 adopted by the Ministry of Economy and the Argentine Consumer Protection Agency, which establishes certain information requirements for internet providers, and Law No. 25,326, as amended, and its corresponding regulations, which mandate the registration of databases with the Data Protection Agency and regulate, among other things, the type of information that can be collected, and how such information can be used.

Moreover, Law No. 24,240, as amended (the “Consumer Protection Law”), sets forth certain rules and principles designed to protect consumers. The Consumer Protection Law was amended on March 12, 2008 by Law No. 26,361 in several respects, including: (i) an increase in the size of the overall group of persons deemed to be consumers, or recipients of the protections of the Consumer Protection Law; (ii) an increase in the maximum penalties applicable to providers that breach the law to AR\$5 million, as discussed below, and the granting of power to the administrative authority to require the payment of direct damages by any provider; (iii) requirements that providers pay punitive damages to consumers (which may not exceed AR\$5 million); and (iv) regulations regarding the possibility for consumer associations to initiate class actions on behalf of consumer groups. The Argentine Secretary of Commerce, which is part of the Argentine Ministry of Economy, is the national enforcement authority of the Consumer Protection Law, while the Autonomous City of Buenos Aires and the provinces act as local enforcement authorities.

Regulations Related to Taxation

Brazil

In Brazil, between 2011 and 2015, our Brazilian subsidiary was exempt from collection of withholding income tax (“WHT”) on remittances to cover travel expenses of Brazilian individuals abroad, within the parameters established by applicable law. From January 1, 2016 to March 1, 2016, the applicable WHT for payments, credits, delivery, use by or remittance of these amounts to foreign persons was 25%. In February 2016, our Brazilian subsidiary filed a writ of mandamus (a judicial complaint) against the federal tax authority claiming that WHT should not be applicable due to a provision of “non-imposition” contained in the Income Tax Regulations. In March 2016, the court granted our Brazilian subsidiary a preliminary injunction on the writ of mandamus, which allowed our Brazilian subsidiary to make remittances free of WHT while the preliminary injunction was in place. In December 2016, the court published a decision on the merits of the case, against our Brazilian subsidiary (which terminated the effects of the preliminary injunction). Also in December 2016, our Brazilian subsidiary filed a Motion for Clarification, in an attempt to request the court to issue an opinion on the possible application of tax treaties to allow our Brazilian subsidiary to not collect WHT on the basis of their provisions.

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Since March 2, 2016, the former WHT exemption was converted into a WHT imposition of 6% on remittances to cover travel expenses of Brazilian individuals abroad, within the parameters established by applicable law. This reduced WHT rate is effective until December 31, 2019 and we cannot assure you that it will be extended in the future. During 2018 our Brazilian subsidiary has been judicially depositing the relevant amounts before the court in order to guarantee that (i) if the company is not successful in the plea before the court, the applicable WHT will be converted into income of the federal revenue, without the imposition of any fines or interest and (ii) if the company is successful in its plea, the amount corresponding to the WHT will be returned to our Brazilian subsidiary with monetary adjustments.

Argentina

Since 2013 we have been the beneficiary of a tax exemption, applicable until January 30, 2029, under Buenos Aires Municipal Law No. 2,972, which includes, among others, the turnover tax exemption. This law exempts from the turnover tax (as described below) any revenue directly connected to services performed through software applied to e-commerce that are performed within the designated IT district located in *Parque Patricios* in the city of Buenos Aires, only when: (i) said entity/person is registered under the Information and Communications Technologies Registry; and (ii) the entity/person keeps or increases the number of employees hired at the time of registration. Agreements executed by registered individuals in order to develop any of the activities promoted will also be exempt from stamp tax when the activities are carried out within or from the district. Because we perform e-commerce activity within and outside the IT district, these exemptions are partially applied. Revenue must be attributed to the IT district (and, thus, considered exempt) using a reasonable parameter.

On August 18, 2017, the Argentine National Ministry of Production issued Disposition 82-E/2017, accepting the registration of our Argentine subsidiary in the National Registry of Software Producers, created by Decree 1315/13. As a result of this registration and pursuant to Argentine National Law No. 25,922, as amended, and its corresponding regulations (the “Software Promotion Law”), our Argentine subsidiary has been granted several tax benefits through December 31, 2019. These benefits include (i) a fixed national tax rate, (ii) a fiscal bond equivalent to 70% of the value of 75.14% of the company’s social security tax contribution payments under Laws 19,032, 24,013 and 24,241, which can be used as a tax credit to offset national taxes; provided that not more than 13.83% of this tax credit may be used by the company to cancel Argentine corporate income tax; (iii) exemption from value-added tax withholding regimes; and (iv) a 60% reduction in the total amount of corporate income tax as applied to income from the activities of creation, design, development, production, implementation or adjustment (upgrade) of developed software systems and their associated documents. In 2019, the President presented the Economy of Knowledge bill to congress for purposes of improving the activities connected to the industry of knowledge. Such law aims to replace the Software Promotion Law.

On December 27, 2017, the Argentine Senate approved a comprehensive income tax reform effective since January 1, 2018. Among the key features of the bill, (i) reduces the current 35% income tax rate to 30% for 2018 and 2019, and to 25% as from 2020; (ii) imposes a dividend withholding tax paid by an Argentine entity of 7% for 2018 and 2019, increasing to 13% as from 2020; (iii) repeals the “equalization tax” (i.e., 35% withholding applicable to dividends distributed in excess of the accumulated taxable income) for income accrued from January 1, 2018; (iv) imposes income tax on indirect sales of assets located in Argentina for new stock acquisition, when Argentinean assets represent at least 30% of the value of the foreign entity; v) creates new rules applicable to controlled foreign companies for tax recognition of foreign profit investment; (vi) introduces taxation of foreign digital services on VAT for B2C (business to consumer) transactions; (vii) establishes an advance pricing agreement regime and (viii) establishes a mutual agreement procedure for tax treaty interpretation disputes.

On 4th December 2018, Argentine Congress enacted a temporary duty on exports of services starting the 1st January 2019 until 31 December 2020. The new regulations establish a duty of 12% applicable on gross revenue related to cross border services, considering a maximum limit of ARS 4 per each American US dollar. The subsidiary located in Argentina performs services within the scope of the temporary duty.

Uruguay and Others

We operate as a free trade zone user of the Zonamerica Free Trade Zone in Montevideo, Uruguay (the “Free Trade Zone”), under Law No. 15,921 and its corresponding regulations. No domestic Uruguayan tax whatsoever applies in the Free Trade Zone, except for social security contributions for any Uruguayan employees. No social security contributions are required for non-Uruguayan employees, so long as they do not exceed 25% of the personnel working in the facility located in the Free Trade Zone. In addition, the inflow of goods and services to the Free Trade Zone, as well as their outflow abroad, are tax exempt. The movement of goods and services into a Free Trade Zone from non-Free Trade Zone Uruguayan territory is treated as an export and therefore also exempt from VAT and the Specific Internal Tax (*Impuesto Especifico Interno* or “IEI”). On the other hand, if goods are introduced into non-free Uruguayan territory from a Free Trade Zone, the corresponding import tax will apply. Exporting services from a Free Trade Zone to non-Free Trade Zone Uruguayan territory is generally prohibited. However, in 2016, our Uruguay subsidiary located in the Free Trade Zone was authorized by the Ministry of Economy in Uruguay to have limited operations with a related party located in Uruguay. By law, the Uruguayan state is liable for damages if the tax exemptions, benefits and rights of users of Free Zones granted pursuant to the law are not fulfilled during the term of their contracts.

We also receive certain tax benefits, consisting primarily of a reduced income tax rate, as a free trade zone user in Bogotá, Colombia under Decree 2147.

Regulations Related to Foreign Currency and Exchange Rates

There are also laws and regulations that address foreign currency and exchange rates in many of the countries in which we operate. In certain countries where we operate, we need governmental authorization to pay invoices to a foreign supplier or send money abroad due to foreign exchange restrictions. See “Item 3. Key Information — D. Risk Factors—Risks Related to Latin America—We are subject to significant foreign currency exchange controls in certain countries in which we operate.”

Other Recent Argentine Regulations

Productive Financing Law. On November 13, 2017, the Macri administration submitted a draft bill to the Congress with the goal of developing, modernize and promote the development of the Argentine capital markets. The Argentine Congress passed this draft as Law No. 27,440 on May 9, 2018. Law No. 27,440 amends the existing Argentine Capital Markets Law, the Mutual Funds Law No. 24,083 and the Argentine Negotiable Obligations Law No. 23,576, among other complementary and relevant legislation, in an effort to update the applicable legal framework and fostering the development of the Argentine capital markets. Law No. 27,440 seeks to increase the base of investors and companies which take part in the capital markets, promoting productive financing for all players in the market but with special focus on micro-, small- and medium-sized companies, creating a regimen which promotes and eases financing to such companies. Furthermore, the Law No. 27,440 amends certain tax provisions, derivatives regulations and certain financial inclusion program.

Corporate Criminal Liability Law. On November 8, 2017, the Argentine Congress passed the Corporate Criminal Liability Law as Law No. 27,401, which implements certain international standards to penalize criminal offenses against public administration and cross-border bribery committed by, companies’ shareholders, attorneys-in-fact, directors, managers, employees, or representatives, among others. The Corporate Criminal Liability Act entered into effect on March 1, 2018.

Welfare Reform Law. On December 18, 2017, the Argentine Congress passed the Welfare Reform Law, as Law No. 27,426 proposed by the Macri administration that seeks comprehensive reform of the Argentine welfare system, including modifications to the basic formula for the periodic adjustment of retirement earnings, pensions and social plans. The Welfare Reform Law also modified the Labor Law No. 24,241 by establishing that employers may request employees who have reached 70 years of age to initiate retirement proceedings.

Tax Reform . On December 27, 2017, the Argentine Congress approved a Tax Reform as Law No. 27,430, which is intended to eliminate certain of the existing complexities and inefficiencies of the Argentine tax regime, reduce tax evasion, increase the coverage of income tax as applied to individuals and encourage investment while sustaining its medium- and long- term efforts aimed at restoring fiscal balance. The reforms will gradually come into effect over the next five years as part of a larger program announced by President Macri which goal is to increase the competitiveness of the Argentine economy as well as employment and diminish poverty on a sustainable basis.

Fiscal Consensus Laws . On December 21, 2017, the Argentine Congress passed the Fiscal Consensus Law, as Law No. 27,429. This law was based on an agreement signed on November 16, 2017 between the Argentine government and representatives from 23 out of Argentina’s 24 provinces, with the goal of implementing measures that favor sustained growth in economic activity, productivity and employment. On December 4, 2018, the Argentine Congress passed a new Fiscal Consensus Law, as Law No. 27,469, which modifies some aspects of the previous Law. For example, this new Law suspends the prohibition to increase the tax rate of the Personal Assets Tax and it also suspends, for a period of one year, the commitment of the provinces to reduce the Stamp Tax rates.

Decree No. 27/2018 (Decreto de Necesidad y Urgencia) on Debureaucratization and Simplification : The Executive Branch issued necessity and urgency Decree No. 27/2018 on Debureaucratization and Simplification (published in the Official Gazette on January 11, 2018). With this measure, the Argentine government seeks to reduce the amount of processes companies must complete to be able to operate in the country, seeking to be more efficient and accelerate processing. On May 30, 2018, the Argentine Congress passed the Law 27,444, Law 27,445 and Law 27, 446 in replacement of the Decree No. 27/2018. Although such Laws maintain most of the basic modifications introduced by the Decree, certain measures were left aside of the laws’ content and therefore, repealed.

Argentina Considered Hyperinflationary Market

During May 2018, the International Practices Task Force (“IPTF”) discussed the highly inflationary status of the Argentine economy. Historically, the IPTF has used the Consumer Price Index (“CPI”) when considering the inflationary status of the Argentine economy. Given that the CPI was considered flawed by the current Argentine Government until December 2015 and the new CPI was published as from June 2016, the IPTF considered alternative indices to determine the three-year cumulative inflation.

A highly inflationary economy is one that has cumulative inflation of approximately 100% or more over a three-year period. The alternative three-year cumulative indices at June 30, 2018 exceeded 100%. According to U.S. GAAP, the company should apply highly inflationary accounting no later than July 1, 2018. As of July 1, 2018, the Company transitioned its Argentinian operations to highly inflationary status in accordance with U.S. GAAP, and changed the functional currency for the Argentine subsidiary from Argentine Pesos to U.S. dollars, which is the functional currency of their immediate parent company.

Pursuant to the change in the functional currency, local currency monetary assets and liabilities are remeasured at closing exchange rate, non-monetary assets are remeasured at the rate prevailing on the date of the respective transaction, and revenues and expenses are remeasured at the average exchange rate of each month. The effect of the remeasurement is recognized as foreign currency gains (losses).

Legal Proceedings

From time to time, we are involved in disputes and legal and administrative proceedings that arise in the ordinary course of our business. We are currently engaged in several legal proceedings, including consumer protection, tax, labor and other proceedings. Any claims against us, regardless of whether meritorious, can be time-consuming, result in costly litigation, require significant management time and result in the diversion of significant operational resources.

We have established provisions for such disputes and proceedings in an aggregate amount of \$6.7 million as of December 31, 2018. We record a provision in our balance sheet for losses arising from litigation (mainly from customers and former employees) based on an evaluation of the likelihood of loss by our external and internal legal counsel, the progress of related proceedings, the history of losses in similar cases and the individual analysis of each contingency. We record provisions for contingencies based on probable loss or when so required under accounting rules. We do not reserve provisions for possible and remote losses.

We are currently not a party to any legal, arbitration or administrative proceedings that, in the opinion of our management, is likely to have a material and adverse effect on our business, financial condition or results of operations, other than as set forth below.

Brazil

On June 25, 2014, the National Association of Citizenship and Consumer Defense (“ANADEC”) filed a public civil action against our Brazilian subsidiary to (i) dispute the validity of cancellation clauses which establish a penalty in a percentage higher than 20% of the price paid by the consumer; and (ii) request the return of the amounts paid by all consumers above this percentage. We successfully defended this claim in the trial court and the ANADEC has appealed the decision, which is ongoing. We believe this claim is without merit. On October 2016, the Court of Sao Paulo rejected ANADEC’s petition due to lack of legitimacy of the claimant. ANADEC appealed that resolution and on May 10, 2018, the Appeal Court decided to dissolve ANADEC. This decision, issued in another Civil Class Action filed by the Public Attorney’s Office of São Paulo against ANADEC, was inserted in Decolar’s Civil Class Action, in order to produce its effects.

On July 27, 2016, a Brazilian hotel sector association—*Forum de Operadores Hoteleiros do Brasil* (“FOHB”)—filed a complaint with the Brazilian Administrative Council for Economic Defence (“CADE”) against us, Booking.com and Expedia, with respect to parity provisions in supply contracts. Although we submitted our response to FOHB’s complaint, on October 2016 the CADE launched an administrative inquiry, as they concluded that the facts alleged by FOHB should be examined more deeply. After several months of discussions, that CADE agreed to close the investigations upon the execution of a settlement agreement with us, Booking.com and Expedia. Through the arrangement, the CADE limited the use of parity clauses in the commercial relations between OTAs and their accommodation suppliers. Therefore, parity clauses will not be valid to forbid better offers made by these hotels in their offline sales channels. In addition, the three companies party to the settlement will not be able to demand parity in relation to the prices charged by other online travel agencies. On the other hand, CADE accepted the possibility to keep requiring the parity clause regarding the offer of accommodation through the website of the hotels. The settlement agreement was approved by the CADE Tribunal on March 27, 2018. Since such settlement, we were required to inform our hotel suppliers about the settlement before June 1, 2018 and to make the necessary adjustments to our current contracts by July 31, 2018. The settlement agreement will be valid for three years and due to the type of the conduct, there is no legal obligation to pay a pecuniary contribution. It is important to note that the settlement is limited to the hotels located in Brazil. The CADE Tribunal has approved in September 4, 2018 the opinion of the CADE Attorney General Office attesting Decolar’s compliance with the Settlement Agreement, related to the obligation to communicate the hotels and amend all contracts. The case is currently closed.

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Between May and July 2016, Booking.com filed several complaints against us with various public offices: Public Prosecution Office of the State of Rio Grande do Sul, Public Prosecution Office of the State of São Paulo, Consumer Defense Office of the State of Rio de Janeiro, Consumer Defense Office of the State of São Paulo, Consumer Defense Office of the Department of Justice, Consumer Defense Committee of the Legislative Assembly of the State of Rio de Janeiro and the Public Prosecution Office of the State of Rio de Janeiro. Booking.com alleges that (i) we offered higher prices to Brazilian consumers than those offered to foreign consumers for the same accommodation during the same period of time (“geopricing”) and (ii) we made accommodations unavailable for Brazilian consumers whereas foreign consumers were allowed to book the same accommodations (“geoblocking”). Based on these allegations, Booking.com is requesting that the public prosecution offices order us to pay penalties and/or to initiate public civil actions against us in order to prevent the alleged practices. We have presented our administrative defenses to all claims and currently the public prosecution offices are collecting evidence. Such complaints resulted in investigation proceedings with the respective authorities. As a result of these proceedings, in January 2018, the Public Prosecutor’s Office of the State of Rio de Janeiro filed a public civil action against us in the Rio de Janeiro court. The complaint refers to the alleged geopricing and geoblocking practices detrimental to Brazilian consumers and seeks relief to cease the practice and for payment of damages. We filed our defense on March 20, 2018 and provided evidence that we weren’t engaging in those alleged practices. Although we believe our Brazilian subsidiary has meritorious defenses to this lawsuit, we cannot assure you what the ultimate outcome of this matter will be. The final resolution of this claim, which could take several years, is not likely to have a material effect on our financial position or results of operations.

Argentina

On June 28, 2017, the *Sindicato Empleados de Comercio de Capital Federal* (Union for Employees of the Commercial Sector in the City of Buenos Aires, or “SECCF”) filed a lawsuit against our Argentine subsidiary, Despegar.com.ar, in which SECCF is demanding the application of its collective labor agreement to all of the employees of the subsidiary. According to SECCF’s claim, Despegar.com.ar should have withheld and transferred to SECCF an amount equal to 2% of the gross monthly salaries of all of its employees for the period from October 2011 through October 2016. As a result, SECCF is demanding payment of approximately AR\$18 million.

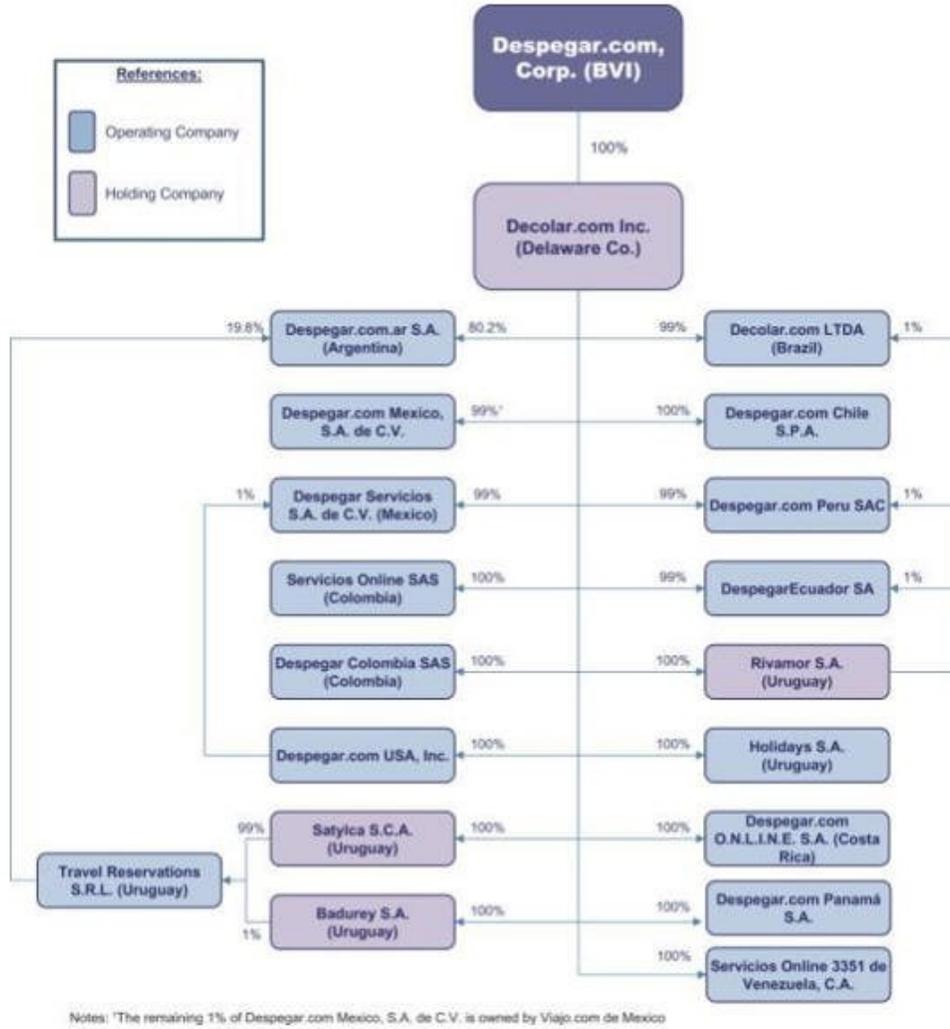
On April 19, 2018 SECCF filed a new claim, similar to the previous one, but against La Inc S.A.—an Argentine subsidiary company that had already been merged with Despegar.com.ar several months before. In this new claim, SECCF is demanding an amount equal to the 0.5% of the gross monthly salaries of La Inc’s employees for certain periods (July and August, 2012; September, 2013; and March, 2015 to the present).

Despegar.com.ar filed both responses in a timely manner, rejecting all the claims, with similar defenses. It is important to mention that although certain of Despegar.com.ar’s employees are members of this union, we believe that other employees, such as senior management and IT personnel, should not be part of this union.

Although we believe Despegar.com.ar has meritorious defenses to this lawsuit, we cannot assure you what the ultimate outcome of this matter will be. The final resolution of these claims, which could take several years, is not likely to have a material effect on our financial position or results of operations.

C. Organizational Structure

Despegar.com, Corp. is a holding company organized in the British Virgin Islands, which owns, directly or indirectly, all of our operating subsidiaries. The diagram below depicts the organizational structure of our key subsidiaries:



D. Property, Plants and Equipment

The following table shows the location of our significant leased offices and customer service centers, and the term of the leases under which they operate.

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<u>City, Country</u>	<u>Facility</u>	<u>Address</u>	<u>Approximate Square Meters</u>	<u>Agreement Expiration Date</u>
Buenos Aires Argentina	Argentina operation and regional functions	Avenida Corrientes 746	2,030	03/31/2020
Buenos Aires, Argentina	Argentina operation and regional functions	Juana Manso 999, 2 Floor	4,422	8/31/2021
Buenos Aires, Argentina	Argentina operation and regional functions	Juana Manso 1069, 5 Floor	1,203	05/21/2022
La Plata, Buenos Aires Argentina	Argentina operation	Camino Centenario esq. 511, La Plata	2,600	08/31/2022
São Paulo, Guarulhos, Brazil	Brazil operation	Avenida Timóteo Penteado Nbr. 1578	2,792	8/10/2019
Bogotá, Colombia	Colombia operation and customer service center	Interior 101, Manzana 15, Carretera 106 Nbr. 15A-25, Free Trade Zone	1,754	2/23/2020
Montevideo, Uruguay	International Hotels, Packages and Other Travel Products operations and Shared service center	Ruta 8 Km. 17,500, local 318, edificio 300, Zonamerica	2,092	9/14/2020
Sao Paulo, Barueri, Brazil	Brazil operation	Alameda Grajuá 219	5,600	8/16/2023

We also own two properties: (1) an approximately 2,077 square meter facility at Jujuy 2013 in the Parque Patricios tech district of Buenos Aires, Argentina, which houses part of our Argentina operations including IT support, and (2) an approximately 223 square meter facility on Avenida Francisco de Miranda in Caracas, Venezuela, which houses our Venezuela operations.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS**A. Operating Results****Overview**

We are the leading online travel company in Latin America, known by our two brands, Despegar, our global brand, and Decolar, our Brazilian brand. We have a comprehensive product offering, including airline tickets, packages, hotels and other travel-related products, which enables consumers to find, compare, plan and purchase travel products easily through our marketplace. We provide our network of travel suppliers a technology platform for managing the distribution of their products and access to our users. We are focused on the underpenetrated Latin America travel industry, where approximately \$46 billion and \$41 billion in gross bookings were transacted in 2018 and 2017, respectively. Gross bookings are expected to grow to approximately \$71 billion (in current terms) by 2022, representing an estimated CAGR of 11.6% for the period 2018 – 2022, according to Euromonitor International. In 2018, 42% of all travel bookings were done online, a percentage that is expected to increase to approximately 50% in 2022.

We organize our business into two segments: (1) Air, which consists of the sale of airline tickets, and (2) Packages, Hotels and Other Travel Products, which consists of travel packages (which can include airline tickets and hotel rooms), as well as stand-alone sales of hotel rooms (including vacation rentals), car rentals, bus tickets, cruise tickets, travel insurance and destination services. In 2018, we derived 40.5% and 59.5% of our total revenue from our Air and our Packages, Hotels and Other Travel Products segments, respectively. In 2017, we derived 46.0% and 54.0% of our total revenue from our Air and our Packages, Hotels and Other Travel Products segments, respectively. In 2016, we derived 50.0% and 50.0% of our total revenue from our Air and our Packages, Hotels and Other Travel Products segments, respectively.

We report our revenue on a net basis, deducting cancellations and amounts that we collect as sales taxes. We derive most of our revenue from commissions and other incentive payments paid by our suppliers and service fees paid by our customers. We recognize revenue for certain up-front incentive commissions and service fees at the time of sale for both product segments.

For 2018, 2017 and 2016:

- revenue was \$530.6 million, \$523.9 million and \$411.2 million, respectively;
- operating income was \$45.4 million, \$71.2 million and \$35.1 million, respectively; and
- net income was \$ 19.2 million, \$42.4 million and \$17.8 million, respectively.

In May 2017, the stockholders of our predecessor, Decolar.com, Inc., a Delaware corporation, exchanged their shares for ordinary shares of Despegar.com, Corp., a business company incorporated in the British Virgin Islands to create a new BVI holding company. Following the exchange, our shareholders own shares of Despegar.com, Corp. and Decolar.com, Inc. is a subsidiary of Despegar.com, Corp. The audited consolidated financial statements as of December 31, 2017 and 2016, and for the three years ended December 31, 2017 to the extent related to the events and periods prior to May 3, 2017, are the consolidated financial statements of Decolar.com, Inc., which is our predecessor for accounting purposes.

Key Trends and Factors Affecting Our Business

We believe that our results of operations and financial performance will be driven primarily by the following:

- *Growth in and Retention of our Customer Base* : A key driver of our revenue will be the number of customer transactions and the growth in our customer base. We have grown our customer base from 2.7 million unique customers booking travel with us in 2012 to 5.3 million in 2018. One important driver of growth in our customer base is consumer awareness of our brand which we foster via our online and offline marketing throughout our target markets in Latin America. We also benefit from network effects, in that a larger customer base helps us to attract additional suppliers and, in turn, a larger network of suppliers helps us to attract new customers as well as drive retention and repeat purchases. During 2018, we increased 12% our total unique customers. We focus on maintaining strong customer satisfaction to build long-term customer relationships. In 2018 and 2017, approximately 71.8% and 64.0%, respectively, of our customers had completed previous purchases on our platform.
- *Cross-Selling* : Our financial results are also driven by our ability to cross-sell and increase the number of products that we are able to sell in connection with each trip, which allows us to increase our revenue from each transaction without incurring the costs of acquiring additional customers.
- *Changes in Product Mix and New Product Offerings* : In addition to the total volume of transactions, our operating results also vary depending on product mix. In particular, packages and hotels tend to have higher margins than air travel. In addition, we continually seek to expand our product offerings, whether by adding new product categories, such as our introduction of our bus, local concierge and vacation rentals products, which may have higher or lower margins than our overall business, or by the ongoing expansion of our supplier base.
- *Packages as a driver of business growth* : A key strategy of our business for the coming years, is to increase our proprietary activities, in both forms allotments and tour operations, which allow us to generate higher margins, but is associated with inventory risk. We believe we have the capability to appropriately manage this inventory .
- *Shift to Mobile Transactions* : As smart phone penetration in Latin America continues to increase, Latin American consumers have begun to make greater use of mobile devices to transact online. Mobile is an increasingly important part of our business, as consumers are quickly able to access and browse our real-time travel offerings, compare prices and make purchases through their mobile devices. During 2018 and 2017, mobile accounted for approximately 61% and 54%, respectively, of all of our user visits, and approximately 34% and 28%, respectively, of our transactions were completed on our mobile platform, complementing our desktop website traffic. In addition, the mix of our transactions via mobile increased by approximately 6 percentage points in 2018 compared to 2017. During 2018, we increased 27% our unique customers in mobile devices. Our strategic focus on mobile enables us to remain connected to customers and provides the opportunity for customers to access our platform after they have arrived at their destination to purchase additional products, such as rental cars, destination services and travel insurance, or make last-minute hotel or air travel bookings.
- *Selling and Marketing Expenditures* : Our number of transactions and gross bookings, and consequently our revenue and results of operations, are impacted by the level of our selling and marketing expenditures. We monitor our selling and marketing expenditures and their impact on our revenue in many cases virtually in real-time, as a significant amount of our selling and marketing expenditures relate to online advertising for which we can obtain real-time click-through data. As a result, we are able to adjust our selling and marketing expenditures to respond rapidly to changing market conditions. During 2018, our selling and marketing expenditures increased 7% compared to prior periods due to the following: (1) continue investment to build brand awareness and to increase market share (2) partially offset the currency depreciation, particularly in Argentina in December 2018, (3)improving efficiency in investments. During 2018, our number of transactions increased 15% and gross bookings increased 6%, in both cases compared to 2017.

Key Business Metrics

We regularly review the following key metrics to evaluate our business, measure our performance, identify trends in our business, prepare financial projections and make strategic decisions.

	Year Ended December 31,					
	2018	2017	% Change	2017	2016	% Change
	(in thousands)			(in thousands)		
Operational						
Number of transactions						
By country						
Brazil	4,230	3,713	14	3,713	2,924	26
Argentina	2,378	2,264	5	2,264	1,798	26
Other	3,785	3,079	23	3,079	2,490	25
Total	10,393	9,056	15	9,056	7,212	26
By segment						
Air	5,945	5,285	12	5,285	4,250	24
Packages, Hotels and Other Travel Products	4,449	3,771	18	3,771	2,963	27
Total	10,393	9,056	15	9,056	7,212	26
Gross bookings	\$4,715,235	\$4,454,548	6	\$4,454,548	\$3,260,234	37
Financial						
Adjusted EBITDA (unaudited)	\$ 67,644	\$ 89,354	(25)	\$ 89,354	\$ 48,585	84

Number of Transactions

The number of transactions for a period is an operating measure that represents the total number of customer orders completed on our platform in such period. We monitor the total number of transactions, as well as the number of transactions in each of our segments and the number of transactions with customers in each of Brazil, Argentina and the other countries in which we operate. The number of transactions is an important metric because it is an indicator of the level of engagement with our customers and the scale of our business from period to period but, unlike gross bookings and our financial metrics, the number of transactions is independent of the average selling price of each transaction, which can be significantly influenced by fluctuations in currency exchange rates.

Gross Bookings

Gross bookings is an operating measure that represents the aggregate purchase price of all travel products booked by our customers through our platform during a given period. We generate substantially all of our revenue from commissions and other incentive payments paid by our suppliers and service fees paid by our customers for transactions through our platform, and, as a result, we monitor gross bookings as an important indicator of our ability to generate revenue.

Adjusted EBITDA

We define Adjusted EBITDA as net income exclusive of financial income / (expense), income tax, depreciation, amortization and share-based compensation.

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We believe that Adjusted EBITDA, a non-GAAP financial measure, provides useful supplemental information to investors about us and our results. Adjusted EBITDA is among the measures used by our management team to evaluate our financial and operating performance and make day-to-day financial and operating decisions. In addition, Adjusted EBITDA is frequently used by securities analysts, investors and other parties to evaluate companies in the online travel industry. We also believe that Adjusted EBITDA is helpful to investors because it provides additional information about trends in our core operating performance prior to considering the impact of capital structure, depreciation, amortization, and taxation on our results.

Adjusted EBITDA should not be considered in isolation or as a substitute for other measures of financial performance reported in accordance with U.S. GAAP. Adjusted EBITDA has limitations as an analytical tool, including:

- Adjusted EBITDA does not reflect changes in, including cash requirements for, our working capital needs or contractual commitments;
- Adjusted EBITDA does not reflect our financial expenses, or the cash requirements to service interest or principal payments on our indebtedness, or interest income or other financial income;
- Adjusted EBITDA does not reflect our income tax expense or the cash requirements to pay our income taxes;
- although depreciation and amortization are non-cash charges, the assets being depreciated or amortized often will need to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for these replacements;
- although share-based compensation is a non-cash charge, Adjusted EBITDA does not consider the potentially dilutive impact of share-based compensation; and
- other companies may calculate Adjusted EBITDA differently, limiting its usefulness as a comparative measure.

We compensate for the inherent limitations associated with using Adjusted EBITDA through disclosure of these limitations, presentation of our consolidated financial statements in accordance with U.S. GAAP and reconciliation of Adjusted EBITDA to the most directly comparable U.S. GAAP measure, net income.

The table below provides a reconciliation of our net income to Adjusted EBITDA:

	Year Ended December 31,		
	2018	2017	2016
Net income	\$19,154	\$42,366	\$17,797
Add (deduct):			
Financial expense/ (income), net	19,167	17,879	6,752
Income tax expense	7,069	11,994	10,538
Depreciation expense	5,348	5,075	5,089
Amortization of intangible assets	10,140	8,751	7,835
Share-based compensation expense	6,766	4,289	574
Adjusted EBITDA	<u>\$67,644</u>	<u>\$89,354</u>	<u>\$48,585</u>

Components of Results of Operations

Revenue

We report our revenue on a net basis for those transactions in which we are intermediaries and on gross basis for those transactions in which we are the principal, deducting cancellations and amounts that we collect as sales taxes. We derive substantially all of our revenue from commissions and other incentive payments paid by our suppliers and service fees paid by our customers for transactions through our platform. To a lesser extent, we also derive revenue from the sale of third-party advertisements on our websites and from certain suppliers when their brands appears in our advertisements in mass media, which in 2018, 2017 and 2016 amounted to 2.9%, 2.7% and 1.8%, respectively, of total revenue.

The structure of our fees and commissions varies significantly by product. Supplier incentives take several forms, including up-front commissions, which we recognize at the time of booking or upon check-in; back-end commissions and other bonuses based on satisfying volume targets for certain suppliers; as well as certain payments from our GDS suppliers and other suppliers. We also receive certain service fees from our customers, which vary based on a number of factors, including the type of product, destination and point of sale.

In both of our segments, we recognize revenue for certain up-front incentives commissions and service fees at the time of sale. In our merchant, or pre-pay, model transactions, our supplier agreements allow us to receive full payment at the time of booking from the customer while the supplier is paid after check-out. In our agency, or pay-at-destination, model, we may either record the booking without taking payment from the customer or collect an amount equal to the commission from the customer while the customer pays the supplier only at check-out.

We seek to develop and maintain long-term relationships with travel suppliers, GDSs and other intermediaries. Our travel supplier management personnel work directly with travel suppliers to optimize access to their travel products for visitors to our platform, including through promotional activity, and maximize our revenue. In most cases, we enter into non-exclusive contracts with our travel suppliers, although in the case of some travel suppliers we may have informal arrangements without written contracts. Typically, supplier payment terms are negotiated on a regular basis. We have an exclusive contract with Expedia and its affiliates to offer through our platform hotel and other lodging products for all countries outside of Latin America. The contract establishes agreed payment terms. In 2018, 2017 and 2016, 8.2%, 9.1% and 9.3% of our gross bookings, respectively, were attributable to supply provided by affiliates of Expedia. For more information about our relationships with Expedia, see “Item 7. Major Shareholders and Related Party Transactions —B. Related Party — Relationship with Expedia.” Given the fragmentation in travel suppliers in our markets, the frequency of negotiations of payment terms and competitive conditions, we have experienced what we consider to be limited volatility related to our arrangements with suppliers; however, we cannot assure you that we will not experience more volatility in the future.

Cost of Revenue

Cost of revenue consists of (1) credit card processing fees, (2) fees that we pay to banks relating to the customer financing installment plans that we offer, (3) the costs of operating our fulfillment center, customer service and risk management, (4) costs borne by us as a result of credit card chargebacks, including those related to fraud, (5) claims against us under consumer protection laws, (6) certain transaction-based taxes, other than income taxes (which are included under income tax expense) and sales taxes (which are deducted from our revenue) (7) a portion of overhead expenses distributed based on the percentage of our employees attributable to cost of revenue, and (8) amortization of property and equipment related to our fulfillment operation.

Selling and Marketing

Selling and marketing expense is comprised of direct costs, including online marketing such as search engine and social media marketing, and offline marketing, such as television and print advertising. It also includes expenses of our selling and marketing personnel, and related overhead usually distributed based on the percentage of our employees attributable to selling and marketing (for example, rent, facilities, depreciation etc.) Selling and marketing expense also includes commissions paid to certain third-party affiliates for sales that they generate through our systems. Reductions on a per transaction basis are expected to continue as the economy scales. However, the impact on operating contribution will vary with the level of activity and average selling prices.

General and Administrative

General and administrative expense consists primarily of personnel expenses for management, including both senior management and local managers, and employees involved in general corporate functions, including finance, accounting, tax, legal, human resources and commercial analysts, our share-based compensation expenses for grants to members of our management team and professional and consulting fees. General and administrative expense also includes a portion of the overhead distributed based on the percentage of our employees attributable to general and administrative (for example, rent, facilities and depreciation). General and administrative expense also includes bad debt expense that we recognize relating to the risk that we are unable to collect receivables from certain suppliers.

Technology and Product Development

Technology and product development expense includes the costs of developing our platform, as well as information technology costs to support our infrastructure, back-office operations and overall monitoring and security of our networks. This expense is principally comprised of personnel, and depreciation and amortization of technology assets, including hardware, and purchased and internally-developed software. Technology and product development expense also includes a portion of the overhead expense for our facilities, based on the percentage of our employees attributable to technology and product development. During 2018, 2017 and 2016, we capitalized \$13.5 million, \$12.9 million and \$12.2 million, respectively, for internal-use software and website development costs.

We classify our supplier relationships as a component of the products that we offer to our customers and, accordingly, our costs of acquiring and maintaining supplier relationships, including the costs of our personnel engaged in supplier relationships, are included as a component of technology and product development expense.

Financial Income / (Expense)

The functional currency of Despegar.com, Corp. and the functional currency of certain of our subsidiaries, including our U.S., Ecuador, Venezuela and Argentina (from July 1, 2018) subsidiaries, as well as one of our Uruguay subsidiaries, is the U.S. dollar. Each of our other subsidiaries uses its local currency as its functional currency. Gains and losses resulting from transactions by each entity in non-functional currency are included in financial income / (expense). Financial income / (expense) also includes gains and losses on certain derivative financial instruments that we use to manage our exposure to foreign exchange volatility.

In addition, our assets and liabilities are translated from local currencies into dollars at the end of each period. However, any gains and losses resulting from such translations are reflected in our consolidated statement of comprehensive income / (loss) and are not reflected in our consolidated statements of operations. See also “Item 11. Quantitative and Qualitative Disclosures about Market Risk—Foreign Exchange Risk.”

Many of our customers finance their purchases from us using installment plans offered by third-party financial institutions. When customers make purchases using installment plans, the third-party financial institution bears the risk that the customer will make the required installment payments. In all markets except Brazil, we typically receive payment in full in less than one month after booking. However, our agreements with financing providers in Brazil allow for a significant delay between the initial transaction and the payment of the purchase price to us. In Brazil, we generally receive payment from the installment financing provider only after each scheduled payment due date from the customer. In the interim, the payment obligation is recognized as a receivable on our balance sheet. In some cases, we elect to factor or discount these Brazilian installment receivables, allowing us to receive the payment of the purchase price more quickly. The difference between the book value of the receivable and the amount that we receive for factoring such receivable is recognized as financial expense.

We also maintain revolving credit facilities in certain jurisdictions, and the associated interest expense is also included in financial income / (expense). As of December 31, 2018, we had outstanding borrowings of \$31.2 million under these facilities.

Income Tax Expense

As a Delaware corporation, our predecessor and subsidiary Decolar.com, Inc. is subject to taxation in the United States. In May 2017, the stockholders of Decolar.com, Inc. exchanged their shares for newly issued shares of Despegar.com, Corp. Although Despegar.com, Corp. is organized in the BVI, as a result of the exchange, under the “anti-inversion” rules of Section 7874 of the U.S. Internal Revenue Code, Despegar.com, Corp. is treated for U.S. federal tax purposes as a U.S. corporation and, accordingly, Despegar.com, Corp. is subject to U.S. federal income tax on its worldwide income, at a maximum rate which was reduced from 35% to 21% in January 2018.

We are subject to foreign taxes in the multiple jurisdictions in which we operate. In Brazil and Argentina, the income tax statutory rates are 34% and 30%, respectively.

Results of Operations*Year Ended December 31, 2018 Compared to Year Ended December 31, 2017*

	Year Ended December 31,				% Change
	2018		2017		
	(in thousands)				
		% of Revenue		% of Revenue	
Revenue					
Air	\$214,804	40.5	\$241,015	46.0	(11)
Packages, Hotels and Other Travel Products	315,810	59.5	282,925	54.0	12
Total revenue	530,614	100.0	523,940	100.0	1
Cost of revenue	172,110	32.4	142,479	27.2	21
Gross profit	358,504	67.6	381,461	72.8	(6)
Operating expenses					
Selling and marketing	174,357	32.9	166,288	31.7	5
General and administrative	67,240	12.7	72,626	13.9	(7)
Technology and product development	71,154	13.4	71,308	13.6	(0.2)
Impairment of long-lived assets	363	0.1	—	—	—
Total operating expenses	313,114	59.0	310,222	59.2	1
Operating income	45,390	8.6	71,239	13.6	(36)
Financial income	7,621	1.4	2,389	0.5	219
Financial expense	(26,788)	(5.0)	(19,268)	(3.7)	39
Net income before income taxes	26,223	10.0	54,360	10.4	(28)
Income tax expense	7,069	1.3	11,994	2.3	(41)
Net income	\$ 19,154	8.7	\$ 42,366	8.1	(25)

[Table of Contents](#)*Revenue*

Revenue increased from \$523.9 million in 2017 to \$530.6 million in 2018. The increase in revenue was primarily a result of 15% increase in the number of transactions from 9.1 million in 2017 to 10.4 million in 2018, and a 6% increase in gross bookings from \$4,455 million in 2017 to \$4,715 million in 2018, almost completely offset by a decline in the average selling price and mainly reflecting the foreign exchange translation impact from currency depreciation and lower purchasing power resulting from challenging macroeconomic conditions in Argentina and a change in the mix-shift from international to domestic travel across key markets, especially Brazil, which also had an impact in lower backend incentives due to the decrease in international flights. The increase in number of transactions and gross bookings was primarily due to an increase in our selling and marketing activities, increase of discounts and installments, and the launch of our proprietary activities (tour operations and allotments).

Additionally, as of January 1, 2018, we changed the revenue recognition of our Packages, Hotels and Other Travel Products, reimbursable, and paid-at-destination bookings, from check-out to booking in the context of the new revenue recognition standard ASC 606. We elected to adopt the new standard using the modified retrospective approach for all contracts reflecting the aggregate effect of modifications prior to the date of adoption. Results for reporting periods beginning after January 1, 2018 are presented under the new guidance, while prior period amounts were not adjusted and continue to be reported under the accounting standards in effect for those periods.

The following is a discussion of our revenue broken down by our two business segments: Air; and Packages, Hotels and Other Travel Products.

Air Segment . The revenue in our Air segment decreased by 11%, to \$214.8 million in 2018 from \$241.0 million in 2017, primarily due to a decrease of 21% in the average revenue per transaction for the segment, resulting primarily from a decrease in our rate of commissions, incentives and fees due to a commercial strategy to increase sales opportunities and a change in the mix-shift from international to domestic travel across key markets.

Packages, Hotels and Other Travel Products Segment . The revenue in our Packages, Hotels and Other Travel Products segment increased by 12%, to \$315.8 million in 2018 from \$282.9 million in 2017, primarily due to an increase of 12% in the number of transactions in this segment, partially offset by a decrease of 5% in the revenue per transaction, resulting primarily from a greater product mix of domestic travel due to currency depreciation, accompanied by the slower macroeconomic environment and price discounts.

Additionally, as mentioned in the previous paragraph, we changed the revenue recognition of the Packages, Hotels and Other Travel Products reimbursable and paid-at-destination bookings, from check-out to booking.

The following presents a breakdown of our revenue by: commissions, incentives and fees; advertising; commissions for the release of aged payables; and deferred revenue.

	Year Ended December 31,	
	2018	2017
	(in thousands)	
Commissions, incentives and fees (1)	\$ 504,287	\$ 514,126
Advertising (1)	15,170	14,277
Commissions for release of aged payables	6,476	6,147
Sales as Principal	4,681	—
Deferred revenue	—	(10,610)
Total revenue	\$ 530,614	\$ 523,940

(1) Net of sales tax.

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The following table presents a breakdown of our revenue for commissions, incentives and fees by: pre-pay model; pay-at-destination model; and other.

	Year Ended December 31,	
	2018	2017
	(in thousands)	
Pre-pay model	\$ 415,812	\$ 412,679
Pay-at-destination model	20,143	23,710
Other (1)	68,332	77,737
Total revenue	\$ 504,287	\$ 514,126

(1) Primarily includes incentives from our travel suppliers, primarily airlines and GDSs.

Our revenue from our pre-pay model increased by 1% in 2018 mainly due to our increased promotional activity to take advantage of higher demand for sales in installments. Our revenue from our pay-at-destination model decreased by 15% in 2018, mainly due to a decrease in the revenue per transaction, due to mix-shift from international to domestic destinations. Other revenue decreased by 12% in 2018, due to a decrease in revenue from GDSs and other incentives caused by the decreased in international transactions, which generates higher incentives than domestic transactions.

Cost of Revenue

Cost of revenue increased from \$142.5 million in 2017 to \$172.1 in 2018, an increase of 21%. The increase was a result of an increase in the installment expenses related to the increase in the number of transactions as well as higher financing costs from the third party banks providing the installment plans as we increased the availability and duration of installments. Credit card merchant fees also increased due to the higher mix of Packages, Hotels and Other Travel Products where we are the merchant of record and incur a credit card merchant fee, as well as the greater instances in which we were also the merchant of record in Air transactions in order to provide to our customers' alternatives ways of payments and installment options. Additionally, the increase in cost of revenue was generated by the launch of our proprietary activities (tour operations and allotments). These increased costs were partially offset by a decrease in the fraud expense due to our implementation of more effective anti-fraud protocol at the beginning of 2016. As a percentage of revenue, cost of revenue increased from 27% in 2017 to 32% in 2018.

Gross Profit

Gross profit decreased from \$381.4 million in 2017 to \$358.5 in 2018, or a decrease of 6%, mainly due to the initiatives to accelerate market share growth, cost related to the recent launch of the proprietary business, including tour operation activities and allotments, along with investments to support improving customer satisfaction levels. As a percentage of revenue, gross profit decreased from 72.8% in 2017 to 67.6% in 2018.

Selling and Marketing

Selling and marketing expense increased from \$166.2 million in 2017 to \$174.4 million in 2018, an increase of 5%. The increase was a result of our continued investments to build brand awareness and to increase market share, partially offset by the regional currency depreciation on costs, lower level marketing investments and improving efficiencies. As a percentage of revenue, selling and marketing expense increased from 31.7% in 2017 to 32.9% in 2018.

General and Administrative

General and administrative expense decreased from \$72.6 million in 2017 to \$67.2 million in 2018, or a decrease of 7%. The decrease was a benefit from the local currency depreciation, mainly in Argentina, partially offset by a higher share-based compensation cost, as well as an increase in personnel costs due to a higher headcount and personnel expenses. As a percentage of revenue, general and administrative expense declined from 13.9% in 2017 to 12.7% in 2018.

[Table of Contents](#)*Technology and Product Development*

Technology and product development expense decreased from \$71.3 million in 2017 to \$71.2 million in 2018. The decrease was a result of higher personnel costs almost completely compensated by the currency depreciation, mainly in Argentina.

Operating Income

In 2018, we had operating income of \$45.4 million as compared to operating income of \$71.2 million in 2017, or a decrease in operating income of \$25.8 million. As a percentage of revenue, our operating income decreased from 13.6% in 2017 to 8.6% in 2018.

The following table presents a breakdown of our operating income by our two business segments.

	Year Ended December 31,	
	2018	2017
	(in thousands)	
Air	\$ 23,160	\$ 56,532
Packages, Hotels and Other Travel Products	33,157	28,785
Unallocated corporate expenses	(10,927)	(14,078)
Total operating income	\$ 45,390	\$ 71,239

Corporate expense allocation is based on the expenses planned in the annual budget, and variances to the budget are also recorded in unallocated corporate expenses. Unallocated corporate expenses in 2017 were more than expected as compared to the annual budget which is used as the basis of allocation.

Expenses were more than budgeted due to an increase in stock compensation expense, consulting expenses, management bonus accrual and management personnel expense as compared to the annual budget.

Air Segment . Our operating income from our Air segment decreased from \$56.5 million in 2017 to \$23.2 million, primarily due to a decrease in Air revenue caused by the change in the mix-shift from international to domestic travels and currency devaluation in key markets. As a percentage of revenue from our Air segment, our operating income from our Air segment decreased from 23.5% in 2017 to 10.8% in 2018.

Packages, Hotels and Other Travel Products Segment . Our operating income from our Packages, Hotels and Other Travel Products segment increased from \$28.8 million in 2017 to \$33.2 million in 2018, primarily due to an increase in revenue from this segment.

Financial Income / (Expense)

Financial expense increased by 14%, from \$16.9 million in 2017 to \$19.2 million in 2018. The increase was primarily a result of increased factoring activity in Brazil related to the increase in number of transactions and gross bookings, an increase on warranty charges due to the replacement of cash collaterals during the year, partially offset with the increase in interest income due to short-term cash investments.

Income Tax Expense

We are subject to taxes in the multiple jurisdictions where we operate. Our tax obligations consist of current and deferred income taxes and withholding taxes incurred in these jurisdictions. Income tax expense decreased from \$12 million in 2017 to \$7 million in 2018. Our effective tax rate in 2018 was 27%, compared to 22% in 2017. The higher effective rate in 2018 was due primarily to the decrease in non-taxable income. Moreover, a lower rate in 2017 was mainly caused by the recognition of deferred tax assets and by a reversal of a tax contingency due to the expiration of the statute of limitations.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

	Year Ended December 31,		Year Ended December 31,		% Change
	2017	2016	2017	2016	
	(in thousands)				
		% of Revenue		% of Revenue	
Revenue					
Air	\$241,015	46.0	\$205,721	50.0	17
Packages, Hotels and Other Travel Products	282,925	54.0	205,441	50.0	38
Total revenue	523,940	100.0	411,162	100.0	27
Cost of revenue	142,479	27.2	126,675	30.8	13
Gross profit	381,461	72.8	284,487	69.2	34
Operating expenses					
Selling and marketing	166,288	31.7	121,466	29.5	37
General and administrative	72,626	13.9	64,683	15.7	12
Technology and product development	71,308	13.6	63,251	15.4	13
Total operating expenses	310,222	59.2	249,400	60.7	24
Operating income	71,239	13.6	35,087	8.5	103
Financial income	2,389	0.5	8,327	2.0	71
Financial expense	(19,268)	(3.7)	(15,079)	(3.7)	28
Net income / (loss) before income taxes	54,360	10.4	28,335	6.9	92
Income tax expense	11,994	2.3	10,538	2.6	14
Net income / (loss)	\$ 42,366	8.1	\$ 17,797	4.3	138

Note: "NM" denotes not meaningful.

Revenue

Revenue increased by 27%, from \$411.2 million in 2016 to \$523.9 million in 2017. The increase in revenue was primarily a result of 26% increase in the number of transactions from 7.2 million in 2016 to 9.1 million in 2017, and a 37% increase in gross bookings from \$3,260 million in 2016 to \$4,455 million in 2017. The increase in number of transactions and gross bookings was primarily due to stabilizing macroeconomic conditions in Brazil and Argentina, an increase in our selling and marketing activities, changes in product mix with a shift to packages, hotels and other travel products as well as an increase in the proportion of international travel, which typically results in higher average selling prices and higher revenue per transaction, and the real appreciation of the local currency in Brazil.

The following is a discussion of our revenue broken down by our two business segments: Air; and Packages, Hotels and Other Travel Products.

Air Segment . The revenue in our Air segment increased by 17%, to \$241.0 million in 2017 from \$205.7 million in 2016, primarily due to an increase of 24% in the number of transactions in this segment, partially offset by a decrease of 6% in the average revenue per transaction for the segment, resulting primarily from a decrease in our rate of commissions, incentives and fees due to a commercial strategy to increase sales opportunities.

Packages, Hotels and Other Travel Products Segment . The revenue in our Packages, Hotels and Other Travel Products segment increased by 38%, to \$282.9 million in 2017 from \$205.4 million in 2016, primarily due to an increase of 27% in the number of transactions in this segment, as well as an increase of 8% in the revenue per transaction, resulting primarily from a greater product mix of international travel along with a longer length of average stay.

The following presents a breakdown of our revenue by: commissions, incentives and fees; advertising; commissions for the release of aged payables; and deferred revenue.

	Year Ended December 31,	
	2017	2016
	(in thousands)	
Commissions, incentives and fees (1)	\$ 514,126	\$ 396,892
Advertising (1)	14,277	7,375
Commissions for release of aged payables	6,147	9,378
Deferred revenue	(10,610)	(2,483)
Total revenue	\$ 523,940	\$ 411,162

(1) Net of sales tax.

The following table presents a breakdown of our revenue for commissions, incentives and fees by: pre-pay model; pay-at-destination model; and other.

	Year Ended December 31,	
	2017	2016
	(in thousands)	
Pre-pay model	\$412,679	\$321,990
Pay-at-destination model	23,710	22,907
Other (1)	77,737	51,995
Total revenue	\$514,126	\$396,892

(1) Includes incentives from our travel suppliers, primarily airlines and GDSs.

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Our revenue from our pre-pay model increased by 28% in 2017 mainly due to our increased promotional activity to take advantage of higher demand for sales in installments. Our revenue from our pay-at-destination model increased by 4% in 2017, mainly due to the increase in revenues from hotels and car rentals. Other revenue increased by 50% in 2017, mainly due to an increase in revenue from advertising and the negotiation of more favorable terms with GDSs.

Cost of Revenue

Cost of revenue increased from \$126.7 million in 2016 to \$142.5 in 2017, or an increase of 13%. The increase was a result of an increase in the installments expenses related to the increase in the number of transactions as well as higher financing costs from the third party banks providing the installment plans. Credit card merchant fees also increased due to the higher mix of Packages, Hotels and Other Travel Products where we are the merchant of record and incur a credit card merchant fee, as well as the greater instances in which we were also the merchant of record in Air transactions. These increased costs were partially offset by a decrease in the fraud expense due to our implementation of more effective anti-fraud protocol at the beginning of 2016. As a percentage of revenue, cost of revenue decreased from 31% in 2016 to 27% in 2017.

Gross Profit

Gross profit increased from \$284.5 million in 2016 to \$381.4 in 2017, or an increase of 34%, mainly due to the higher revenue margin from the Packages, Hotels and Other Travel Products segment which has higher margins. As a percentage of revenue, gross profit increased from 69.2% in 2016 to 72.8% in 2017.

Selling and Marketing

Selling and marketing expense increased from \$121.5 million in 2016 to \$166.2 million in 2017, or an increase of 37%. The increase was a result of our continued investments to build brand awareness and to increase market share as well as our reduction in selling and marketing expenses during 2016 in response to an increase in fraud activity at the end of 2015. As a percentage of revenue, selling and marketing expense increased from 29.5% in 2016 to 31.7% in 2017.

General and Administrative

General and administrative expense increased from \$64.7 million in 2016 to \$72.6 million in 2017, or an increase of 12%. The increase was a result of a higher share-based compensation and higher bonus accrual resulting from our improved performance, as well as an increase in personnel costs due to a higher headcount and higher consulting expenses, partially offset by severance expenses in the fourth quarter of 2016. As a percentage of revenue, general and administrative expense declined from 15.7% in 2016 to 13.9% in 2017.

Technology and Product Development

Technology and product development expense increased from \$63.3 million in 2016 to \$71.3 million in 2017, or an increase of 13%. The increase was a result of higher personnel costs. As a percentage of revenue, technology and product development expense declined from 15.4% in 2016 to 13.6% in 2017.

Operating Income

In 2017, we had an operating income of \$71.2 million as compared to our operating income of \$35.1 million in 2016, or an increase in operating income of \$36.1 million. As a percentage of revenue, our operating income increased from 8.5% in 2016 to 13.6% in 2017.

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The following table presents a breakdown of our operating income by our two business segments.

	Year Ended December 31,	
	2017	2016
	(in thousands)	
Air	\$ 56,532	\$ 23,841
Packages, Hotels and Other Travel Products	28,785	16,801
Unallocated corporate expenses	(14,078)	(5,555)
Total operating income	\$ 71,239	\$ 35,087

Corporate expense allocation is based on the expenses planned in the annual budget, and variances to the budget are also recorded in unallocated corporate expenses. Unallocated corporate expenses in both 2017 and 2016 were more than expected as compared to the annual budget which is used as the basis of allocation. Expenses were more than budgeted due to an increase in stock compensation expense, consulting expenses, management bonus accrual and management personnel expense as compared to the annual budget.

Air Segment . Our operating income from our Air segment increased from \$23.8 million in 2016 to \$56.5 million, primarily due to an increase in Air revenue and a reduction in fraud expenses. As a percentage of revenue from our Air segment, our operating income from our Air segment increased from 11.6% in 2016 to 23.4% in 2017.

Packages, Hotels and Other Travel Products Segment . Our operating income from our Packages, Hotels and Other Travel Products segment increased from \$16.8 million in 2016 to \$28.8 million in 2017, primarily due to an increase in revenue from this segment, partially offset by higher deferred revenue during 2017. As a percentage of revenue from our Packages, Hotels and Other Travel Products segment, our operating income from our Packages, Hotels and Other Travel Products segment increased from 8.2% in 2016 to 10.2% in 2017.

Financial Income / (Expense)

Financial expense increased by 150%, from \$6.8 million in 2016 to \$16.9 million in 2017. The increase was primarily a result of increased factoring activity in Brazil related to the increase in number of transactions and gross bookings, as well as a lower foreign exchange gain due to the lower rates of depreciation in local currencies. As a percentage of revenue, financial expense increased from 1.6% in 2016 to 3.2% in 2017.

Income Tax Expense

We are subject to taxes in the multiple jurisdictions where we operate. Our tax obligations consist of current and deferred income taxes (or, in certain jurisdictions, taxes based on our assets rather than our taxable income) and withholding taxes incurred in these jurisdictions. Income tax expense increased from \$10.5 million in 2016 to \$12.0 million in 2017, primarily as a result of higher pre-tax income. The effective tax rate in 2017 was 22%, compared to 37% in 2016. The lower effective rate in 2017 was due primarily to the recognition of deferred tax assets and a reversal of a tax contingency due to the expiration of the statute of limitations.

Seasonality

We generally experience seasonal fluctuations in our financial results. Latin American travelers, particularly leisure travelers who are our primary customers, tend to travel most frequently at the end of the fourth quarter and during the first quarter of each year. Leisure travel is more common in Latin America at that time because those quarters include the summer months in the southern hemisphere, along with many school holidays and the Christmas holiday season.

Quarterly Information

The following table sets forth our unaudited quarterly results and certain key business metrics for each fiscal quarter in the years ended December 31, 2018 and 2017. The unaudited quarterly results set forth below have been prepared on a basis consistent with our audited consolidated financial statements, and we believe they include all normal recurring adjustments necessary for a fair statement of the financial information presented below. The following table should be read in conjunction with our audited consolidated financial statements included elsewhere in this Annual Report.

	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018
Revenue	124,999	123,462	131,468	144,011	148,593	128,259	121,247	132,515
Cost of revenue	(31,140)	(35,087)	(37,869)	(38,383)	(43,646)	(42,088)	(36,673)	(49,703)
Gross profit	93,859	88,375	93,599	105,628	104,947	86,171	84,574	82,812
Operating expenses								
Selling and marketing	(35,546)	(43,289)	(41,097)	(46,356)	(46,410)	(43,450)	(41,572)	(42,925)
General and administrative	(18,869)	(18,618)	(15,318)	(19,821)	(15,888)	(16,986)	(17,130)	(17,599)
Technology and product development	(15,408)	(17,644)	(18,907)	(19,349)	(19,225)	(18,732)	(16,821)	(16,376)
Total operating expenses	(69,823)	(79,551)	(75,322)	(85,526)	(81,523)	(79,168)	(75,523)	(76,900)
Operating income / (loss)	24,036	8,824	18,277	20,102	23,424	7,003	9,051	5,912
Net financial income / (expense)	(6,156)	(1,611)	(2,880)	(6,232)	(2,831)	(5,292)	(11,026)	(18)
Net income / (loss) before income taxes	17,880	7,213	15,397	13,870	20,593	1,711	(1,975)	5,894
Income tax expense	(2,486)	(3,806)	(4,190)	(1,512)	(4,235)	(471)	501	(2,864)
Net income / (loss)	\$ 15,394	\$ 3,407	\$ 11,207	\$ 12,358	\$ 16,358	\$ 1,240	\$ (1,474)	\$ 3,030
Key Business Metrics:								
Operational								
Number of transactions	2,129	2,210	2,298	2,419	2,514	2,607	2,596	2,676
Gross bookings	\$1,019,102	\$1,061,026	\$ 1,116,022	\$ 1,258,398	\$1,231,497	\$1,184,355	\$ 1,092,287	\$ 1,207,186

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Financial								
Adjusted EBITDA (unaudited) (1)	\$28,072	\$13,155	23,027	25,100	\$27,284	\$11,972	14,520	13,868
Net income / (loss)	\$15,394	\$ 3,407	11,207	12,358	\$16,358	\$ 1,240	(1,474)	3,030
Add (deduct):								
Financial Income	(448)	(467)	(663)	(811)	(1,534)	(1,438)	(2,035)	(2,614)
Financial Expense	6,604	2,078	3,543	7,043	4,365	6,730	13,061	2,632
Income tax expense	2,486	3,806	4,190	1,512	4,235	471	(501)	2,864
Depreciation expense	1,343	1,362	1,337	1,033	859	1,475	1,338	1,676
Amortization of intangible assets	1,517	2,039	2,454	2,741	2,018	2,228	2,738	3,156
Share-based compensation expense	1,176	930	959	1,224	983	1,266	1,393	3,124
Adjusted EBITDA	\$28,072	\$13,155	\$23,027	\$25,100	\$27,284	\$11,972	\$14,520	\$13,868

(1) The table below provides a reconciliation of our net income/loss to Adjusted EBITDA, which is a Non-GAAP financial measure.

Critical Accounting Policies and Use of Estimates

Critical accounting policies and estimates are those that we believe are important in the preparation of our consolidated financial statements because they require that we use judgment and estimates in applying those policies. We prepare our consolidated financial statements and accompanying notes in accordance with U.S. GAAP.

Preparation of the consolidated financial statements included elsewhere in this Annual Report requires that we make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements as well as revenue and expenses during the periods reported. We base our estimates on historical experience, where applicable, and other assumptions that we believe are reasonable under the circumstances. Actual results may differ from our estimates under different assumptions or conditions.

An accounting policy is considered to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the consolidated financial statements. We believe that the following critical accounting policies reflect the more significant estimates and assumptions used in the preparation of our consolidated financial statements. You should read the following descriptions of critical accounting policies, judgments and estimates in conjunction with our audited consolidated financial statements and the notes thereto included elsewhere in this Annual Report.

There are certain critical estimates that we believe require significant judgment in the preparation of our consolidated financial statements. We consider an accounting estimate to be critical if:

- it requires us to make an assumption because information was not available at the time or it included matters that were highly uncertain at the time we were making the estimate; and
- changes in the estimate or different estimates that we could have selected may have had a material impact on our financial condition or results of operations.

For more information on each of these policies, see note 3—Summary of Significant Accounting Policies, in the notes to our audited consolidated financial statements included elsewhere in this Annual Report. We discuss information about the nature and rationale for our critical accounting estimates below.

Accounting for Certain Pre-pay Revenue

We accrue the cost of certain pre-pay revenue based on the amount we expect to be billed by suppliers. In certain instances when a supplier invoices us for less than the cost we accrued, we generally recognize those amounts as revenue twelve months in arrears, when we determine it is not probable that we will be required to pay the supplier, based on historical experience and contract terms. Actual revenue could be greater or less than the amounts estimated due to changes in hotel billing practices or changes in traveler behavior.

Accounting for incentives

We may receive override commissions from air, hotel and other travel service suppliers when certain performance conditions are met. These variable considerations are recognized on a monthly accrued basis in accordance with the achievement of thresholds determined by each supplier.

Additionally, we use GDS services provided by recognized suppliers. Under GDS service agreements, we earn revenue in the form of an incentive payment for sales that are processed through a GDS if certain contractual volume thresholds are met. Revenue is recognized for these incentive payments on a monthly accrued basis in accordance with ratable volume thresholds.

Recoverability of Goodwill and Indefinite and Definite-Lived Intangible Assets

Goodwill. We assess goodwill for impairment annually as of December 31, or more frequently if events and circumstances indicate impairment may have occurred. In the evaluation of goodwill for impairment, we typically first perform a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is less than the carrying amount. If so, we perform a quantitative assessment and compare the fair value of the reporting unit to the carrying value. If the carrying value of a reporting unit exceeds its fair value, the goodwill of that reporting unit is potentially impaired and we proceed to step two of the impairment analysis. In step two of the analysis, we will record an impairment loss equal to the excess of the carrying value of the reporting unit's goodwill over its implied fair value should such a circumstance arise. Periodically, we may choose to forgo the initial qualitative assessment and perform quantitative analysis to assist in our annual evaluation.

We generally base our measurement of fair value of reporting units on an analysis of the present value of future discounted cash flows. The discounted cash flows model indicates the fair value of the reporting units based on the present value of the cash flows that we expect the reporting units to generate in the future. Our significant estimates in the discounted cash flows model include: our weighted average cost of capital, long-term rate of growth and profitability of our business and working capital effects.

We believe the weighted use of discounted cash flows is the best method for determining the fair value of our reporting units because these are the most common valuation methodology used within the travel and internet industries.

Indefinite-Lived Intangible Assets . We base our measurement of fair value of indefinite-lived intangible assets, which primarily consist of brands and domains, using the relief-from-royalty method. This method assumes that the brands and domains have value to the extent that their owner is relieved of the obligation to pay royalties for the benefits received from them. This method requires us to estimate the future revenue for the related brands, the appropriate royalty rate and the weighted average cost of capital.

Definite-Lived Intangible Assets. We review the carrying value of long-lived assets or asset groups to be used in operations whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recoverable. Factors that would necessitate an impairment assessment include a significant adverse change in the extent or manner in which an asset is used, a significant adverse change in legal factors or the business climate that could affect the value of the asset, or a significant decline in the observable market value of an asset, among others. If such facts indicate a potential impairment, we would assess the recoverability of an asset group by determining if the carrying value of the asset group exceeds the sum of the projected undiscounted cash flows expected to result from the use and eventual disposition of the assets over the remaining economic life of the primary asset in the asset group. If the recoverability test indicates that the carrying value of the asset group is not recoverable, we will estimate the fair value of the asset group using appropriate valuation methodologies, which would typically include an estimate of discounted cash flows. Any impairment would be measured as the difference between the asset groups carrying amount and its estimated fair value.

The use of different estimates or assumptions in determining the fair value of our goodwill, indefinite-lived and definite-lived intangible assets may result in different values for these assets, which could result in an impairment or, in the period in which an impairment is recognized, could result in a materially different impairment charge.

Income Taxes

We record income taxes under the liability method. Deferred tax assets and liabilities reflect our estimation of the future tax consequences of temporary differences between the carrying amounts of assets and liabilities for book and tax purposes. We determine deferred income taxes based on the differences in accounting methods and timing between financial statement and income tax reporting. Accordingly, we determine the deferred tax asset or liability for each temporary difference based on the enacted tax rates expected to be in effect when we realize the underlying items of income and expense. We consider many factors when assessing the likelihood of future realization of our deferred tax assets, including our recent earnings experience by jurisdiction, expectations of future taxable income, and the carryforward periods available to us for tax reporting purposes, as well as other relevant factors. We may establish a valuation allowance to reduce deferred tax assets to the amount we believe is more likely than not to be realized. Due to inherent complexities arising from the nature of our businesses, future changes in income tax law, tax sharing agreements or variances between our actual and anticipated operating results, we make certain judgments and estimates. Therefore, actual income taxes could materially vary from these estimates.

Other Long-Term Liabilities

Various Legal and Tax Contingencies . We record liabilities to address potential exposures related to business and tax positions we have taken that have been or could be challenged by taxing authorities. In addition, we record liabilities associated with legal proceedings and lawsuits. These liabilities are recorded when the likelihood of payment is probable and the amounts can be reasonably estimated. The determination for required liabilities is based upon analysis of each individual tax issue, or legal proceeding, taking into consideration the likelihood of adverse judgments and the range of possible loss. In addition, our analysis may be based on discussions with outside legal counsel. The ultimate resolution of these potential tax exposures and legal proceedings may be greater or less than the liabilities recorded.

Stock-Based Compensation

Our primary form of employee stock-based compensation is stock option awards. We measure the value of stock option awards on the date of grant at fair value using the appropriate valuation techniques, including the Black-Scholes and Monte Carlo option-pricing models. We amortize the fair value over the remaining term on a straight-line basis. We account for forfeitures as they occur. The pricing models require various highly judgmental assumptions including volatility and expected option term. If any of the assumptions used in the models change significantly, stock-based compensation expense may differ materially in the future from that recorded in the current period.

Recently Issued and Not Yet Adopted Accounting Pronouncements under U.S. GAAP

For information on recently issued accounting pronouncements under U.S. GAAP, see note 3 of our audited consolidated financial statements.

B. Liquidity and Capital Resources

We believe that our existing cash and cash equivalents, together with other sources of financing and cash flows from operating activities, will be sufficient to meet our currently-anticipated cash needs for working capital, financial liabilities, capital expenditures and business expansion for at least the next twelve months. However, we may, from time to time, explore additional financing sources to lower our cost of capital, which could include equity, equity-linked and debt financing. In addition, from time to time, we may evaluate acquisitions and other strategic opportunities. If we elect to pursue any such investments, we may fund them with internally generated funds, proceeds from our initial public offering, bank financing, the issuance of debt or equity or a combination thereof. In addition, our payment terms with our customers and suppliers often allow us to receive payment from customers before we are required to make payments to our suppliers, which also reduces our need to use external sources of financing.

The ability of certain of our subsidiaries to pay dividends to us is subject to their having satisfied requirements under local law to set aside a portion of their net income in each year to legal reserves, as described below. In accordance with Argentine and Uruguayan companies law, our subsidiaries incorporated in Argentina and in Uruguay must set aside at least 5% of their net profit (determined on the basis of their statutory accounts) in each year to legal reserves, until such reserves equal 20% of their respective issued share capital. As of December 31, 2018, our Argentine subsidiary was required to set aside a legal reserve of \$1.6 million, while our Uruguayan subsidiary was required to set aside a legal reserve of \$0.8 million, both of which were fully constituted.

We also maintain revolving credit facilities in certain jurisdictions to cover short-term working capital requirements. As of December 31, 2018, we had outstanding borrowings of \$31.2 million.

Restricted and Unrestricted Cash and Cash Equivalents

As of December 31, 2018, we had unrestricted cash and cash equivalents of \$346.5 million

Additionally, as of December 31, 2018, we had restricted cash of \$5.7 million, which primarily consisted of amounts held in restricted accounts to secure our obligations to various suppliers. The decrease in restricted cash and cash equivalents as of December 31, 2018 is due to the release of securities of some suppliers, for which we secure our obligations with other instruments.

Positive Cash Cycle

The cash cycle in our business presents a source of working capital for our company. Our pre-pay model allows us to collect cash amounts from transactions with our customers well before we are required to make payments to our travel suppliers, which allows us to use the cash for other business purposes in the interim. Under our pre-pay model, we receive cash payments through credit card companies used by customers at or near the time of booking, and we are required to make payments related to the booking to the relevant suppliers generally two to three months afterwards, typically after the customer uses the reservation and the supplier invoices us. As of December 31, 2018, we had deferred merchant bookings of \$132.9 million.

If our pre-pay model declines relative to our pay-at-destination, model or our overall business, or if there are changes to the pre-pay model such as changes in booking patterns or customer or supplier payment terms, our overall working capital benefits could be reduced. In such event, we could be required to obtain additional working capital financing, including using factoring, which would increase our financial expense. In addition, in the event of a significantly contracting market or a prolonged market disruption, or a prolonged disruption to our platform, we could face liquidity constraints if we have used cash received from customers in our business and are not able to obtain cash through our operations or from financing to make subsequent payments to travel suppliers. In addition, a significant change in currency values could affect our payment obligations to travel suppliers, although we believe that our hedging policies mitigate our exposure to currency fluctuations.

Cash Flows

Cash Flows for the Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

The following table sets forth certain consolidated cash flow information for the years ended December 31, 2017 and 2016.

	<u>Year Ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
	(in thousands)	
Net cash flows (used in) / generated by operating activities	\$ (17,620)	\$ 61,226
Net cash flows used in investing activities	(26,579)	(21,675)
Net cash flows (used in) / provided by financing activities	(1,257)	254,114
Effect of exchange rate changes on cash and cash equivalents	(13,132)	(2,053)
Net increase / (decrease) in cash and cash equivalents	<u>(58,588)</u>	<u>291,612</u>

Net Cash Flows (Used in) / Provided by Operating Activities

Operating activities used net cash of \$17.6 million in 2018 and provided net cash of \$61.2 million in 2017. The increase in usage of cash resulted mainly from an increase in pre-paid flight seats and cash advances to travel suppliers, lower net income and slower growth in the company's supplier payables and related party payables resulting from lower year-over-year sales, partially offset by the collection of GDS incentives received in advance.

Net Cash Flows (Used in) Investing Activities

Investing activities used net cash of \$21.7 million in 2017 and \$26.6 million in 2018. The increase was mainly due to an increase in capital expenditures for improvements in our offices in Argentina and Brazil.

Net Cash Flows (Used in) / Provided by Financing Activities

Financing activities provided net cash of \$254.1 million in 2017 and used net cash of \$1.3 million in 2018. The net cash flows provided by financing activities in 2017 were primarily a result of the completion of our initial public offering in September 2017. The net cash flows used in financing activities in 2018 were primarily a result of increased borrowings under our revolving credit facilities of \$ 25.0 million, offset by the share buyback program in which we spent \$26.0 million.

Currency Exchange Rates

The translation effect of converting cash held in local currencies to dollars reduced our cash and cash equivalents by \$12.1 million and \$2.1 million in 2018 and 2017, respectively.

Cash Flows for the Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

The following table sets forth certain consolidated cash flow information for the years ended December 31, 2017 and 2016:

(in thousands)	Year Ended December 31,	
	2017	2016
Net cash flows generated by / (used in) operating activities	\$ 61,226	\$ (43,292)
Net cash flows provided by / (used in) investing activities	(21,675)	23,435
Net cash flows provided by financing activities	254,114	5,142
Effect of exchange rate changes on cash and cash equivalents	(2,053)	(2,008)
Net (decrease) / increase in cash and cash equivalents	<u>291,612</u>	<u>(16,723)</u>

Net Cash Flows (Used in) / Provided by Operating Activities

Operating activities provided net cash of \$61.2 million in 2017 and used net cash of \$43.3 million in 2016. While in 2016 net cash used in operating activities was impacted by the payment of the heightened fraud attempts from late 2015, net cash in 2017 benefited by the increase of \$36.1 million in operating income. The cash flows from operating activities during 2017 increased mainly due to the higher volume of sales under the prepay model. This had an impact in the accounts receivables and in the travel supplier payables balances.

Net Cash Flows Provided by / (Used in) Investing Activities

Investing activities used net cash of \$21.7 million in 2017 and generated net cash of \$23.4 million in 2016. While in 2016 cash provided by investing activities was primarily the result of the realization of a short-term investment made in 2015, in 2017 cash was impacted mainly by the increase in capital expenditures.

Net Cash Flows Provided by Financing Activities

Financing activities provided net cash of \$254.1 million in 2017 and provided net cash of \$5.1 million in 2016. The net cash flows provided by financing activities in 2017 were primarily a result of the completion of our initial public offering in September 2017. The net cash flows provided by financing activities in 2016 were primarily a result of increased borrowings under our revolving credit facilities.

C. Research and Development, Patents and Licenses

Our technology and product development activities are primarily focused on the development of software, which we view as an important element of the investments we make in our technology and our business. Our primary software development activities have been focused on providing an effective and engaging platform for our customers and on collecting and using data to better customize the user experience, pricing and marketing efforts for our customers. In 2018, 2017 and 2016, we spent \$71.2 million, \$71.3 million and \$63.3 million, respectively, on software development and other technology and product development activities.

D. Trend Information

In addition to the information set forth in this section, additional information about the trends affecting our business can be found in “—A. Key Trends and Factors Affecting Our Business.” You should also read our discussion of the risks and uncertainties that affect our business in “Item 3. Key Information—D. Risk Factors.”

Macroeconomic and Political Environment Conditions in the Countries in which We Operate

Our customers are primarily located in Latin America, particularly in Brazil and Argentina, and to a lesser extent in Mexico and other countries in the region. Our results of operations and financial condition are significantly influenced by political and economic developments in the countries in which our customers reside and, to a lesser extent, in the countries to which our customers may travel, and the effect that these factors may have on the availability of credit, employment rates, disposable income, average wages and demand for travel in those countries. In the mid- to long-term, we believe that macroeconomic changes in the region will generally benefit us due to an expanding middle class, increasing disposable income, reduced unemployment and lower interest rates, among other factors.

Currency Exchange Rates

We report our financial results in dollars, but most of our revenue and expenses are denominated in local currencies. Any changes in the exchange rates of any such currencies against the dollar will affect our reported financial results as translated into dollars. Furthermore, many of our customers travel internationally and any changes in the exchange rate between their home currency and the currency of their destination may influence their travel purchases.

Inflation

Historically, certain countries in Latin America, such as Argentina, have experienced high rates of inflation. Changes in inflation rates can affect our pricing as well as our expenses, including employee salaries, and the inflation rates in the countries where we generate revenue in any period may be higher or lower than the inflation rates in the countries where we incur expenses. In addition, higher inflation may lead our customers to make more purchases using installments or other financing options, which may result in an increase in the costs associated with offering such financing options to our customers. Below is a summary of certain macroeconomic data for Brazil and Argentina, our two largest markets, for 2018, 2017, 2016 and 2015:

Brazil

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Real GDP growth (decline) (1)	1.1%	1.0%	(3.6)%	(3.8)%
Population (in millions) (1)	208,5	208	207	205
Inflation (1)	3,8%	2,9%	6,3%	10,7%
Exchange rate (2)	3,87	3,31	3,26	3,90

(1) Source: Instituto Brasileiro de Geografia e Estatística (IBGE), measured in local currency.

(2) Source: Banco Central do Brasil. Data as of December 31 of each year.

Argentina

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Real GDP growth (decline) (1)	(3.5)%	2.9%	(2.2)%	2.6%
Population (in millions) (1)	44.93	44.04	43.59	43.13
Inflation (1)	47.6%	25%	41%	27%
Exchange rate (2)	38.60	18.90	16.10	13.30

(1) Source: Instituto Nacional de Estadística y Censos (INDEC), measured in local currency.

(2) Source: Banco de la Nación Argentina. Data as of December 31 of each year.

E. Off-Balance Sheet Arrangements

As of December 31, 2018, except for operating lease obligations as described below, we did not have any material off-balance sheet arrangements.

F. Tabular Disclosure of Contractual Obligations

The following table represents our contractual commitments as of December 31, 2018:

	Payments Due by Period				
	Total	Within 1 Year	2-3 Years	4-5 Years	After 5 Years
(in thousands)					
Operating lease obligations	\$ 45,204	\$5,341	\$ 9,679	\$ 8,421	21,763
Other long-term liabilities (1)	125,000	—	—	—	125,000
Total contractual obligations	\$170,204	\$5,341	\$ 9,679	\$ 8,421	\$ 146,763

- (1) We may be required to make a termination payment of \$125.0 million to Expedia if, among other things, we elect to terminate the Expedia Outsourcing Agreement on or after March 6, 2022 or the marketing fee threshold of \$5.0 million over a rolling six-month period is not achieved. Such amount is reflected as a long-term liability on our balance sheet. For more information on our relationship of Expedia, see “Item 7. Major Shareholders and Related Party Transactions —B. Related Party — Relationship with Expedia.” Since we entered into the Expedia Outsourcing Agreement in March 2015, we have not failed to meet the required threshold. Our average margin from March 2015 through December 2018 has been 258% of the threshold, with our lowest margin being 151% of the threshold during the six-month period ended September 2015 and our highest margin being 316% of the threshold during the six-month period ended December 2018. Although we are significantly above the required threshold and believe that we have sufficient flexibility to continue to meet the threshold on a going forward basis, our ability to do so could be impaired by a significant and prolonged disruption in the global travel industry or our platform. For more information, see “Item 3. Key Information — D. Risk Factors.”

There have been no material changes to our contractual obligations since December 31, 2018.

G. Safe Harbor

See “Part I. Introduction – Forward-Looking Statements.”

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**A. Directors and Senior Management****Board of Directors**

Our business and affairs are managed by, or under the direction or supervision of, our board of directors. Our board of directors has all the powers necessary for managing, and for directing and supervising, our business and affairs and may exercise all our company powers and do all such lawful acts and things as are not by applicable law or our memorandum and articles of association required to be exercised or done by our shareholders. Accordingly, our board of directors have significant discretion (and, regarding the vast majority of management and governance matters, exclusive discretion) in the management and control of our business and affairs.

Our board of directors consists of seven members. Our memorandum and articles of association authorize us to have seven directors or such other number of directors as is from time to time fixed by resolution of the board.

Our board of directors is divided into three classes designated as the “Class I Directors,” “Class II Directors” and “Class III Directors.” Pursuant to our memorandum and articles of association, each of our directors is appointed at an annual meeting of shareholders for a period of three years, with each director serving until the third annual meeting of shareholders following his or her election (except that the terms of the current Class I Directors, Class II Directors and Class III Directors will expire at our annual meetings in 2021, 2019 and 2020, respectively). Upon the expiration of the term of a class of directors, candidates will be elected (or re-elected, as the case may be) as directors of that particular class for three-year terms at the annual meeting of shareholders in the year of such expiration. Our directors are divided among the three classes as follows:

- the Class I Directors are Adam Jay and Michael James Doyle, and their terms will expire at the annual meeting of stockholders to be held in 2021;
- the Class II Directors are Martín Rastellino and Mario Eduardo Vázquez, and their terms will expire at the annual meeting of stockholders to be held in 2019; and
- the Class III Directors are Nilesh Lakhani and Damián Scokin, and their terms will expire at the annual meeting of stockholders to be held in 2020.

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Elections for directors will take place by a plurality of the votes of the shares present in person or represented by proxy at the annual meeting and entitled to vote on the election of directors. No director may be elected or re-elected at any special meeting of our shareholders.

In March 2018, Gary Morrison resigned from his position as Class I Director and our board of directors appointed Adam Jay to fill Mr. Morrison's position as Class I director. In April 2018, Rodrigo Catunda resigned from his position as Class I Director.

In November 2018, we held our annual shareholders meeting which decided the reelection of Adam Jay and of Michael James Doyle as Class I Directors holding office until the annual shareholder meeting of 2021.

In March 2019, Jason Lenga resigned from his position as Chairman and Class III Director and our Board of Directors will remain at six members until such vacancy is filled. Nilesh Lakhani was appointed chairman of the Board.

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The following table presents the names and ages of the members of our board of directors:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Damián Scokin	52	Chief Executive Officer and Director
Nilesh Lakhani	59	Director
Adam Jay	43	Director
Martín Rastellino	48	Director
Mario Eduardo Vázquez	83	Director
Michael James Doyle II	49	Director

Our board of directors has the exclusive power to fill any vacancy arising on the board from time to time and to increase the size of the board of directors from time to time and appoint additional directors in connection therewith. Our shareholders may not vote to fill any vacancy or to change the size of our board.

A director of the Company may only be removed: (i) with cause, by a resolution approved by shareholders holding not less than two-thirds of the voting rights at a meeting of shareholders called for the stated purpose of removing the director or for stated purposes including the removal of the director, or (ii) with cause, by a resolution approved by directors holding not less than two-thirds of the voting rights of all of those directors entitled to vote on the resolution at a meeting of directors or by way of unanimous written consent of those directors entitled to vote on the removal. See “Item 16G. Corporate Governance—Differences in Corporate Law” for further information.

The following is a brief summary of the business experience of our directors. The current business addresses for our directors is Juana Manso 999, Ciudad Autónoma de Buenos Aires, Argentina (C1107CBR).

Damián Scokin joined Despegar in December 2016 and has served as our Chief Executive Officer (“CEO”) since February 2017 and as a member of our board of directors since April 2017. From November 2014 to November 2016, prior to becoming our CEO, Mr. Scokin was the CEO of Ultrapetrol (Bahamas) Limited (“Ultrapetrol”), where he continues to be a member of the company’s board of directors. Mr. Scokin helped navigate Ultrapetrol through its negotiations with creditors as a result of adverse market conditions in the energy and natural resources sectors, which, subsequent to his departure as CEO of the company, resulted in the filing of a Chapter 11 prepackaged reorganization plan agreement with a U.S. bankruptcy court at the beginning of 2017. From 2005 to 2014, Mr. Scokin held several positions within the LATAM Airlines Group. From 2012 to 2014, Mr. Scokin served as CEO for LATAM’s International Business Unit, where he was in charge of leading the merger and integration process of LAN Airlines, the biggest airline in Chile, and TAM Linhas Aereas, one of Brazil’s leading airlines. Prior to the merger process, Mr. Scokin worked as CEO for the International Business Unit of Lan Airlines in Chile and as CEO for LAN Argentina before that, where he was in charge of the company’s startup and early development in Argentina. Mr. Scokin started his career in 1995 as an associate of McKinsey & Company in Boston, where he eventually became partner. Mr. Scokin holds Bachelor degrees in Economics and Industrial Engineering from the University of Buenos Aires and a Masters in Business Administration from Harvard Business School.

Nilesh Lakhani has served as a member of our board of directors since October 2012 and chairman of our board of directors since March 2019. Mr. Lakhani serves on the board of directors of Netshoes (Cayman) Limited (NYSE: NETS) and, from 2013 to 2014, served on the board of directors of QIWI plc (Nasdaq: QIWI). Mr. Lakhani was an Operating Partner at Lumia Capital LLC, an emerging markets focused technology venture fund from 2015 to 2018. He has also held key executive positions with growth companies in the technology, media and financial services industries. From 2010 to 2012, he was the Chief Financial Officer of oDesk Corporation. Prior to that, from 2007 to 2010, he was the Chief Financial Officer of Yandex N.V. (Nasdaq: YNDX). He also served as Chief Financial Officer of CTC Media, Inc. (Nasdaq: CTCM) from 2004 to 2007. Prior to that, Mr. Lakhani was the Chief Financial Officer of Pogo.com, and was Vice President of Global Operations at Electronic Arts after it acquired Pogo.com. Mr. Lakhani also served as senior vice president with Transamerica Corporation from 1991 to 1997, and worked with GE Capital from 1984 to 1991. Mr. Lakhani received a Bachelor of Arts in Economics from the University of Manchester and a Master of Business Administration in Finance from the University of San Francisco.

Adam Jay has served as a member of our board of directors since March 2018. Mr. Jay is President, at Hotels.com, an Expedia Group, Inc. brand. Mr. Jay joined Expedia Group in February 2012. From 2007 until 2012, he served as VP of Strategy and Global Transformation at Travelport plc. Prior to that, he led Product for Avis Europe plc (now Avis Budget Group) and also spent a number of years at Boston Consulting Group. Mr. Jay currently serves on the board of Checktrade.com, a UK-based subsidiary of Homeserve plc. He has an MBA from INSEAD and an MA (Hons) in Politics, Philosophy and Economics from Oxford University.

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Martín Rastellino has served as a member of our board of directors since June 2017. Mr. Rastellino is a co-founder of the Company and has been extensively involved in the management of the Company from 1999 until June 2017. He has served as our Chief Operating Officer and Head of Hotels Business, among other key managerial positions. Prior to joining the Company, Mr. Rastellino served as a Manager for Teleglobe in the United States and has also worked as an auditor for Arthur Andersen in Argentina between 1993 and 1997. Mr. Rastellino received a Bachelor degree in Public Accounting from the University of Buenos Aires and a Masters in Business Administration from Duke University.

Mario Eduardo Vázquez has served as a member of our board of directors since August 2014. From June 2003 to November 2006, he served as the Chief Executive Officer of Grupo Telefónica in Argentina. Prior to that, Mr. Vázquez worked in auditing for Arthur Andersen for 33 years, including as a partner and general director covering Latin American markets, including Argentina, Chile, Uruguay, and Paraguay. Mr. Vázquez previously taught as a professor of Auditing at the Economics School of the Universidad de Buenos Aires. Mr. Vázquez also serves on the board of directors and is president of the Audit Committee of Globant S.A. (NYSE: GLOB) and MercadoLibre, Inc. (NYSE: MELI) He has also served as a member of the board of directors of Telefónica Argentina S.A., Telefónica Holding Argentina S.A., Telefónica S.A. (Spain), Banco Santander Rio S.A., Banco Supervielle Societe General S.A., and CMF Banco S.A., and as alternate member of the board of directors of Telefónica de Chile S.A. Mr. Vázquez also previously served as a member of the board of directors and as the president of the Audit Committee of YPF, S.A. (NYSE: YPF) Mr. Vázquez received a Bachelor degree in Public Accounting from the Universidad de Buenos Aires.

Michael Doyle has served as a member of our board of directors since September 2018. Mr. Doyle is the Chief Financial Officer of Nextdoor, a neighborhood social network based in San Francisco, California. He was CFO of Despegar from 2013 until 2018. Prior to becoming our CFO, Mr. Doyle was the Chief Financial Officer of eLong, Inc, a formerly Nasdaq-listed, online travel company in China. Mr. Doyle was the Chief Financial Officer of Expedia Asia Pacific, a division of Expedia, based in Hong Kong and Seattle. Prior to Expedia, Mr. Doyle worked as Chief Financial Officer of Teledesic, a Seattle-based broadband communications company. Mr. Doyle started his career in the investment banking division of Morgan Stanley & Company in New York and Singapore. He also worked in the private equity direct investment group of GIC, Singapore's sovereign wealth fund. Mr. Doyle holds a Bachelor degree in Finance from Southern Methodist University and a Masters in Business Administration from Harvard Business School,

Executive Officers

The following table lists the current executive officers of our group:

Name	Age	Position
Damián Scokin	53	Chief Executive Officer
Alberto Lopez Gaffney	47	Chief Financial Officer
Juan Pablo Alvarado	49	General Counsel and Corporate Affairs Director
Gonzalo García Estebarena	39	Commercial Director
Sebastián Mackinnon	48	General Manager Argentina and Uruguay
Pablo Montivero Araya	50	Head of Distribution

The following is a brief summary of the business experience of our executive officers who are not also directors. Unless otherwise indicated, the current business addresses for our executive officers is Juana Manso 999, Ciudad Autónoma de Buenos Aires, Argentina (C1107CBR).

Alberto López Gaffney has served as our Chief Financial Officer since November 2018. From 2017 to October 2018 has served as Chief Financial Officer of TGLT, a leading real estate company in Argentina. From 2012 through 2017, he was employed at Itaú BBA as Managing Director & Head of Investment Banking for LatAm ex-Brazil. Prior to that, Mr. López Gaffney worked between 1999 and 2012 with Morgan Stanley, in the Mergers & Acquisitions Group and later as Managing Director & Head of Southern Cone. He began his business career as a Business Analyst at McKinsey in 1996. Mr. López Gaffney has an MBA from Harvard University and a Masters in Science in Industrial Engineering from Universidad Católica Argentina.

Juan Pablo Alvarado has served as our General Counsel since August 2015 and our Corporate Affairs Director since May 2018. From December 2014 to July 2015, Mr. Alvarado served as Of Counsel at Estudio Beccar Varela. From 2006 to 2013, Mr. Alvarado served as General Counsel and member of the Executive Committee of El Tejar Limited. From 2001 to 2006, he served in various positions at Mondeléz International, most recently as the Legal Director for the Southern Cone Region in South America. Mr. Alvarado also serves as a member of the board of directors of Asociación Latinoamerica de Internet and served as President of Fundación para la Integración Social Oscar Alvarado, a not-for profit organization. Mr. Alvarado received a high school diploma from Colegio Cardenal Newman, Law degree from the Universidad Católica Argentina de Derecho and a Master of Laws degree from Duke University.

Gonzalo García Estebarena has served as our Commercial Director, overseeing Air and Packages, Hotels and Other Travel Products, since September 2017. Prior to joining us, he held several positions at LATAM Airlines Group from 2011 to 2017, including Vice President of International Revenue Management and Global Head of Sales. Prior to that, Mr. García Estebarena was a management consultant with McKinsey & Company from 2003 to 2011. Mr. García Estebarena received a Bachelor degree in Electronic Engineering from the Instituto Tecnológico de Buenos Aires (ITBA) and a Masters in Business Administration with Distinction from Harvard Business School.

Sebastián Mackinnon has served as our Head of Air, with a regional scope, since December 2015 until March 2018. From March until October 2018 he served as interim Country Manager for Brazil Operations and from that time onwards he is serving as our General Manager for Argentina and Uruguay Operations. From October 2001 to December 2015, Mr. Mackinnon served in various positions at Diageo plc, an international alcoholic beverages company, mostly recently as General Manager covering Peru, Bolivia and Ecuador. Prior to that, Mr. Mackinnon held various positions at Mondeléz International and Kimberly-Clark Corporation. Mr. Mackinnon received a high school diploma from Colegio Cardenal Newman, a Bachelor degree in Business Administration from the Pontificia Universidad Católica Argentina and a Masters in, Business Administration from the CEMA University in Buenos Aires.

Pablo Montivero Araya has served as our Head of Distribution since February 2015 with responsibilities for overseeing all countries as well as distribution channels and loyalty programs. Prior to joining us, he served in various positions at PepsiCo, Inc., most recently as Senior Vice President and General Manager for PepsiCo Foods South Cone. Mr. Montivero Araya received a Bachelor degree in Industrial Engineering from the Universidad de Buenos Aires and a Masters in Business Administration in International Business from the Thunderbird School of Global Management at Arizona State University. Mr. Montivero Araya is based in Montevideo, Uruguay.

Family Relationships

There are no family relationships among any of our directors or executive officers.

B. Compensation

Compensation of Directors and Executive Officers

For the years ended December 31, 2018, 2017 and 2016, the aggregate compensation to the officers and independent members of our board of directors amounted to \$7,235,508, \$6,259,454 and \$1,538,406, respectively. We did not pay any compensation to the remaining directors in 2018, 2017 and 2016, and did not pay any other cash compensation or benefits in kind to our directors in 2018, 2017 and 2016, other than the equity awards described under “—Equity Incentive Plans.” Additionally, during 2015 and 2016 we entered into certain severance and non-compete arrangements with our founders, including a founder who is currently a member of our board of directors and our audit committee. For more information, see note 15 to our audited consolidated financial statements included in this Annual Report. Our officers receive comparable benefits generally provided to our employees, such as pension, retirement and health insurance coverage, with some variations with regard to company car benefits and levels of health insurance coverage. For information regarding share options and RSUs granted to our current officers and directors, see “—Equity Incentive Plans.”

Equity Incentive Plans

Our board of directors has adopted two stock option plans, namely, the 2015 Stock Option Plan (the “2015 Plan”) and Amended and Restated 2016 Stock Incentive Plan (the “2016 Plan” and, together with the 2015 Plan, the “Plans”). The terms of the 2015 Plan and the 2016 Plan are substantially similar. The purpose of these plans is to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to employees, outside directors and consultants, and to promote the success of our business. Our board of directors believes that our Company’s long term success is dependent upon our ability to attract and retain superior individuals who, by virtue of their ability and qualifications, make important contributions to our business.

On March 6, 2015, we granted 90,626 RSUs under the 2015 Plan. Each RSU represents the right to receive one ordinary share. We will not issue any additional awards under the 2015 Plan to our employees.

We have reserved 4,861,777 ordinary shares for issuance under our 2016 Stock Incentive Plan, of which 2,978,499 stock options were issuable upon the exercise of outstanding equity awards and 1,422,747 RSUs were also granted.

On December 24, 2018, the stock options under the 2016 Plan were repriced to make the plan more competitive to retain our key employees and attract the best candidates for our management positions. This repricing consisted of amending the original Strike Price of \$ 26 per share to the following strike price schedule: \$ 12 per share as of December 2018, December 2019 and December 2020; \$ 20 as of December 2021 and \$ 26 as of December 2022. There were no incremental compensation costs resulting from this repricing.

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Administration . The Plans are administered by our board of directors or a committee designated by our board of directors constituted to comply with applicable laws. In each case, our board of directors or the committee it designates will determine the provisions, terms and conditions of each award.

Eligibility . Only employees, outside directors and consultants are eligible for the grant of non-incentive stock options (“NSOs”), and the direct award or sale of shares or RSUs or other share-based awards, in the case of the 2016 Plan. Only employees are eligible for the grant of incentive stock options (“ISOs”). The term “option” as used in this section refers to both NSOs and ISOs.

Moreover, a person who owns more than 10% of the total combined voting power of all classes of our outstanding share capital is not eligible for ISO grants unless (i) the exercise price is at least 110% of the fair market value of a share on the date of the grant and (ii) such ISO by its terms is not exercisable after the expiration of five years from the date of the grant.

Vesting Schedule . Options, other share-based awards and RSUs may be subject to vesting requirements, as set forth in the applicable award agreement. In the case of the currently outstanding RSUs, that were granted prior to our initial public offering, two vesting requirements must be satisfied on or before the expiration date in order for the ordinary shares subject to the award to vest: (i) a time-based service requirement where a portion of the RSUs vest in each of three years from the grant date, provided that the recipient remains in continuous service through each applicable date and (ii) a requirement that the Company completes an initial public offering or change of control event (the “Liquidity Event Requirement”). If the Liquidity Event Requirement is triggered by an initial public offering, it will be deemed satisfied upon the earliest of (i) the 181st day following the initial public offering; (ii) the March 15th following the year in which the initial public offering occurs, or (iii) the expiration date. In addition, the RSUs that were authorized for granting by our board in March 2018 are subject to (i) a time-based service requirement by which vesting occurs in installments over five years. The options granted under the 2016 Plan also feature both (i) a time-based service requirement, by which vesting occurs in installments over five years and (ii) a Liquidity Event Requirement. In the case of the options granted under the 2016 Plan, if the Liquidity Event Requirement is triggered by an initial public offering then it will be deemed satisfied upon the earliest of (i) the 181st day following the initial public offering and (ii) the day immediately preceding the expiration date. In addition, in the case of RSUs granted under the 2016 Plan, if the optionee is subject to an involuntary termination without cause within 12 months after a change of control event occurs, then his or her options immediately vest and become exercisable with respect to all then-unvested shares upon such termination, and the time-based service requirement is deemed to have been satisfied with respect to all shares subject to those options. This change of control provision was extended to all the optionees in the amendment of December 24, 2018 as until that amendment it only applied to our Chief Executive Officer and his direct reports. As of the date of this Annual Report, the Liquidity Event Requirement for all outstanding options and RSUs has been satisfied.

Award Agreement . Awards granted under the Plans are evidenced by an award agreement providing for the number of ordinary shares subject to the award, and the terms and conditions of the award.

Transfer Restrictions . Options, other share-based awards and RSUs may not be transferred other than by will or the laws of succession or by gift or domestic relations order to an immediate family member of the optionee or, in the case of options under the 2016 Plan, a trust established by the optionee for the benefit of the optionee and/or one or more of the optionee’s immediate family, and are exercisable during the lifetime of the optionee only by the optionee or by the optionee’s guardian or legal representative.

Exercise of Awards . The term of options may not exceed ten years from the date of grant. The consideration to be paid for our ordinary shares upon exercise of an option will be determined by the stock option plan administrator and may include cash or cash equivalents, a promissory note, ordinary shares, delivery of an irrevocable direction to a securities broker appointed by us to sell the shares and deliver all or part of the proceeds to us, consideration received by us under a cashless exercise program implemented by us, or any other form of payment permitted by applicable law. No cash consideration is required of the recipient in connection with the grant of the RSUs.

Termination of Awards . Where the option agreement permits the exercise of the options granted for a certain period of time following the recipient’s termination of service with us, or the recipient’s disability or death, the options will terminate to the extent not exercised on the last day of the specified period or the last day of the original term of the options, whichever occurs first. Unvested RSUs are forfeited to us upon the recipient’s termination of service with us. Treatment of other share-based awards upon a termination of service are as set forth in the award agreement.

Third-Party Acquisition . If a third-party acquires us through the purchase of all or substantially all of our assets, a merger or other business combination, all outstanding awards will be treated in the manner described in the definitive transaction agreement (or, in the event the transaction does not entail a definitive agreement to which we are party, in the manner determined by our board of directors in its capacity as administrator of the Plans, with such determination having final and binding effect on all parties), which agreement or determination need not treat all awards (or all portions of an award) in an identical manner.

Amendment, Suspension or Termination. Our board of directors has the authority to amend, suspend or terminate the Plans at any time and for any reason, without shareholder approval, except to the extent required by applicable law. Unless terminated earlier, the Plans will terminate automatically ten years from the later of (i) the date when the Plan was adopted or (ii) the date when our board of directors approved the most recent increase in the number of shares reserved for issuance; provided that the ability to grant ISOs under the 2016 Plan will terminate on the tenth anniversary of the date when the maximum number of shares reserved for ISOs was approved by our shareholders. As noted above, no further awards will be granted under our 2015 Plan.

C. Board Practices

For information about the date of expiration of the current term of office and the period during which each director and executive officer has served in such office, see “—A. Directors and Senior Management.” For information about contracts for benefits upon termination of employment, see “—B. Compensation.”

Board Committees

Our board of directors may establish committees from time to time with such responsibilities as determined by our board. Members will serve on these committees until their resignation or until otherwise determined by our board. Our board of directors have established an audit committee, as described below.

Nomination and Compensation Committee

On February 28, 2019 our Board of Directors formed a nomination and compensation committee. The nomination and compensation committee is composed of three members, Mario Eduardo Vázquez, Nilesh Lakhani and Martin Rastellino. The nomination and compensation committee is responsible for, among other things:

- carrying out the Board’s responsibilities in relation to compensation of the Company’s CEO and its direct reports (the “Executive Officers”) (including, but not limited to plans, policies and programs), overseeing the implementation of the Company’s compensation policy, and providing such guidance with respect to compensation matters as the Committee deems appropriate.
- (i) identifying individuals to become Directors of the Company, (ii) nominating qualified individuals for election to the Board at the annual meeting of shareholders, (iii) recommending to the Board the individual directors to serve on the committees of the Board, and (iv) recommending the Board a set of corporate governance principles applicable to the Company.
- any such other duties as may be from time to time assigned to it by the Board or required by the rules and regulations of the Securities and Exchange Commission or the New York Stock Exchange.

Audit Committee

Our audit committee consists of Mario Eduardo Vázquez, Nilesh Lakhani and Martin Rastellino, with Mr. Vázquez serving as chair. Messrs. Vázquez and Lakhani satisfy the independence requirements of Rule 10A-3 under the Exchange Act. Our board of directors also has determined that Messrs. Vázquez, Lakhani and Rastellino qualify as audit committee financial experts within the meaning of the SEC rules. Our audit committee oversees our accounting and financial reporting processes and the audits of our consolidated financial statements. Our audit committee is responsible for, among other things:

- selecting our independent auditors and pre-approving all auditing and non-auditing services permitted to be performed by our independent auditors;
- regularly reviewing the independence of our independent auditors;
- reviewing all related party transactions on an ongoing basis;
- discussing the annual and quarterly audited consolidated financial statements with management and our independent auditors;
- periodically reviewing and reassessing the adequacy of our audit committee charter;
- meeting separately and periodically with management and our internal and independent auditors;
- reporting regularly to our full board of directors; and
- such other matters that are specifically delegated to our audit committee by our board of directors from time to time.

D. Employees

As of December 31, 2018, we had 3,398 employees. We also contracted with certain third-party providers to support our call center employees. As of December 31, 2018, we contracted hours equivalent to approximately 412 outsourced employees. The following tables show a breakdown of our employees as of December 31, 2018, 2017 and 2016 by category of activity.

<u>Division/Function</u>	<u>Number of Employees as of</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Operations and customer service	1,349	1,068	1,161
Sales and marketing	263	201	177
Technology and content	1,227	1,081	1,010
General and administrative (1)	559	566	550
Total	3,398	2,916	2,898

(1) Includes business development, administration, finance and accounting, legal and human resources.

As of December 31, 2018, 381 of our employees in Argentina, all of our employees in Brazil and all of our employees in Mexico were represented by labor unions. We believe that our relations with our employees are good and we implement a variety of human resources practices, programs and policies that are designed to hire, retain, develop and compensate our employees.

We have attracted and retained outstanding individuals over the years and we strive to bring more talent by hiring individuals with internet-related experience. We believe our future success will depend on our ability to attract and retain capable professionals.

E. Share Ownership

The following table sets forth information regarding the beneficial ownership of our ordinary shares as of March 31, 2018 by (1) each of our directors and executive officers and (2) all of our directors and executive officers as a group.

In computing the number of ordinary shares beneficially owned by a person or entity and the percentage ownership of that person or entity, we deemed to be outstanding all ordinary shares subject to options or RSUs held by that person or entity that are currently exercisable or that will become exercisable or vested, as applicable, within 60 days of March 31, 2018. We did not deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person or entity. Unless otherwise indicated, the address of each beneficial owner listed in the table below is Juana Manso 999, Ciudad Autónoma de Buenos Aires, Argentina (C1107CBR).

<u>Name of Beneficial Owner</u>	<u>Outstanding Ordinary Shares as of</u>	
	<u>March 31, 2019</u>	
	<u>Number</u>	<u>%</u>
Directors and Executive Officers:		
Nilesh Lakhani (1)	7,929	*
Adam Jay	—	—
Martín Rastellino (2)	552,354	*
Damián Scokin (3)	49,075	
Mario Eduardo Vázquez	—	—
Juan Pablo Alvarado (4)	35,570	*
Gonzalo García Estebarena (5)	19,895	*
Sebastián Mackinnon (6)	39,008	*
Alberto Lopez Gaffney (7)	28,875	*
Pablo Montivero Araya (8)	56,241	
Directors and Executive Officers as a Group (13 persons)	788,944	1%

* Represents beneficial ownership of less than 1%.

(1) Consists of 7,929 ordinary shares held by Mr. Lakhani, a member of our board of directors.

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- (2) Consists of 552,354 ordinary shares held of record by Birbey S.A. Mr. Rastellino has sole voting and dispositive control over such shares and directly or indirectly owns 100% of the share capital of Birbey S.A.
- (3) Consists of 39,075 shares and 10,000 shares acquired through the directed share program implemented in our initial public offering (the “Directed Share Program”). Does not reflect any shares that may be issued upon settlement of outstanding options which will not be exercisable within 60 days of March 31, 2018. Following the repricing described elsewhere in this annual report on Form 20, F, Mr. Scokin holds (a) 260,501 options (i) 5% of which vested on December 1, 2017; (ii) 10% of which vested on December 1, 2018; (iii) 15% of which will vest on December 1, 2019; (iv) 20% of which will vest on December 1, 2020; (v) 25% of which will vest on December 1, 2021 and (vi) 25% of which will vest on December 1, 2022, (b) 86,919 RSUs which vest in five equal installments on December 1, 2018, December 1, 2019, December 1, 2020, December 1, 2021 and December 1, 2022, and (c) 103,897 RSUs which vest in four equal installments on March 1, 2019, June 1, 2020, June 1, 2021 and June 1, 2022, respectively, in each case provided that Mr. Scokin remains in continuous service as an employee, director or consultant of the Company through each applicable date. See “Item 6—B. Compensation.” Mr. Scokin is our Chief Executive Officer and a director.
- (4) Consists of 19,536 shares, 7,034 RSUs and 9,000 shares acquired through the directed share program implemented in our initial public offering (the “Directed Share Program”). Does not reflect any shares that may be issued upon settlement of outstanding options which will not be exercisable within 60 days of March 31, 2018. Following the repricing described elsewhere in this annual report on Form 20, F, Mr. Alvarado holds (a) 65,125 options (i) 5% of which vested on December 1, 2017; (ii) 10% of which vested on December 1, 2018; (iii) 15% of which will vest on December 1, 2019; (iv) 20% of which will vest on December 1, 2020; (v) 25% of which will vest on December 1, 2021 and (vi) 25% of which will vest on December 1, 2022, (b) 65,125 options (i) 15% of which vested on December 26, 2018; (ii) 15% of which will vest on December 1, 2019; (iii) 20% of which will vest on December 1, 2020; (iv) 25% of which will vest on December 1, 2021 and (v) 25% of which will vest on December 1, 2022, (c) 19,343 RSUs which vest in five equal installments on December 1, 2018, December 1, 2019, December 1, 2020, December 1, 2021 and December 1, 2022, and (d) 28,988 RSUs which vest in four equal installments on March 1, 2019, June 1, 2020, June 1, 2021 and June 1, 2022, respectively, in each case provided that Mr. Alvarado remains in continuous service as an employee, director or consultant of the Company through each applicable date. See “Item 6—B. Compensation.” Mr. Alvarado is our General Counsel and Corporate Affairs Director.
- (5) Consists of 19,895 shares. Does not reflect any shares that may be issued upon settlement of outstanding options which will not be exercisable within 60 days of March 31, 2018. Following the repricing described elsewhere in this annual report on Form 20, F, Mr. García Estebarena holds (a) 132,638 options (i) 5% of which vested on December 1, 2017; (ii) 10% of which vested on December 1, 2018; (iii) 15% of which will vest on December 1, 2019; (iv) 20% of which will vest on December 1, 2020; (v) 25% of which will vest on December 1, 2021 and (vi) 25% of which will vest on December 1, 2022, (b) 58,028 RSUs which vest in five equal installments on December 1, 2018, December 1, 2019, December 1, 2020, December 1, 2021 and December 1, 2022, and (c) 51,948 RSUs which vest in four equal installments on March 1, 2019, June 1, 2020, June 1, 2021 and June 1, 2022, respectively, in each case provided that Mr. García Estebarena remains in continuous service as an employee, director or consultant of the Company through each applicable date. See “Item 6—B. Compensation.” Mr. García Estebarena is our Commercial Director.
- (6) Consists of 19,540 shares and 11,468 RSUs and 8,000 shares acquired through the Directed Share Program. Does not reflect any shares that may be issued upon settlement of outstanding options which will not be exercisable within 60 days of March 31, 2018. Following the repricing described elsewhere in this annual report on Form 20, F, Mr. Mackinon holds (a) 130,251 options (i) 5% of which vested on December 1, 2017; (ii) 10% of which vested on December 1, 2018; (iii) 15% of which will vest on December 1, 2019; (iv) 20% of which will vest on December 1, 2020; (v) 25% of which will vest on December 1, 2021 and (vi) 25% of which will vest on December 1, 2022, (b) 25,791 RSUs which vest in five equal installments on December 1, 2018, December 1, 2019, December 1, 2020, December 1, 2021 and December 1, 2022, and (c) 51,948 RSUs which vest in four equal installments on March 1, 2019, June 1, 2020, June 1, 2021 and June 1, 2022, respectively, in each case provided that Mr. Mackinon remains in continuous service as an employee, director or consultant of the Company through each applicable date. See “Item 6—B. Compensation.” Mr. Mackinon is our Country Manager for Argentina.
- (7) Consists of 21,855 shares and 7,020 RSUs. Does not reflect any shares that may be issued upon settlement of outstanding options which will not be exercisable within 60 days of March 31, 2018. Following the repricing described elsewhere in this annual report on Form 20, F, Mr. Lopez Gaffney holds (a) 145,700 options (i) 15% of which vested on December 1, 2018; (ii) 15% of which will vest on December 1, 2019; (iii) 20% of which will vest on December 1, 2020; (iv) 25% of which will vest on December 1, 2021 and (v) 25% of which will vest on December 1, 2022, (b) 30,000 RSUs which vest in five equal installments on December 1, 2018, December 1, 2019, December 1, 2020, December 1, 2021 and December 1, 2022, and (c) 20,227 RSUs which vest in four equal installments on March 1, 2019, June 1, 2020, June 1, 2021 and June 1, 2022, respectively, in each case provided that Mr. Lopez Gaffney remains in continuous service as an employee, director or consultant of the Company through each applicable date. See “Item 6—B. Compensation.” Mr. Lopez Gaffney is our CFO.
- (8) Consists of 19,537 shares and 16,704 RSUs and 22,000 shares acquired through the Directed Share Program. Does not reflect any shares that may be issued upon settlement of outstanding options which will not be exercisable within 60 days of March 31, 2018. Following the repricing described elsewhere in this annual report on Form 20, F, Mr. Montivero holds (a) 130,251 options (i) 5% of which vested on December 1, 2017; (ii) 10% of which vested on December 1, 2018; (iii) 15% of which will vest on

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December 1, 2019; (iv) 20% of which will vest on December 1, 2020; (v) 25% of which will vest on December 1, 2021 and (vi) 25% of which will vest on December 1, 2022, (b) 30,592 RSUs which vest in five equal installments on December 1, 2018, December 1, 2019, December 1, 2020, December 1, 2021 and December 1, 2022, and (c) 51,948 RSUs which vest in four equal installments on March 1, 2019, June 1, 2020, June 1, 2021 and June 1, 2022, respectively, in each case provided that Mr. Montivero remains in continuous service as an employee, director or consultant of the Company through each applicable date. See “Item 6—B. Compensation.” Mr. Montivero is our Head of Distribution.

For information regarding share options and RSUs held by the persons listed above, see “—Equity Incentive Plans.”

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

The following table sets forth information regarding the beneficial ownership of our ordinary shares as of March 31, 2019 by each person known to us to beneficially own more than 5% of any class of our outstanding voting securities.

In computing the number of ordinary shares beneficially owned by a person or entity and the percentage ownership of that person or entity, we deemed to be outstanding all ordinary shares subject to options or RSUs held by that person or entity that are currently exercisable or that will become exercisable or vested, as applicable, within 60 days of March 31, 2019. We did not deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person or entity.

Name of Beneficial Owner	Outstanding Ordinary Shares as of	
	March 31, 2019	
% Shareholders:	Number	%
Funds Affiliated with Tiger Global (1)	12,271,960	17.8
Expedia, Inc. (2)	9,590,623	13.9

(1) Based on that certain Schedule 13G/A filed on February 14, 2019, consists of ordinary shares held by Tiger Global Private Investment Partners IV, L.P., Tiger Global Investments, L.P., Charles P. Coleman III, Stephanie Coleman, The Charles P. Coleman III Family Trust (“Tiger Global Funds”), The Charles P. Coleman III Family Trust (“Tiger Global Funds”) NonExempt, Scott Shleifer, Scott Shleifer 2011 Descendants’ Trust, Lee Fixel, LFX Trust, and LFX Trust LLC. The business address for each of these entities and individuals is c/o Tiger Global Management, LLC, 9 West 57th Street, 35th Floor, New York, NY 10019.

(2) Consists of ordinary shares held by Expedia, Inc. (“Expedia”), a Washington corporation, a direct wholly owned subsidiary of Expedia Group, Inc., a Delaware corporation. The principal business address for Expedia is 333 108th Avenue NE, Bellevue, WA 98004.

Significant Changes in Percentage Ownership

Except as disclosed below, to our knowledge, there has been no significant changes in the percentages of ownership held by the major shareholders listed below.

On May 3, 2017, the stockholders of our predecessor, Decolar.com, Inc., a Delaware corporation, exchanged their shares for newly issued ordinary shares of Despegar.com, Corp. to create a new BVI holding company.

On March 6, 2015, Expedia purchased 9,590,623 shares of common stock (the “2015 Expedia Shares”) from our predecessor, Decolar.com, Inc., representing 16.4% of its capital stock, for an aggregate purchase price of \$270.0 million.

On September 19, 2017, we completed our initial public offering on the New York Stock Exchange. We sold an aggregate of 14,685,500 ordinary shares (including 10,578,931 ordinary shares sold by us, including the full exercise of the over-allotment option by the underwriters to purchase up to an additional 1,915,000 ordinary shares, and 4,106,569 ordinary shares sold by our selling shareholders). The price per ordinary share was \$26.00. In this initial public offering, Tiger Global sold 3,356,020 ordinary shares, reducing its ownership percentage from 57.3% to 43.7%. In turn, in the context of this initial public offering, Expedia was diluted from 16.4% to 13.9%.

On August 9, 2018, the Company's board of directors approved a share repurchase program that enabled the Company to repurchase up to \$75 million of its shares effective immediately and expiring in one year. During 2018, the Company repurchased 1,544,475 shares with a weighted average cost per share of \$16.84. Through this program, the Company is not obliged to acquire any specific number of shares and the repurchase program may be suspended, terminated or modified at any time for any reason.

On August 21, 2018, the SEC declared effective our registration statement on Form F-1, which was filed for the purposes of registering ordinary shares for Tiger Global, our largest shareholder at the time and an affiliate of Jason Lenga, a member of our board of directors, pursuant to which Tiger Global could elect to make in-kind distributions to its members, partners or shareholders or otherwise dispose of the ordinary shares owned by Tiger Global. Such registration statement was amended pursuant to a post-effective amendment on Form F-3, which was declared effective by the SEC on December 19, 2018.

B. Related Party Transactions

Relationship with Expedia

Expedia Outsourcing Agreement

We entered into the Expedia Outsourcing Agreement with affiliates of Expedia on March 6, 2015.

All hotel and other lodging reservations that we offer through our platform for all countries outside Latin America are provided to us exclusively by Expedia pursuant to the Expedia Outsourcing Agreement. Under the agreement, Expedia is also the preferred provider to us of hotel and other lodging reservations in Latin America. Expedia makes its hotel and other lodging reservations available to us. We are required to reach a threshold of marketing fees (which are defined in the Expedia Outsourcing Agreement as a specified percentage of gross profit received by Expedia from travel bookings made through our platform) equal to \$5.0 million in any six-month period, or else Expedia may require us to pay a \$125.0 million termination fee. Since we entered into the Expedia Outsourcing Agreement in March 2015, we have not failed to meet the required threshold. For more information, see "Item 5. Operating and Financial Review and Prospects—F. Tabular Disclosure of Contractual Obligations."

We receive a marketing fee for each booking using rates and availability provided by Expedia through our platform based on the compensation that Expedia is entitled to receive from the relevant property owner. For 2018 and 2017, marketing fees paid by Expedia to us under the Expedia Outsourcing Agreement, net of fees we paid to Expedia under the Despegar Outsourcing Agreement (described below), amounted to \$44.0 million and \$37.0 million, respectively, which represented 8.3% and 7.1% of our revenue for each year, respectively. From time to time, the Expedia Outsourcing Agreement has been supplemented by one-time incentives paid to us for reaching certain booking targets during a specified time period.

As of December 31, 2018, our payables to Expedia under the Expedia Outsourcing Agreement were \$83.9 million.

The term of the Expedia Outsourcing Agreement automatically renews annually unless terminated in certain cases, including (1) by mutual consent or by a party in the case of a material breach by the other party (with a \$125.0 million termination payment if terminated by Expedia due to our breach or our failure to meet certain minimum performance requirements), (2) unilaterally by us without cause after March 6, 2022 upon payment to Expedia of a \$125.0 million termination payment, and (3) unilaterally by Expedia in the event of a change of control of our company. A change of control under the agreement is defined as the sale, lease or transfer of all or substantially all of our assets to or acquisition of more than 50% of voting or economic power in our company or any parent of our company by an entity in the consumer or corporate travel industry or an internet-enabled provider of travel search or information services. Unilateral termination of the Expedia Outsourcing Agreement by us as described in (2) above, in addition to triggering the termination payment, also gives Expedia the right to sell the 2015 Expedia Shares back to us for fair market value under the Shareholder Agreements described below.

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We may also terminate the agreement if Expedia ceases to hold all of the 2015 Expedia Shares unless the disposition of those shares was (1) approved by a majority of members of our Board of Directors that were not designated by Expedia, (2) involuntary or (3) the result of an action taken by us or any of our affiliates.

The foregoing description of the Expedia Outsourcing Agreement is qualified in its entirety by reference to the Expedia Outsourcing Agreement, which was filed as an exhibit to the registration statement filed with the SEC on August 31, 2017.

Despegar Outsourcing Agreement

We entered into the Despegar Outsourcing Agreement with certain affiliates of Expedia on August 17, 2016. Under the Despegar Outsourcing Agreement, we are required to make our hotel reservations available to certain affiliates of Expedia. The relevant Expedia Affiliate receives compensation equal to a percentage of the revenue earned by us from the property owner.

The agreement has a three-year term that automatically renews for one-year periods, unless either party elects not to renew. We are required to indemnify Expedia and/or its affiliates for losses derived from end user claims. However, if during any contract year Expedia and/or its affiliates suffer losses derived from end user claims exceeding 1% of the annual aggregate room price of the bookings made by the Company during such year, we may terminate the agreement.

As of December 31, 2018 our receivables with Expedia under the Despegar Outsourcing Agreement were \$8.7 million.

The foregoing description of the Despegar Outsourcing Agreement is qualified in its entirety by reference to the Despegar Outsourcing Agreement, which was filed as an exhibit to the registration statement filed with the SEC on August 31, 2017.

Shareholder Agreements

We are party to the following agreements with our shareholders: (i) the Sixth Amended and Restated Investors' Rights Agreement, dated as of August 29, 2017, by and among the Company, (1) Tiger Global Private Investment Partners IV, L.P., Tiger Global Investments, L.P., The Scott Shleifer 2011 Descendants' Trust pursuant to an agreement dated as of January 20, 2011, LFX Trust under an agreement dated as of January 26, 2011 and Ventoux V LLC (together, the "Tiger Global Shareholders"), (2) Porto Palma S.A, Vistamare S.A., Tielis Park S.A., Proventure S.A., Pausania S.A., Bynum Company S.A., Birbey S.A., Prefisul S.A., Pranaguspi S.A. (together, the "Former Management Shareholders"); (3) SC US GF V HOLDINGS, LTD., SCGE FUND, L.P., SCHF (M) PV, L.P. (together, the "Sequoia Shareholders"), Insight Venture Partners VII, LP, Insight Venture Partners VII (CoInvestors), LP, Insight Venture Partners (Cayman) VII LP, Insight Venture Partners (Delaware) VII LP (together, the "Insight Shareholders"), Accel Growth Fund II L.P., Accel Growth Fund II Strategic Partners L.P., Accel Growth Fund 2012 Investors L.L.C. (together, the "Accel Shareholders"), General Atlantic Partners (Bermuda) II, L.P., GAPCO GmbH & Co. KG, GAP Coinvestments CDA, L.P., GAP Coinvestments III, LLC, GAP Coinvestments IV, LLC (together, the "General Atlantic Shareholders" and, together, with the Sequoia Shareholders, the Insight Shareholders and the Accel Shareholders, the "Other Investor Shareholders"); and (4) Expedia (together, with the Tiger Global Shareholders, the Former Management Shareholders and the Other Investor Shareholders, the "Principal Shareholders") (the "Sixth Amended and Restated Investors' Rights Agreement"); (ii) the Fourth Amended and Restated Voting Agreement dated as of August 29, 2017, by and among the Company, the Principal Shareholders, Nilesh Lakhani, Edgardo Sokolowicz, Alipio Camanzano, Martin Molinari (through investment vehicles), Christian Adonajlo, Cristian Camsen, Daniel Goldstein and Michael Doyle (together, the "Additional Shareholders") (the "Fourth Amended and Restated Voting Agreement"); and (iii) the Fourth Amended and Restated First Refusal and Co-Sale Agreement dated as of August 29, 2017, by and among the Company, the Principal Shareholders and the Additional Shareholders (the "Fourth Amended and Restated First Refusal and Co-Sale Agreement"). For purposes of this Annual Report we refer to the Sixth Amended and Restated Investors' Rights Agreement, the Fourth Amended and Restated Voting Agreement and the Fourth Amended and Restated First Refusal and Co-Sale Agreement as the "Shareholder Agreements." The Shareholder Agreements provide Expedia and the Tiger Global Shareholders with the rights and obligations described below.

Expedia Preemptive Rights

As long as Expedia beneficially owns at least 5% of our share capital (calculated on a fully-diluted basis), it has preemptive rights to purchase newly issued shares to maintain its percentage ownership in all future offerings by us of our shares or of securities convertible into, or exchangeable or exercisable for, any of our shares, subject to certain limited exceptions.

Expedia Standstill

Until September 19, 2020, Expedia and its affiliates are prohibited from acquiring more than 35% of the voting or economic power of our outstanding shares, except by a tender offer, exchange offer or other offer for all of the outstanding shares, directly or indirectly, in which case they are only permitted to consummate such offer if it would result in their owning more than 75% of the voting or economic power of our outstanding shares entitled to vote in the election of our board of directors. In addition, if (1) we enter into a definitive agreement providing for a Liquidation Event (as defined in the Shareholder Agreements), (2) a tender or exchange offer which if consummated would constitute a Liquidation Event is made (by a person other than Expedia) for our securities and our board of directors either accepts such offer or fails to recommend that our shareholders reject such offer within ten business days, or (3) our board of directors resolves to engage in a formal process which is intended to result in a transaction which, if consummated, would constitute a Liquidation Event, then, notwithstanding the above restriction, with respect to clauses (1) and (2), Expedia is entitled to make an offer for and acquire our shares in a transaction for at least as many shares or equivalent as contemplated in the relevant Liquidation Event, and, with respect to clause (3), Expedia is entitled to participate in such process on the same terms and conditions as the other participants.

Expedia Put Right

We are required to buy back from Expedia, or in certain circumstances facilitate the sale of, the 2015 Expedia shares for fair market value, if we exercise our right to terminate the Expedia Outsourcing Agreement on or after March 6, 2022 and make the required termination payment of \$125.0 million to Expedia in connection therewith. If we remain a public company with securities traded on a recognized securities exchange at the time we receive notice that Expedia is exercising its put right, then we are required to (1) use our best efforts to prepare and file with the SEC a registration statement covering the 2015 Expedia Shares, (2) request, in conjunction with Expedia, quotes from five internationally-recognized underwriting banks for a firm and fully underwritten sale of the 2015 Expedia Shares and (3) assist Expedia in its sale of the 2015 Expedia Shares on a recognized securities exchange or market or otherwise. If the 2015 Expedia Shares cannot be sold in this manner, we are required to purchase the 2015 Expedia Shares at the highest quoted price then available from the aforementioned underwriting banks. If we are no longer a public company with securities traded on a recognized securities exchange, fair market value will be a price agreed upon by us and Expedia or, if the parties cannot agree, a price determined through the assistance of third-party valuation experts.

Expedia Non-Solicitation Restriction

Expedia is also prohibited from soliciting certain of our employees, and vice versa, until one year after Expedia beneficially owns less than 10% of our share capital. A similar non-solicitation covenant applies during the term of the Expedia Outsourcing Agreement.

Expedia Director Business Opportunities

Subject to applicable confidentiality obligations, directors who have or currently serve as directors, officers, employees or agents of Expedia (the “Expedia Directors”) are not precluded from referring potential business opportunities in which we could have an interest to Expedia. If the Expedia Directors do so, we would be considered to have renounced our interest in such opportunity, unless the opportunity in question was presented to the director solely in his or her capacity as our director or for our benefit, in which case it can only be referred to Expedia if a majority of our board of directors (excluding the Expedia Directors) has formally declined the opportunity pursuant to a resolution.

Expedia Director Potential Conflicts of Interest

The Expedia Directors may be excluded from the relevant portion of any board or committee meeting or relevant resolutions of directors relating to any transaction, agreement or arrangement with respect to which (1) Expedia or any of its affiliates is a counterparty or has a material economic interest in the counterparty or (2) in the reasonable opinion of a majority of the members of the board that are not designated or nominated by, or employed by, Expedia or any of its affiliates, there would exist a conflict of interest between the interests of Expedia or its affiliates, on the one hand, and our interests, on the other (conflict of interest is defined for such purpose as a specific material economic or competitive interest of Expedia or any of its affiliates in a potential transaction, agreement or arrangement of the Company would be reasonably likely to materially impair the independence or objectivity of the Expedia Directors in the discharge of their responsibilities and duties to the Company, in light of their affiliation to Expedia).

Registration Rights

The Tiger Global Shareholders and Expedia are each entitled to two demand registrations as long as such holder owns 5% or more of our outstanding ordinary shares (calculated on a fully-diluted basis). Moreover, any other party to our Shareholder Agreements that owns 10% or more of our outstanding ordinary shares (calculated on a fully-diluted basis) is also entitled to two demand registrations. We are also required to effect up to two registrations on Form F-3 in any twelve-month period, upon the request of any such shareholders that own 10% or more of our outstanding ordinary shares (calculated on a fully-diluted basis). The Shareholder Agreements also provide the shareholders party thereto with customary piggyback registration rights. Moreover, we are required to pay certain expenses relating to such registrations and indemnify such shareholders against certain liabilities that may arise under the Securities Act. In addition, as previously described, we may also be required to facilitate the sale by Expedia of the 2015 Expedia Shares.

Restrictions on Transactions and Transfers to Priceline

Under the Sixth Amended and Restated Investors' Rights Agreement and the Expedia Outsourcing Agreement, until September 19, 2020, we may not enter into any arrangement with the Priceline Group Inc. or any of its affiliates ("Priceline") or the respective businesses of Booking.com, Agoda.com, Kayak.com and RentalCars.com (the "Specified Priceline Operations"), whether or not such businesses remain a part of the operations of Priceline, or any future business of Priceline which is similar in size and nature to the Specified Priceline Operations, whether or not such business remains a part of the operations of Priceline. In addition, until September 19, 2020, certain restrictions apply to transfers of our securities by us or by the Principal Shareholders to Priceline.

However, these restrictions cease to apply if the Expedia Outsourcing Agreement has been validly terminated in accordance with its terms, except if such termination was due to a failure by us to meet certain minimum performance requirements or a material breach by us, in which case these restrictions will continue to apply until the earliest of (1) September 19, 2020, (2) the seventh anniversary of the Expedia Outsourcing Agreement (provided that we make the required termination payment of \$125.0 million), (3) the date on which Expedia sells the 2015 Expedia Shares unless the disposition of such shares was (a) approved by a majority of our board of directors that were not designated by Expedia, (b) involuntary, or (c) the result of an action taken by us or any of our affiliates (e.g., a stock buyback, reverse stock split, merger, share exchange or other transaction resulting in the change in form of the 2015 Expedia Shares); or (4) a material and uncured breach by Expedia of its agreement not to acquire more than 35% of the voting or economic power of our outstanding share capital prior to September 19, 2020 other than by means of a tender offer, exchange offer or other offer that if consummated would result in Expedia being the beneficial owner of more than 75% of the voting or economic power of our outstanding share capital entitled to vote in the election of the board of directors.

The foregoing description of the Shareholder Agreements and the rights contained therein is qualified in its entirety by reference to the Shareholder Agreements, which were filed as exhibits to the registration statement filed with the SEC on August 31, 2017.

Statement of Policy Regarding Transactions with Related Persons

Our board of directors has adopted a written statement of policy regarding transactions with related persons, which we refer to as our "related person policy." Our related person policy requires that a "related person" (as defined as in paragraph (a) of Item 404 of Regulation S-K) must promptly disclose to our general counsel any "related person transaction" (defined as any transaction that is anticipated would be reportable by us under Item 404(a) of Regulation S-K in which we were or are to be a participant and the amount involved exceeds \$120,000 and in which any related person had or will have a direct or indirect material interest) and all material facts with respect thereto. The head of compliance will then promptly communicate that information to our board of directors. No related person transaction will be executed without the approval or ratification of our board of directors. It is our policy that directors interested in a related person transaction will recuse themselves from any vote of a related person transaction in which they have an interest. Our policy does not specify the standards to be applied by directors in determining whether or not to approve or ratify a related person transaction and we accordingly anticipate that these determinations will be made in accordance with principles of the laws of the BVI generally applicable to directors of a BVI company.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

See Exhibits.

Legal Proceedings

See "Item 4. Information on the Company — Business Overview — Legal Proceedings."

Dividend Policy

In 2018, 2017 and 2016, no dividends were declared or paid on our ordinary shares or on the common stock of our predecessor, Decolar.com, Inc. We currently intend to retain our available funds and future earnings, if any, to finance the development and growth of our business and operations as well as expand our business and do not currently anticipate paying dividends on our ordinary shares in the near future.

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The declaration, amount and payment of any future dividends will be at the sole discretion of our board of directors, subject to compliance with applicable BVI laws regarding solvency. Our board of directors will take into account general economic and business conditions, our financial condition and results of operations, our available cash and current and anticipated cash needs, capital requirements, contractual, legal, tax and regulatory restrictions and other implications on the payment of dividends by us to our shareholders or by our subsidiaries to us, and such other factors as our board of directors may deem relevant.

As we are a holding company, we rely on dividends paid to us by our subsidiaries for our cash requirements, including funds to pay any dividends and other cash distributions to our shareholders, service any debt we may incur and pay our operating expenses. Our ability to pay dividends to our shareholders will depend on, among other things, the availability of dividends from our subsidiaries.

Under BVI law, our board of directors may authorize payment of a dividend to shareholders at such time and of such an amount as they determine if they are satisfied on reasonable grounds that immediately following the dividend the value of our assets will exceed our liabilities and we will be able to pay our debts as they become due. There is no further BVI statutory restriction on the amount of funds which may be distributed by us by dividend.

Pursuant to our memorandum and articles of association:

- Subject to the Company satisfying the solvency test described above, our board of directors may authorize payment of a dividend or other distribution at such time and of such an amount and pursuant to such method or methods of payment or other distribution as it thinks fit. A dividend or other distribution may be paid wholly or partly by the distribution of specific assets (which may consist of our shares or securities of any other entity) and our board of directors may settle all questions concerning such distribution. Without limitation, our board of directors may fix the value of such specific assets, may determine that cash payments shall be made to some shareholders in lieu of specific assets and may vest any such specific assets in a liquidating or other trust on such terms as our board of directors thinks fit.
- Our board of directors may deduct from any dividend or other distribution payable to any shareholder any or all monies then due from such shareholder to us.
- All dividends and other distributions unclaimed for three years after having been declared may be forfeited by a resolution of directors for the benefit of the Company. All unclaimed dividends and other distributions may be invested or otherwise made use of by our board of directors for the benefit of the Company pending claim or forfeiture as aforesaid. No dividend or other distribution shall bear interest against the Company.
- A dividend or other distribution made to a shareholder at a time when, immediately after the dividend or other distribution, the value of the Company's assets did not exceed its liabilities and the Company was not able to pay its debts as they fell due, is subject to recovery in accordance with the provisions of the BVI Act.

B. Significant Changes

There has been no significant subsequent event following the close of the last financial year up to the date of this Annual Report that is known to us and requires disclosure in this Annual Report for which disclosure was not made in this Annual Report.

ITEM 9. THE OFFER AND LISTING

A. Offer and Listing Details

Our ordinary shares trade on the New York Stock Exchange since September 19, 2017 under the symbol "DESP."

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B. Plan of Distribution

Not applicable.

C. Markets

Our ordinary shares trade on the New York Stock Exchange under the symbol “DESP.”

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

We are a BVI business company incorporated with limited liability and our affairs are governed by the provisions of our memorandum and articles of association, as amended and restated from time to time, and by the provisions of applicable BVI law, including the BVI Act.

Our company number in the BVI is 1936519. As provided in regulation 4 of our memorandum of association, subject to BVI law, we have full capacity to carry on or undertake any business or activity, do any act or enter into any transaction and, for such purposes, full rights, powers and privileges. Our registered office is at Commerce House, Wickhams Cay 1, P.O. Box 3140, Road Town, Tortola, British Virgin Islands and our registered agent is Conyers Trust Company (BVI) Limited of Commerce House, Wickhams Cay 1, P.O. Box 3140, Road Town, Tortola, British Virgin Islands.

The transfer agent and registrar for our ordinary shares is Computershare Trust Company, N.A., which maintains the register of members of the Company at 480 Washington Boulevard, Jersey City, NJ 07310, USA. The shares of the Company are held in uncertificated (book-entry) form and no shareholder has the right to require issuance or provision to it at any time of any share certificate.

Our memorandum and articles of association are described in our Annual Report on Form 20-F for the fiscal year ended December 31, 2017 filed with the SEC on April 24, 2018 and has also been filed as an exhibit to the registration statement on Form F-1 filed with the SEC on August 31, 2017.

C. Material Contracts

For information regarding material contracts, see “Item 7. Major Shareholders and Related Party Transactions —B. Related Party.”

D. Exchange Controls

The following paragraphs summarize the exchange rates and exchange controls of Brazilian reais and Argentine pesos. See “Item 3. Key Information — D. Risk Factors—Risks Related to Latin America—Exchange rate fluctuations against the dollar in the countries in which we operate could negatively affect our results of operations” and “We are subject to foreign currency exchange controls in certain countries in which we operate” for more information.

Brazil

The Brazilian foreign exchange system allows the purchase and sale of foreign currency and the international transfer of Brazilian reais by any person or legal entity, regardless of the amount, subject to certain regulatory procedures.

The Brazilian real depreciated against the dollar from mid-2011 to early 2016. In 2016, the Brazilian real fluctuated significantly, primarily as a result of Brazil's political instability, but appreciated 16.54%, reaching R\$3.2591 per \$1.00 on December 31, 2016. In 2017, the Brazilian Real depreciated 1.5% relative to the U.S. dollar. In 2018, the Brazilian Real depreciated 17.1% relative to the U.S. dollar.

The Brazilian Central Bank has intervened occasionally in the foreign exchange market to attempt to control instability in foreign exchange rates. We cannot predict whether the Brazilian Central Bank or the Brazilian government will continue to allow the Brazilian real to float freely or will intervene in the exchange rate market by re-implementing a currency band system or otherwise. The Brazilian real may depreciate or appreciate substantially against the dollar in the future. Furthermore, Brazilian law provides that, whenever there is a serious imbalance in Brazil's balance of payments or there are reasons to foresee a serious imbalance, temporary restrictions may be imposed on remittances of foreign capital abroad. We cannot assure you that the Brazilian government will not place restrictions on remittances of foreign capital abroad in the future.

The following tables set forth the annual high, low, average and period-end exchange rates for the periods indicated, expressed in Brazilian reais per U.S. dollar (R\$/) and not adjusted for inflation, as reported by the Brazilian Central Bank. We cannot assure you that the Brazilian real will not depreciate or appreciate again in the future.

Year Ended December 31,	Period-end	Average(1)	Low	High
2013	2.34	2.16	1.95	2.45
2014	2.66	2.35	2.20	2.74
2015	3.90	3.34	2.58	4.19
2016	3.26	3.48	3.12	4.16
2017	3.30	3.19	3.05	3.38
2018	3.88	3.65	3.13	4.21

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Month	Period-end	Average(2)	Low	High
October 2017	3.28	3.19	3.13	3.28
November 2017	3.26	3.26	3.21	3.29
December 2017	3.31	3.29	3.23	3.33
January 2018	3.16	3.21	3.14	3.27
February 2018	3.24	3.24	3.17	3.28
March 2018	3.32	3.27	3.22	3.33
April 2018	3.41	3.36	3.31	3.41
May 2018	3.72	3.63	3.50	3.77
June 2018	3.87	3.77	3.66	3.96
July 2018	3.75	3.82	3.68	3.95
August 2018	4.05	3.92	3.69	4.21
September 2018	4.04	4.10	3.96	4.21
October 2018	3.72	3.76	3.58	4.06
November 2018	3.86	3.78	3.67	3.94
December 2018	3.88	3.88	3.81	3.94

Source: Brazilian Central Bank

- (1) Represents the average of the exchange rates on the closing of each day during the year.
- (2) Represents the average of the exchange rates on the closing of each day during the month.

On December 31, 2018, the exchange rate was R\$3.88 per \$1.00.

Argentina

From April 1, 1991 until the beginning of 2002, Law No. 23,928 (the “Convertibility Law”) established a regime under which the Argentine Central Bank was obliged to sell dollars at a fixed rate of one Argentine peso per dollar. On January 6, 2002, the Argentine Congress enacted Law No. 25,561 (as amended and supplemented, the “Public Emergency Law”), formally ending the regime of the Convertibility Law, abandoning over ten years of dollar-Argentine peso parity and eliminating the requirement that the Argentine Central Bank’s reserves in gold, foreign currency and foreign currency-denominated debt be at all times equivalent to 100% of the monetary base.

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The Public Emergency Law, which has been extended on an annual basis and is in effect until December 31, 2019, has granted the Argentine government the power to set the exchange rate between the Argentine peso and foreign currencies and to issue regulations related to the foreign exchange market. Following a brief period during which the Argentine government established a temporary dual exchange rate system, pursuant to the Public Emergency Law, the Argentine peso has been allowed to float freely against other currencies since February 2002. However, the Argentine Central Bank has had the power to intervene in the exchange rate market by buying and selling foreign currency for its own account, a practice in which it has engaged on a regular basis. Since 2011, the Argentine government has increased controls on exchange rates and the transfer of funds into and out of Argentina.

With the tightening of foreign exchange controls beginning in late 2011, in particular with the introduction of measures that restricted access to foreign currency for private companies and individuals, the implied exchange rate, as reflected in the quotations for Argentine securities that trade in foreign markets, compared to the corresponding quotations in the local market, increased significantly over the official exchange rate. Most of the foreign exchange restrictions have been gradually lifted by several communications issued by the Argentine Central Bank, starting with Communication “A” 5850 issued in December 2015. On August 9, 2016 the Argentine Central Bank issued Communication “A” 6037, which substantially modified the applicable foreign exchange regulations and eliminated the set of restrictions for accessing the FX Market. Consequently, as a result of the elimination of the existing limitations on the amounts for the purchase of foreign currency without specific allocation and the elimination of prior approval requirements, the spread between the official exchange rate and the implicit exchange rate derived from securities transactions has substantially decreased.

After several years of moderate variations in the nominal exchange rate, in 2012 the Argentine peso lost approximately 14% of its value with respect to the dollar. This was followed in 2013 and 2014 by a devaluation of the Argentine peso with respect to the dollar that exceeded 30%, including a loss of approximately 23% in January 2014. In 2015, the Argentine peso lost approximately 52% of its value with respect to the dollar, including a 10% devaluation from January 1, 2015 to September 30, 2015 and a 38% devaluation during the last quarter of the year, mainly concentrated after December 16, 2015 when certain exchange controls were lifted.

The following table sets forth the annual high, low, average and period-end exchange rates for the periods indicated, expressed in Argentine pesos per dollar and not adjusted for inflation. We cannot assure you that the Argentine peso will not depreciate or appreciate again in the future. The Federal Reserve Bank of New York does not report a noon buying rate. We cannot assure you that the Argentine peso will not depreciate or appreciate again in the future.

<u>Year Ended December 31,</u>	<u>Period-end</u>	<u>Average(1)</u>	<u>Low</u>	<u>High</u>
2013	6.14	5.37	4.84	6.14
2014	8.52	7.94	6.16	8.53
2015	13.30	9.47	8.64	13.30
2016	15.87	14.42	9.70	15.87
2017	18.64	16.52	15.14	19.52
2018	38.60	30.37	18.65	42.10

<u>Month</u>	<u>Period-end</u>	<u>Average(2)</u>	<u>Low</u>	<u>High</u>
October 2017	17.65	17.41	17.33	17.70
November 2017	17.30	17.42	17.30	17.65
December 2017	18.64	17.66	17.23	19.20
January 2018	19.65	18.98	18.41	19.65
February 2018	20.35	20.07	19.65	20.45
March 2018	20.40	20.49	20.40	20.65
April 2018	20.45	20.42	20.40	20.45
May 2018	25.40	23.42	21.45	25.40
June 2018	29.40	27.10	25.40	28.80
July 2018	27.90	28.25	27.70	28.80
August 2018	37.40	33.00	27.80	38.20
September 2018	42.10	39.85	37.60	42.10
October 2018	36.80	38.55	36.60	40.50
November 2018	38.60	38.10	36.30	39.90
December 2018	38.60	38.45	37.40	39.50
January 2019	38.60	38.20	37.80	38.60
February 2019	40.10	39.35	38.10	40.60

Source: Banco de la Nación Argentina selling rate

- (1) Represents the average of the exchange rates on the closing of each day during the year.
- (2) Represents the average of the exchange rates on the closing of each day during the month.

On December 31, 2018, the exchange rate was AR\$38.60 per \$1.00.

Exchange Controls in Argentina

The enactment of the Public Emergency Law in 2002, among other things, authorized the Argentine government to implement a foreign exchange system and to enact foreign exchange regulations. Within this context, on February 8, 2002, pursuant to Decree No. 260/2002, the Argentine government (1) created the FX Market through which all transactions involving the exchange of foreign currency must be conducted, and (2) established that all foreign exchange transactions shall be made at the freely agreed exchange rate and in compliance with the requirements and regulations of the Argentine Central Bank (the main aspects of which are described below).

On June 9, 2005, by means of Decree No. 616/2005, the Argentine government established that (1) all inflows of funds into the FX Market arising from foreign debts incurred by Argentine residents, both individuals or legal entities of the private financial and non-financial sector, excluding export-import financings, and primary issues of debt securities sold through public offering and traded in authorized markets; (2) currency remittances made by non-Argentine-residents into the domestic foreign exchange market for the following purposes: holdings of Argentine currency, purchases of any kind of financial assets or liabilities of the financial or non-financial private sector, excluding direct foreign investments and primary issues of debt securities and shares sold through public offering and traded in self-regulated markets; and investments in public sector securities purchased in secondary markets, shall meet the following requirements: (a) currency remittances into the domestic foreign currency market shall only be transferred abroad upon the lapse of 365 calendar days computed as from the date of settlement of such funds into Argentine pesos (the “Minimum Stay Period”); (b) the proceeds of the exchange of the funds so remitted shall be deposited into an account in the local banking system; (c) an amount equal to 30.0% of the relevant amount shall be deposited in a registered, non-transferable and non-interest bearing account for a period of 365 calendar days, under the conditions established in the applicable regulations; and (d) such deposit shall be made in dollars with Argentine financial institutions, it shall not accrue any interest or other profit and shall not be used as security or collateral for any kind of credit transaction.

Any breach of the provisions of Executive Decree No. 616/05 or any other foreign exchange regulation is subject to criminal sanctions.

However, to date, the requirements set forth in (a), (c) and (d) above have been mitigated through resolutions issued by the Ministry of Treasury and Public Finance. On December 18, 2015, through Resolution No. 3/2015, the Ministry of Treasury and Public Finance amended Executive Decree No. 616/2005, reducing (i) the deposit percentage to zero and (ii) reducing the Minimum Stay Period from 365 to 120 calendar days. On January 5, 2017, through Resolution No. 1/2017, the Ministry of Treasury reduced the Minimum Stay Period to zero. In addition, on August 8, 2016, the Argentine Central Bank, by means of Communication “A” 6037, introduced material changes to the foreign exchange regime in force, which significantly eased access to the FX Market.

Furthermore, on May 19, 2017, the Argentine Central Bank issued Communication “A” 6244, which entered into effect on July 1, 2017, and pursuant to which new regulations regarding access to the foreign exchange market were established, essentially abrogating all prior regulations on the matter. Pursuant to these new regulations:

- The principle of a free foreign exchange market is set. In accordance with section 1.1 of the communication, “All human or legal persons, assets and other universals may freely operate in the exchange market.”
- The obligation to carry out any exchange operation through an authorized entity (section 1.2) is maintained.
- Restrictions regarding hours to operate in the MULC are eliminated.
- The obligation of Argentine residents to comply with the “Survey of foreign liabilities and debt issuances” (Communication “A” 3602 as supplemented) and the survey of direct investment (Communication “A” 4237 and complementary) are maintained, even if there has been no inflow of funds to the MULC and/or no future access to the MULC for operations to be declared.
- The obligation of Argentine residents to transfer to Argentina and sell in the FX Market the proceeds of their exports of goods within the applicable deadline remains in force.

E. Taxation

British Virgin Islands Tax Considerations

We are not liable to pay any form of taxation in the BVI and all dividends, interests, rents, royalties, compensations and other amounts paid by us to persons who are not persons resident in the BVI are exempt from all forms of taxation in the BVI and any capital gains realized with respect to any shares, debt obligations, or other securities of ours by persons who are not persons resident in the BVI are exempt from all forms of taxation in the BVI. The BVI is not party to any double tax treaties that are applicable to any payments made to or by us.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the BVI with respect to any shares, debt obligation or other securities of ours.

Subject to the payment of stamp duty on the acquisition of property in the BVI by us (and in respect of certain transactions in respect of the shares, debt obligations or other securities of BVI incorporated companies owning land in the BVI), all instruments relating to transfers of property to or by us and all instruments relating to transactions in respect of the shares, debt obligations or other securities of ours and all instruments relating to other transactions relating to our business are exempt from payment of stamp duty in the BVI.

There are currently no withholding taxes or exchange control regulations in the BVI applicable to us or our shareholders.

U.S. Federal Income Taxation

The following is a summary of certain material U.S. federal income and, in the case of a non-U.S. holder (as defined below), estate tax consequences of the purchase, ownership and disposition of our ordinary shares as of the date hereof. This summary deals only with our ordinary shares that are held as capital assets within the meaning of Section 1221 of the Code (generally, for investment purposes) by a beneficial owner.

As used herein, a “U.S. holder” means a beneficial owner of our ordinary shares that is, for U.S. federal income tax purposes, any of the following:

- an individual citizen or resident of the United States;
- a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a United States person.

As used herein, the term “non-U.S. holder” means a beneficial owner of our ordinary shares (other than a partnership or other pass-through entity for U.S. federal income tax purposes) that is not a U.S. holder.

This summary is based upon provisions of the Internal Revenue Code of 1986, as amended (the “Code”), and regulations, rulings and judicial decisions as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in U.S. federal income and estate tax consequences different from those summarized below.

This discussion does not represent a detailed description of the U.S. federal income tax consequences applicable to you if you are subject to special treatment under the U.S. federal income tax laws, including if you are:

- a dealer in securities or currencies;
- a financial institution;
- a regulated investment company;
- a real estate investment trust;
- an insurance company;
- a tax-exempt organization;

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- a person holding our ordinary shares as part of a hedging, integrated or conversion transaction, a constructive sale or a straddle;
- a trader in securities that has elected the mark-to-market method of accounting for your securities;
- a person liable for alternative minimum tax;
- a partnership or other pass-through entity for U.S. federal income tax purposes;
- a person required to accelerate the recognition of any item of gross income with respect to our ordinary shares as a result of such income being recognized on an applicable financial statement;
- a U.S. holder whose “functional currency” is not the dollar;
- a foreign pension fund;
- a “controlled foreign corporation”;
- a “passive foreign investment company”; or
- a U.S. expatriate.

If a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) holds our ordinary shares, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding our ordinary shares, you should consult your tax advisors.

Notwithstanding our corporate reincorporation in the BVI, under Section 7874 of the Code, the Company will be treated for U.S. federal tax purposes as a U.S. corporation and, among other consequences, is subject to U.S. federal income tax on its worldwide income. This discussion assumes that Section 7874 of the Code continues to apply to treat us as a U.S. corporation for all purposes under the Code. If, for some reason (e.g., future repeal of Section 7874 of the Code), we were no longer treated as a U.S. corporation under the Code, the U.S. federal income tax consequences described herein could be materially and adversely affected.

This discussion does not contain a detailed description of all the U.S. federal income and estate tax consequences to you in light of your particular circumstances and does not address the Medicare tax on net investment income or the effects of any state, local or non-U.S. tax laws. **If you are considering the purchase of our ordinary shares, you should consult your own tax advisors concerning the particular U.S. federal income and estate tax consequences to you of the purchase, ownership and disposition of our ordinary shares, as well as the consequences to you arising under other U.S. federal tax laws and the laws of any other taxing jurisdiction.**

Consequences to U.S. Holders

Dividends

In the event that we make a distribution of cash or other property (other than certain pro rata distributions of our stock) in respect of our ordinary shares, the distribution generally will be treated as a dividend for U.S. federal income tax purposes to the extent it is paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Any portion of a distribution that exceeds our current and accumulated earnings and profits generally will be treated first as a tax-free return of capital, causing a reduction in the adjusted tax basis of a U.S. holder’s ordinary shares, and to the extent the amount of the distribution exceeds a U.S. holder’s adjusted tax basis in our ordinary shares, the excess will be treated as gain from the disposition of our ordinary shares (the tax treatment of which is discussed below under “— Gain on Disposition of Ordinary Shares”). Subject to certain holding period and other requirements, (a) any dividends received by a U.S. holder that is a corporation will be eligible for the dividends received deduction and (b) any dividends received by a non-corporate U.S. holder (including an individual) will be eligible for the reduced tax rates that apply to “qualified dividend income.”

The amount of any dividend paid in foreign currency will equal the dollar value of the foreign currency received calculated by reference to the exchange rate in effect on the date the dividend is actually or constructively received by a U.S. holder, regardless of whether the foreign currency is converted into dollars. If the foreign currency received as a dividend is converted into dollars on the date it is received, a U.S. holder generally will not be required to recognize foreign currency gain or loss in respect of the dividend income. If the foreign currency received as a dividend is not converted into dollars on the date of receipt, a U.S. holder will have a basis in the foreign currency equal to its dollar value on the date of receipt. Any gain or loss realized on a subsequent conversion or other disposition of the foreign currency will be treated as U.S. source ordinary income or loss.

Gain on Disposition of Ordinary Shares

U.S. holders of our ordinary shares will recognize capital gain or loss on any sale, exchange, or other taxable disposition of our ordinary shares in an amount equal to the difference between the amount realized for the ordinary shares and the U.S. holder's tax basis in the ordinary shares. Such gain or loss generally will be long-term capital gain or loss if the ordinary shares have been held for more than one year. Long-term capital gains of non-corporate U.S. holders (including individuals) are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Consequences to Non-U.S. Holders

Dividends

The rules applicable to non-U.S. holders for determining the extent to which distributions on our ordinary shares, if any, constitute dividends for U.S. federal income tax purposes are the same as for U.S. holders. See “—Consequences to U.S. Holders—Dividends.”

Dividends paid to a non-U.S. holder generally will be subject to withholding of U.S. federal income tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. However, dividends that are effectively connected with the conduct of a trade or business by the non-U.S. holder within the United States (and, if required by an applicable income tax treaty, are attributable to a U.S. permanent establishment) are not subject to the withholding tax, provided certain certification and disclosure requirements are satisfied. Instead, such dividends are subject to U.S. federal income tax on a net income basis in the same manner as if the non-U.S. holder were a United States person as defined under the Code. Any such effectively connected dividends received by a foreign corporation may be subject to an additional “branch profits tax” at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

A non-U.S. holder who wishes to claim the benefit of an applicable treaty rate and avoid backup withholding, as discussed below, for dividends will be required (a) to provide the applicable withholding agent with a properly executed Internal Revenue Service (“IRS”) Form W-BEN or Form W-8BEN-E (or other applicable form) certifying under penalty of perjury that such holder is not a United States person as defined under the Code and is eligible for treaty benefits or (b) if our ordinary shares are held through certain foreign intermediaries, to satisfy the relevant certification requirements of applicable U.S. Treasury regulations. Special certification and other requirements apply to certain non-U.S. holders that are pass-through entities rather than corporations or individuals.

A non-U.S. holder eligible for a reduced rate of U.S. federal withholding tax pursuant to an income tax treaty may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS.

Gain on Disposition of Ordinary Shares

Subject to the discussion of backup withholding and FATCA below, any gain realized by a non-U.S. holder on the sale or other disposition of our ordinary shares generally will not be subject to U.S. federal income tax unless:

- the gain is effectively connected with a trade or business of the non-U.S. holder in the United States (and, if required by an applicable income tax treaty, is attributable to a U.S. permanent establishment of the non-U.S. holder);
- the non-U.S. holder is an individual who is present in the United States for 183 days or more in the taxable year of that disposition, and certain other conditions are met; or
- we are or have been a “United States real property holding corporation” for U.S. federal income tax purposes and certain other conditions are met.

A non-U.S. holder described in the first bullet point immediately above will be subject to tax on the gain derived from the sale or other disposition in the same manner as if the non-U.S. holder were a United States person as defined under the Code. In addition, if any non-U.S. holder described in the first bullet point immediately above is a foreign corporation, the gain realized by such non-U.S. holder may be subject to an additional “branch profits tax” at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. An individual non-U.S. holder described in the second bullet point immediately above will be subject to a 30% (or such lower rate as may be specified by an applicable income tax treaty) tax on the gain derived from the sale or other disposition, which gain may be offset by U.S.-source capital losses even though the individual is not considered a resident of the United States.

Generally, a U.S. corporation is a “United States real property holding corporation” if the fair market value of its U.S. real property interests equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests and its other assets used or held for use in a trade or business (all as determined for U.S. federal income tax purposes). We believe we are not and do not anticipate becoming a “United States real property holding corporation” for U.S. federal income tax purposes.

U.S. Federal Estate Tax

Ordinary shares held by an individual non-U.S. holder at the time of death will be included in such holder's gross estate for U.S. federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

Information Reporting and Backup Withholding

U.S. Holders

In general, information reporting will apply to dividends in respect of our ordinary shares and the proceeds from the sale, exchange or other disposition of our ordinary shares that are paid to you within the United States (and in certain cases, outside the United States), unless you are an exempt recipient. A backup withholding tax may apply to such payments if you fail to provide a taxpayer identification number or certification of exempt status or fail to report in full dividend and interest income.

Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your U.S. federal income tax liability, if any, provided the required information is timely furnished to the IRS.

Non-U.S. Holders

Distributions paid to a non-U.S. holder and the amount of any tax withheld with respect to such distributions generally will be reported to the IRS. Copies of the information returns reporting such distributions and any withholding may also be made available to the tax authorities in the country in which the non-U.S. holder resides under the provisions of an applicable income tax treaty.

A non-U.S. holder will not be subject to backup withholding on dividends received if such holder certifies under penalty of perjury that it is a non-U.S. holder (and the payor does not have actual knowledge or reason to know that such holder is a United States person as defined under the Code), or such holder otherwise establishes an exemption.

Information reporting and, depending on the circumstances, backup withholding will apply to the proceeds of a sale or other disposition of our ordinary shares made within the United States or conducted through certain U.S.- related financial intermediaries, unless the beneficial owner certifies under penalty of perjury that it is a non-U.S. holder (and the payor does not have actual knowledge or reason to know that the beneficial owner is a United States person as defined under the Code), or such owner otherwise establishes an exemption.

Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against a non-U.S. holder's U.S. federal income tax liability, if any, provided the required information is timely furnished to the IRS.

Additional Withholding Requirements

Under Sections 1471 through 1474 of the Code (such Sections commonly referred to as "FATCA"), a 30% U.S. federal withholding tax may apply to any dividends paid on our ordinary shares and, for a disposition of our ordinary shares occurring after December 31, 2018, the gross proceeds from such disposition, in each case paid to (i) a "foreign financial institution" (as specifically defined in the Code) which does not provide sufficient documentation, typically on IRS Form W-8BEN-E, evidencing either (x) an exemption from FATCA, or (y) its compliance (or deemed compliance) with FATCA (which may alternatively be in the form of compliance with an intergovernmental agreement with the United States) in a manner which avoids withholding, or (ii) a "non-financial foreign entity" (as specifically defined in the Code) which does not provide sufficient documentation, typically on IRS Form W-8BEN-E, evidencing either (x) an exemption from FATCA, or (y) adequate information regarding certain substantial U.S. beneficial owners of such entity (if any). If a dividend payment is both subject to withholding under FATCA and subject to the withholding tax discussed above under "—Consequences to Non-U.S. Holders—Dividends," the withholding under FATCA may be credited against, and therefore reduce, such other withholding tax. You should consult your own tax advisors regarding these requirements and whether they may be relevant to your ownership and disposition of our ordinary shares.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

The SEC maintains a website at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding registrants that make electronic filings through its Electronic Data Gathering, Analysis, and Retrieval, or EDGAR, system. All our Exchange Act reports and other SEC filings are available through the EDGAR system.

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our business activities are exposed to a variety of market risks, including foreign currency risk and inflation and interest rate risk.

Foreign Exchange Risk

We report our financial results in dollars, but most of our revenue and expenses are denominated in other currencies, particularly the Argentine peso and the Brazilian real. Any changes in the exchange rates of any such currencies against the dollar will affect our reported financial results as translated into dollars. Furthermore, many of our customers travel internationally and any changes in the exchange rate between their home currency and the currency of their intended destination may influence their travel purchases. We also use derivative financial instruments in some cases to manage our foreign exchange risk.

Our supplier arrangements often result in significant balances of both accounts payable and accounts receivable denominated in various currencies. To the extent that the timing of such payments are within our control, we often attempt to accelerate or delay such payments to minimize the disparity between our accounts payable and accounts receivable denominated in each currency, which reduces the effect of exchange rate fluctuations on our reported financial results. For example, we reduced our factoring of Brazilian installment receivables in 2016 in part to increase the total amount of our receivables denominated in Brazilian reais to partially offset our larger balance of accounts payable to suppliers in Brazil that are denominated in Brazilian reais. In addition, we can be exposed to foreign exchange risk with respect to international travel if we accept upfront payment at the time of booking in a customer's home currency and are later required to pay the supplier in the supplier's home currency.

Inflation and Interest Rate Risk

Brazil, Argentina and many other countries in Latin America have historically experienced high rates of inflation. Inflationary pressures persist, and actions taken in an effort to curb inflation, coupled with public speculation about possible future governmental actions, have in the past contributed to economic uncertainty in Brazil, Argentina and other Latin America countries and heightened volatility in the Latin America financial markets. Changes in inflation rates can affect our pricing as well as our expenses, and the inflation rates in the countries where we generate revenue in any period may be higher or lower than the inflation rates in the countries where we incur expenses. In addition, higher inflation may lead our customers to make more purchases using installment or other financing options, and may make such financing options more expensive for us.

The inflation rate in Brazil, as reflected by the IPCA was 10.7% in 2015, 6.3% in 2016, 2.9% in 2017 and 3.75% in 2018. After experiencing in 2017 the lowest inflation rate since 1998, Brazil went through a higher rate of inflation, but which was better than expected by the government. The inflation rate in Argentina, as measured by the City of Buenos Aires Consumer Price Index, was 26.9% in 2015, 41.0% in 2016 and 24.8% in 2017. In 2018, Argentina inflation rate was 47.6%, the highest rate since 1991 and the second highest rate in Latin America. According to measurements from INDEC of the Consumer Price Index, inflation for the first nine months of 2015 was 10.7%, for the period from May to December 2016 was 15.8%, and was 24.8% in 2017. National statistical data was not available in Argentina from October 2015 to April 2016.

Interest rates are highly sensitive to many factors, including fiscal and monetary policies to combat inflation and economic and political and other factors beyond our control. From time to time, we factor our receivables to receive cash more quickly. The costs of factoring are driven primarily by interest rates which, in turn, are influenced significantly by inflation and expectations for future inflation. In addition, we maintain revolving credit facilities in certain countries, and the interest rates payable with respect to those facilities also vary based on local market interest rates.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

A. Material Modifications to the Rights of Security Holders

None.

B. Material Modifications to the Rights of any Class of Registered Securities

None.

C. Withdrawal or Substitution of a Material Amount of the Assets Securing any Class of Registered Securities

None.

D. Changes in the Trustee or Paying Agents for any Registered Securities

None.

E. Use of Proceeds

Initial public offering in September 2017

On September 19, 2017, we completed our initial public offering on the New York Stock Exchange. We sold an aggregate of 14,685,500 ordinary shares (including 10,578,931 ordinary shares sold by us, including the full exercise of the over-allotment option by the underwriters to purchase up to an additional 1,915,500 ordinary shares, and 4,106,569 ordinary shares sold by our selling shareholders). The price per ordinary share was \$26.00. The representative of the several underwriters of the initial public offering were Morgan Stanley & Co. LLC, Citigroup Global Markets Inc., Itau BBA USA Securities, Inc. and UBS Securities LLC.

The net proceeds to us from the offering, after deducting underwriting discounts and commissions and offering expenses, amounted to approximately \$253.5 million. We have not allocated our net proceeds from our initial public offering to any particular purpose. Rather, our management has considerable discretion in the application of the net proceeds that we received. No amount of the net proceeds were paid to directors, officers, general partners or their associates nor to persons owning 10% or more of any class of our equity securities nor to any of our other affiliates.

ITEM 15. CONTROLS AND PROCEDURES

A. Disclosure Controls and Procedures

As of the end of the period covered by this annual report, management, with the participation of the company's Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objective. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2017, the design and operation of our disclosure controls and procedures were effective at a reasonable assurance level.

B. Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. Our internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP as issued by the PCAOB. We have a program for the review of our internal control over financial reporting to ensure compliance with

the requirements of the Exchange Act and Section 404 of the Sarbanes-Oxley Act of 2002. Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2018. In conducting its assessment of internal control over financial reporting, management based its evaluation on the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) as at December 31, 2018. Based on its evaluation, our management has concluded that our internal control over financial reporting was effective as at December 31, 2018.

C. Attestation Report of the Registered Public Accounting Firm

This annual report does not include an attestation report of the company's registered public accounting firm due to a transition period established by rules of the SEC for newly public companies that are emerging growth companies. We expect that we will be required to include this report in our annual report on Form 20-F for our fiscal year ending December 31, 2022.

D. Changes in Internal Control Over Financial Reporting

Management has evaluated, with the participation of our Chief Executive Officer and our Chief Financial Officer, whether any changes in our internal control over financial reporting that occurred during our last fiscal year have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Based on the evaluation we conducted, management has concluded that no such changes have occurred.

ITEM 16. [RESERVED]

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our audit committee consists of Mario Eduardo Vázquez, Nilesh Lakhani and Martin Rastellino, with Mr. Vázquez serving as chair. Messrs. Vázquez, Lakhani and Rastellino, satisfy the independence requirements of Rule 10A-3 under the Exchange Act. Our board of directors also has determined that Messrs. Vázquez, Lakhani and Rastellino qualify as audit committee financial experts within the meaning of the SEC rules.

ITEM 16B. CODE OF ETHICS

We have adopted a written code of business conduct and ethics that provides that our directors and officers are expected to avoid any action, position or interest that conflicts with the interests of our company or gives the appearance of a conflict. Directors and officers have an obligation under our code of business conduct and ethics to advance our company's interests when the opportunity to do so arises. The full text of our code of business conduct and ethics is available on our website, at

https://s22.q4cdn.com/820444807/files/doc_downloads/governance_doc/Despegar-Code-of-Conduct-August-2017.pdf.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Our financial statements prepared in accordance with U.S. GAAP are audited by Price Waterhouse & Co. S.R.L., a firm registered with the Public Company Accounting Oversight Board in the United States.

The following table shows the aggregate fees for services rendered by Price Waterhouse & Co. S.R.L. to us, including our subsidiaries, in fiscal year 2018 and 2017.

	Year Ended December 31,	
	2018	2017
	(in thousands)	
Audit fees (audit and review of financial statements) (1)	\$ 997	\$ 837
Audit related fees (due diligence services) (2)	2	568
Tax fees (other certifications and tax advisory services) (3)	314	404
All other fees (advisory services)	—	—
Total	\$ 1,313	\$ 1,809

(1) Includes fees related to the audit of the Consolidated Financial Statements as of December 31, 2018 and 2017, and limited review of interim financial statements presented during 2018 and 2017.

(2) Includes SEC filings reviews and initial public offering process.

(3) Includes fees for permitted tax compliance and tax advisory services.

Audit Committee Pre-approval Process

Our audit committee (which was formed in connection with our initial public offering) reviews and pre-approves the scope and the cost of audit services related to us and permissible non-audit services performed by the independent auditors, other than those for *de minimis* services which are approved by the audit committee prior to the completion of the audit.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

None.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

None.

ITEM 16G. CORPORATE GOVERNANCE

Differences in Corporate Law

We were incorporated under, and are governed by, the laws of the BVI. Set forth below is a summary of some of the key differences between provisions of the BVI Act applicable to us and the laws applicable to companies incorporated in the State of Delaware in the United States and their shareholders, which should not be taken as exhaustive.

Director's Fiduciary Duties

Under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of, and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director act in a manner he reasonably believes to be in the best interests of the corporation. He must not use his corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interest of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling stockholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, a director must prove the procedural fairness of the transaction, and that the transaction was of fair value to the corporation.

BVI law provides that every director of a BVI company in exercising his powers or performing his duties shall act honestly and in good faith and in what the director believes to be in the best interests of the company. Additionally, the director shall exercise the care, diligence, and skill that a reasonable director would exercise in the same circumstances (taking into account but without limitation, the nature of the company, the nature of the decision and the position of the director and the nature of the responsibilities undertaken by him). In addition, BVI law provides that a director shall exercise his powers as a director for a proper purpose and shall not act, or agree to the company acting, in a manner that contravenes the BVI Act or the memorandum association or articles of association of the company.

Amendment of Governing Documents

Under Delaware corporate law, with very limited exceptions, a vote of the shareholders is required to amend the certificate of incorporation. In addition, Delaware corporate law provides that shareholders have the right to amend the bylaws, and the certificate of incorporation also may confer on the directors the right to amend the bylaws.

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The laws of the BVI provide more flexibility as to the approvals required for amending the governing documents of the company. Our memorandum and articles of association provide they may only be amended by way of:

- (a) both an ordinary resolution of shareholders (passed by a simple majority vote) and a resolution of directors (passed by a simple majority vote at a meeting of directors or by unanimous written consent), but written subject to the condition that the resolution of directors is adopted not later than the seventh day following the adoption of the resolution of shareholders;
- (b) a special resolution of members (passed by a two-thirds (66 2/3%) super majority vote), save that certain provisions may not be amended in this manner, as further described below; or
- (c) a resolution of directors (passed by a simple majority vote at a meeting of directors or by unanimous written consent), save that certain provisions may not be amended in this manner, as further described below.

The provisions of our memorandum and articles of association that may not be amended pursuant to (b) and (c) above include provisions (and related definitions) relating to the capacity and powers of the Company; the powers of our board to issue shares and authorize and issue additional classes of shares and the repurchase of the Company's own shares, and to fix a record date for shareholder meetings; the powers of our board or shareholders to amend the memorandum and articles; most provisions regarding shareholder meetings and the ability of shareholders to requisition meetings and make proposals and nominate candidates for election as directors at shareholder meetings; the powers of the board of directors and the officers of the Company and their proceedings; dividends and other distributions; director conflicts and indemnification; appointment of auditors and the audit process; the voluntary liquidation of the Company; the redomiciliation of the Company to a foreign jurisdiction, and the exclusive jurisdiction clause. Further, at any time that Expedia owns 5% or more of the outstanding ordinary shares of the Company, Article 26 of the articles of association (which relates to Expedia's and its nominated directors' ability to pursue opportunities that may compete with the Company) may not be amended, altered, changed or repealed without the prior written consent of Expedia.

Written Consent of Directors

Under Delaware corporate law, directors may act by written consent only on the basis of a unanimous vote.

Similarly, under our memorandum and articles of association, a resolution of our directors in writing shall be valid only if consented to by all of the directors (or all of the members of a committee of directors, as the case may be) entitled to vote on the resolution.

Written Consent of Shareholders

Under Delaware corporate law, unless otherwise provided in the certificate of incorporation, any action to be taken at any annual or special meeting of shareholders of a corporation may be taken by written consent of the holders of outstanding stock having not less than the minimum number of votes that would be necessary to take that action at a meeting at which all shareholders entitled to vote were present and voted.

Our memorandum and articles of association provide that a resolution of shareholders is valid only if approved at a duly constituted and quorate meeting of shareholders by the affirmative vote of a simple majority (or such greater majority as may be specified in respect of a particular matter in the memorandum and articles of association) of the votes of those shareholders present at the meeting and entitled to vote and voting on the resolution.

Shareholder Proposals

Under Delaware corporate law, a shareholder has the right to put any proposal before the annual meeting of shareholders, provided it complies with the notice provisions in the governing documents. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

BVI law and our memorandum and articles of association provide that (i) our directors shall call a special meeting of the shareholders if requested in writing to do so by shareholders entitled to exercise at least 30% of the voting rights in respect of the matter for which the meeting is requested; and (ii) shareholders may put forward proposals at an annual meeting or, with the prior consent of our board of directors, at any special meeting convened by our board of directors, in each case subject to the various restrictions, conditions, and provision of information and other procedural requirements (including lengthy advance notice periods) described above in “—Shareholders' Meetings and Consents.”

Sale of Assets

Under Delaware corporate law, a vote of the shareholders is required to approve the sale of assets only when all or substantially all assets are being sold.

Under the BVI Act, unless otherwise provided in the memorandum and articles of association, shareholder approval is required when more than 50% of the company's total assets by value are being disposed of or sold if not made in the usual or regular course of the business carried out by the company. However, this provision is without effect under our memorandum and articles of association, and the directors may by resolution of directors sell, transfer, lease, exchange or otherwise dispose of the assets of the Company without the sale, transfer, lease, exchange or other disposition being authorized by a resolution of the shareholders.

Dissolution; Winding Up

Under Delaware corporate law, unless the board of directors approves the proposal to dissolve, dissolution must be approved in writing by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation's outstanding shares. Delaware corporate law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board.

As permitted by BVI law and our memorandum and articles of association, we may be voluntarily liquidated under Part XII of the BVI Act by resolution of shareholders with the prior approval of a resolution of directors if we have no liabilities or we are able to pay our debts as they fall due and the value of the Company's assets equals or exceeds its liabilities.

Continuation under Foreign Law

As permitted by BVI law and our memorandum and articles of association, we may with the approval of both a resolution of directors and resolution of shareholders continue as a company incorporated under the laws of a jurisdiction outside the British Virgin Islands in the manner provided under those laws.

Redemption of Shares

Under Delaware corporate law, any stock may be made subject to redemption by the corporation at its option, at the option of the holders of that stock or upon the happening of a specified event, provided shares with full voting power remain outstanding. The stock may be made redeemable for cash, property or rights, as specified in the certificate of incorporation or in the resolution of the board of directors providing for the issue of the stock.

As permitted by BVI law and our memorandum and articles of association, shares may be repurchased, redeemed or otherwise acquired and held by us (a) with the prior written consent of the holder of such shares (which consent may be given by agreement in advance and may be either unconditional or conditional); (b) in accordance with the terms and restrictions of such shares or the terms upon which such shares are issued, without the consent of the holder of such shares; or (c) as described under "Compulsory Acquisition" below, without the consent of the holder of such shares, subject in cases (a) and (b) to compliance with applicable BVI laws regarding solvency unless the redemption is made pursuant to a right of the shareholder to have his shares redeemed or to have his shares exchanged for money or other property of the company.

Compulsory Acquisition

Under Delaware General Corporation Law §253, in a process known as a "short form" merger, a corporation that owns at least 90% of the outstanding shares of each class of stock of another corporation may either merge the other corporation into itself and assume all of its obligations or merge itself into the other corporation by executing, acknowledging and filing with the Delaware Secretary of State a certificate of such ownership and merger setting forth a copy of the resolution of its board of directors authorizing such merger. If the parent corporation is a Delaware corporation that is not the surviving corporation, the merger also must be approved by a majority of the outstanding stock of the parent corporation. If the parent corporation does not own all of the stock of the subsidiary corporation immediately prior to the merger, the minority shareholders of the subsidiary corporation party to the merger may have appraisal rights as set forth in §262 of the Delaware General Corporation Law.

Under the BVI Act, subject to any limitations in a company's memorandum or articles, members holding 90% of the votes of the outstanding shares entitled to vote, and members holding 90% of the votes of the outstanding shares of each class of shares entitled to vote as a class, may give a written instruction to the company directing the company to redeem the shares held by the remaining members. Upon receipt of such written instruction, the company shall redeem the shares specified in the written instruction, irrespective of whether or not the shares are by their terms redeemable. The company shall give written notice to each member whose shares are to be redeemed stating the redemption price and the manner in which the redemption is to be effected. A member whose shares are to be so compulsorily redeemed is entitled to dissent from such redemption, and to be paid the fair value of his shares, as described under "—Appraisal Rights" below.

Variation of Rights of Shares

Under Delaware corporate law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of that class, unless the certificate of incorporation provides otherwise. Under our memorandum and articles of association, the rights attached to any class of shares may be varied pursuant to any permitted means of amendment to our memorandum and articles of association (in this regard, see “—Amendment of Governing Documents” above) with no express provisions or additional investor protections regarding variations of class rights.

Removal of Directors

Under Delaware corporate law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise.

Our memorandum and articles of association provide that a director of the Company may only be removed: (i) with cause, by a resolution approved by shareholders holding not less than two-thirds of the voting rights at a meeting of shareholders called for the stated purpose of removing the director or for stated purposes including the removal of the director, or (ii) with cause, by a resolution approved by directors holding not less than two-thirds of the voting rights of all of those directors entitled to vote on the resolution at a meeting of directors or by way of unanimous written consent of those directors entitled to vote on the removal. For these purposes, “cause” is to be given the same meaning it has under Delaware corporate law.

Mergers

Under Delaware corporate law, one or more constituent corporations may merge into and become part of another constituent corporation in a process known as a merger. A Delaware corporation may merge with a foreign corporation as long as the law of the foreign jurisdiction permits such a merger. To effect a merger under Delaware General Corporation Law §251, an agreement of merger must be properly adopted and the agreement of merger or a certificate of merger must be filed with the Delaware Secretary of State. In order to be properly adopted, the agreement of merger must be adopted by the board of directors of each constituent corporation by a resolution or unanimous written consent. In addition, the agreement of merger generally must be approved at a meeting of stockholders of each constituent corporation by a majority of the outstanding stock of the corporation entitled to vote, unless the certificate of incorporation provides for a supermajority vote. In general, the surviving corporation assumes all of the assets and liabilities of the disappearing corporation or corporations as a result of the merger.

Under the BVI Act, two or more BVI companies may merge or consolidate in accordance with the statutory provisions. A merger means the merging of two or more constituent companies into one of the constituent companies, and a consolidation means the uniting of two or more constituent companies into a new company. In order to merge or consolidate, the directors of each constituent BVI company must approve a written plan of merger or consolidation which must be authorized by a resolution of shareholders. One or more BVI companies may also merge or consolidate with one or more companies incorporated under the laws of jurisdictions outside the BVI, if the merger or consolidation is permitted by the laws of the jurisdictions in which the companies incorporated outside the BVI are incorporated. In respect of such a merger or consolidation a BVI company is required to comply with the provisions of the BVI Act and a company incorporated outside the BVI is required to comply with the laws of its jurisdiction of incorporation.

Inspection of Books and Records

Under Delaware corporate law, any shareholder of a corporation may for any proper purpose inspect or make copies of the corporation’s stock ledger, list of shareholders and other books and records. Under BVI law, members of the general public, on payment of a nominal fee, can obtain copies of the public records of a company available at the office of the BVI Registrar of Corporate Affairs which will include the company’s certificate of incorporation, its memorandum and articles of association (with any amendments) and records of license fees paid to date and will also disclose any articles of dissolution, articles of merger and a register of charges if the company has elected to file such a register.

A shareholder of a BVI company is entitled, on giving written notice to the company, to inspect:

- (1) the memorandum and articles;
- (2) the register of members;
- (3) the register of directors; and
- (4) the minutes of meetings and resolutions of shareholders and of those classes of members of which he or she is a shareholder; and to make copies of or take extracts from the documents and records referred to in (1) to (4) above.

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However, subject to the memorandum and articles, the directors may, if they are satisfied that it would be contrary to the company's interests to allow a shareholder to inspect any document, or part of a document, specified in (b), (c) or (d) above, refuse to permit the shareholder to inspect the document or limit the inspection of the document, including limiting the making of copies or the taking of extracts from the records.

Where a company fails or refuses to permit a shareholder to inspect a document or permits a shareholder to inspect a document subject to limitations, that shareholder may apply to the BVI courts for an order that he should be permitted to inspect the document or to inspect the document without limitation.

A BVI company is required to keep at the office of its registered agent the memorandum and articles of the company; the register of shareholders maintained or a copy of the register of shareholders; the register of directors or a copy of the register of directors; and copies of all notices and other documents filed by the company in the previous ten years.

Where a company keeps a copy of the register of shareholders or the register of directors at the office of its registered agent, it is required to notify any changes to the originals of such registers to the registered agent, in writing, within 15 days of any change; and to provide the registered agent with a written record of the physical address of the place or places at which the original register of shareholders or the original register of directors is kept. Where the place at which the original register of shareholders or the original register of directors is changed, the company is required to provide the registered agent with the physical address of the new location of the records within fourteen days of the change of location.

A BVI company is also required to keep at the office of its registered agent or at such other place or places, within or outside the BVI, as the directors determine the minutes of meetings and resolutions of shareholders and of classes of shareholders; and the minutes of meetings and resolutions of directors and committees of directors. If such records are kept at a place other than at the office of the company's registered agent, the company is required to provide the registered agent with a written record of the physical address of the place or places at which the records are kept and to notify the registered agent, within 14 days, of the physical address of any new location where such records may be kept.

A BVI company is also required keep at the office of its registered agent or at such other place or places, within or outside the BVI, as the directors may determine, the records and underlying documentation of the company which shall be in such form as are sufficient to show and explain the company's transactions and will, at any time, enable the financial position of the company to be determined with reasonable accuracy. If such records and underlying documentation are kept at a place other than at the office of the company's registered agent, the company is required to provide the registered agent with a written record of the physical address of the place or places at which the records and underlying documentation are kept and of the name of the person who maintains and controls the company's records and underlying documentation and to notify the registered agent, within 14 days, of any change to such details.

Conflict of Interest

Under Delaware corporate law, a contract between a corporation and a director or officer, or between a corporation and any other organization in which a director or officer has a financial interest, is not void as long as the material facts as to the director's or officer's relationship or interest are disclosed or known and either a majority of the disinterested directors authorizes the contract in good faith or the shareholders vote in good faith to approve the contract. Nor will any such contract be void if it is fair to the corporation when it is authorized, approved or ratified by the board of directors, a committee or the shareholders.

The BVI Act provides that a director shall, forthwith after becoming aware that he is interested in a transaction entered into or to be entered into by the company, disclose that interest to the board of directors of the company. The failure of a director to disclose that interest does not affect the validity of a transaction entered into by the director or the company, so long as the director's interest was disclosed to the board prior to the company's entry into the transaction or was not required to be disclosed because the transaction is between the company and the director himself and is otherwise in the ordinary course of business and on usual terms and conditions.

As permitted by BVI law and our memorandum and articles of association, a director interested in a particular transaction may generally vote on it, attend meetings at which it is considered and sign documents on our behalf which relate to the transaction, or do any other thing in his capacity as director that relates to the transaction. However, under our memorandum and articles there is an exception relating to any transaction, agreement or arrangement with respect to which (i) Expedia is a counterparty or has a material economic interest in the counterparty or (ii) in the reasonable opinion of a majority of the members of our board that are not designated or nominated by, or employed by, Expedia, there would exist a conflict of interest (as defined in our memorandum and articles of association) between the interests of Expedia, on the one hand, and that of the Company, on the other hand. In such circumstances, subject to certain conditions, the directors appointed by Expedia may be excluded from the relevant portion of the board or committee meeting.

Our memorandum and articles also contain an acknowledgment that the Company and its affiliates may engage in the same, similar or related lines of business as those engaged in by Expedia and that the Company may have an interest in the same areas of business opportunity as Expedia. Our memorandum and articles provide that, to the fullest extent permitted by law but subject to compliance with any confidentiality obligations owed to the Company, directors of the Company appointed by Expedia may (without any liability or any duty to account for profits) refer potential business opportunities to Expedia (and shall have no obligation to refer such potential business opportunities to the Company) which may pursue them without any restriction or liability, unless the potential business opportunity was presented or offered to the director solely in his or her capacity as a director of the Company or for the benefit of the Company. Furthermore, even a potential business opportunity presented or offered to a director appointed by Expedia solely in his or her capacity as a director of the Company or for the benefit of the Company may be referred to and pursued by Expedia in the event our board of directors (excluding the directors appointed by Expedia) declines to pursue such an opportunity.

Transactions with Interested Shareholders

Delaware corporate law contains a business combination statute applicable to Delaware public corporations whereby, unless the corporation has specifically elected not to be governed by that statute by amendment to its certificate of incorporation, it is prohibited from engaging in certain business combinations with an “interested shareholder” for three years following the date that the person becomes an interested shareholder. An interested shareholder generally is a person or group who or that owns or owned 15% or more of the target’s outstanding voting stock within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which the shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction that resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware public corporation to negotiate the terms of any acquisition transaction with the target’s board of directors.

BVI law has no comparable provision. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although BVI law does not expressly regulate transactions between a company and its significant shareholders, it does provide that transactions by the Company must be entered into bona fide in the best interests of the company and not with the effect of oppressing or constituting a fraud on the minority shareholders.

Independent Directors

There are no provisions under Delaware corporate law or under the BVI Act that require a majority of our directors to be independent.

Cumulative Voting

Under Delaware corporate law, cumulative voting for elections of directors is not permitted unless the company’s certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder’s voting power with respect to electing such director. There are no prohibitions to cumulative voting under the laws of the British Virgin Islands, but our memorandum of association and articles of association do not provide for cumulative voting.

Shareholders’ Suits

The enforcement of the Company’s rights will ordinarily be a matter for our directors. However, in certain limited circumstances, a shareholder may have the right to seek certain remedies against us in the event the directors are in breach of their duties under the BVI Act. Pursuant to Section 184B of the BVI Act, if a company or director of a company engages in, proposes to engage in or has engaged in, conduct that contravenes the provisions of the BVI Act or the memorandum or articles of association of the company, a BVI court may, on application of a shareholder or director of the company, make an order directing the company or director to comply with, or restraining the company or director from engaging in conduct that contravenes, the BVI Act or the memorandum or articles. Furthermore, pursuant to Section 184I of the BVI Act a shareholder of a company who considers that the affairs of the company have been, are being or are likely to be, conducted in a manner that is, or any acts of the company have been, or are likely to be, oppressive, unfairly discriminatory or unfairly prejudicial to him in that capacity, may apply to the BVI court for an order which can, if the court considers that it is just and equitable to do so, require the company or any other person to pay compensation to the shareholders (among various other potential orders and remedies). Under Section 184G of the BVI Act, a shareholder of a company may bring an action against the company for breach of a duty owed by the company to him as a shareholder.

Under Section 184C of the BVI Act, a shareholder also may, with the permission of the BVI court, bring an action or intervene in a matter in the name of the company, in certain circumstances. Such actions are known as derivative actions. The BVI court may only grant permission to bring a derivative action where the following circumstances apply: (i) the company does not intend to bring, diligently continue or defend or discontinue proceedings; or (ii) it is in the interests of the company that the conduct of the proceedings not be left to the directors or to the determination of the shareholders as a whole.

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When considering whether to grant leave, the BVI court is also required to have regard to the following matters: whether the shareholder is acting in good faith; whether a derivative action is in the interests of the company, taking into account the directors' views on commercial matters; whether the proceedings are likely to succeed; the costs of the proceedings in relation to the relief likely to be obtained; and whether an alternative remedy is available.

Any shareholder of a company may apply to BVI court under the Insolvency Act, 2003 of the BVI for the appointment of a liquidator to liquidate the company and the court may appoint a liquidator for the company if it is of the opinion that it is just and equitable to do so.

Generally any other claims against a BVI company by its shareholders must be based on the general laws of contract or tort applicable in the BVI or their individual rights as shareholders as established by the BVI Act or the company's memorandum and articles of association. There are also common law rights for the protection of shareholders that may be invoked, largely derived from English common law. Under general English company law known as the rule in *Foss v. Harbottle*, a court will generally refuse to interfere with the management of a company at the insistence of a minority of its shareholders who express dissatisfaction with the conduct of the company's affairs by the majority or the board of directors. However, every shareholder is entitled to seek to have the affairs of the company conducted properly according to law and the constituent documents of the corporation. As such, if those who control the company have persistently disregarded the requirements of company law or the provisions of the company's memorandum and articles of association, then the courts may grant relief. Generally, the areas in which the courts may intervene are the following: a company is acting or proposing to act illegally or beyond the scope of its authority; the act complained of, although not beyond the scope of the authority, could only be effected if duly authorized by more than the number of votes which have actually been obtained; the individual rights of the plaintiff shareholder have been infringed or are about to be infringed; or those who control the company are perpetrating a "fraud on the minority."

Appraisal Rights

The BVI Act provides that any shareholder of a BVI company is entitled to payment of the fair value of his shares upon dissenting from any of the following: (a) a merger if the company is a constituent company, unless the company is the surviving company and the shareholder continues to hold the same or similar shares; (b) a consolidation if the company is a constituent company; (c) any sale, transfer, lease, exchange or other disposition of more than 50% in value of the assets or business of the company if not made in the usual or regular course of the business carried on by the company (unless, as in our case, such appraisal right is excluded in the memorandum and articles of association) but not including: (i) a disposition pursuant to an order of the court having jurisdiction in the matter, (ii) a disposition for money on terms requiring all or substantially all net proceeds to be distributed to the shareholders in accordance with their respective interest within one year after the date of disposition, or (iii) a transfer pursuant to the power of the directors to transfer assets for the protection thereof; (d) a compulsory redemption of 10% or fewer of the issued shares of the company required by the holders of 90% or more of the shares of the company pursuant to the terms of the BVI Act; and (e) an arrangement, if permitted by the BVI court.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

Not applicable.

ITEM 18. FINANCIAL STATEMENTS

See our consolidated financial statements beginning at page F-1.

ITEM 19. EXHIBITS

The agreements and other documents filed as exhibits to this Annual Report on Form 20-F are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and for the benefit of the other parties to the agreements and they may not describe the actual state of affairs as of the date they were made or at any other time.

The exhibit index attached hereto is incorporated herein by reference.

EXHIBIT INDEX

Exhibit Number	Description
1.1	Amended and Restated Memorandum and Articles of Association of Despegar.com, Corp. (incorporated by reference to Exhibit 3.1 to the Registration Statement filed on Form F-1, filed on August 31, 2017)
1.2	Sixth Amended and Restated Investors' Rights Agreement, dated as of August 29, 2017, by and among the Company and the shareholders named therein (incorporated by reference to Exhibit 4.1 to the Registration Statement filed on Form F-1, filed on August 31, 2017)
1.3	Fourth Amended and Restated First Refusal and Co-Sale Agreement, dated as of August 29, 2017, by and among the Company and the shareholders named therein (incorporated by reference to Exhibit 4.2 to the Registration Statement filed on Form F-1, filed on August 31, 2017)
1.4	Fourth Amended and Restated Voting Agreement, dated as of August 29, 2017, by and among the Company and the shareholders named therein (incorporated by reference to Exhibit 4.3 to the Registration Statement filed on Form F-1, filed on August 31, 2017)
4.1#	Amended and Restated Expedia Outsourcing Agreement dated as of July 12, 2017, among Expedia, Inc. and Decolar.com Inc., Travel Reservations S.R.L., Despegar.com.ar S.A., Decolar.com Ltda., Despegar.com Mexico S.A. de C.V., Hoytvo Servicos de Prospecção e Intermediação de Negócios Ltda., Despegar.com Peru SAC, Servicios Online SAS, Servicios Online 3351 de Venezuela C.A., Despegar.com Chile S.P.A., Despegar.com O.N.L.I.N.E. S.A., Despegar.com USA, Inc., Desoproc S.L., and La INC S.A. (incorporated by reference to Exhibit 10.1 to the Registration Statement filed on Form F-1, filed on August 31, 2017)
4.2#	Amended and Restated Despegar Outsourcing Agreement dated as of July 12, 2017, among Expedia, Inc., Travelscape, LLC, Vacation Spot S.L., Hotels.com L.P., AAE Travel Pte., Ltd., Expedia Lodging Partner Services, Sarl and Hotwire, Inc. and Travel Reservations S.R.L. (incorporated by reference to Exhibit 10.2 to the Registration Statement filed on Form F-1, filed on August 31, 2017)
4.3	Decolar.com, Inc. 2015 Stock Plan (incorporated by reference to Exhibit 10.3 to the Registration Statement filed on Form F-1, filed on August 31, 2017)
4.4	Despegar.com, Corp. 2016 Stock Incentive Plan (incorporated by reference to Exhibit 10.4 to the Registration Statement filed on Form F-1, filed on August 31, 2017)
8.1*	List of Subsidiaries of Despegar
12.1*	Certification by Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2*	Certification by Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1*	Certification by Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2*	Certification by Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
23.1*	Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm
101. INS*	XBRL Instance Document
101. SCH*	XBRL Taxonomy Extension Schema
101. CAL*	XBRL Taxonomy Extension Schema Calculation Linkbase
101. DEF*	XBRL Taxonomy Extension Schema Definition Linkbase
101. LAB*	XBRL Taxonomy Extension Schema Label Linkbase

* Filed herewith

Confidential treatment requested.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on Form 20-F on its behalf.

DESPEGAR.COM, CORP.

By: /s/ Damián Scokin

Name: Damián Scokin

Title: Chief Executive Officer

Date: April 26, 2019

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Consolidated Financial Statements as of December 31, 2017 and 2016 and for the three years ended December 31, 2017:

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
Despegar.com, Corp.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Despegar.com, Corp. and its subsidiaries (the “Company”) as of December 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive income, changes in shareholders’ equity and cash flows for each of the three years in the period ended December 31, 2018, including the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Buenos Aires, Argentina
April 26, 2019

/s/ PRICE WATERHOUSE & CO. S.R.L.

/s/ Marcelo Daniel Pfaff (Partner)

Marcelo Daniel Pfaff

We have served as the Company’s auditor since 2007.

Price Waterhouse & Co. S.R.L., Bouchard 557, piso 8°, C1106ABG - Ciudad de Buenos Aires
T: +(54.11) 4850.0000, F: +(54.11) 4850.1800, www.pwc.com/ar

Price Waterhouse & Co. S.R.L. es una firma miembro de la red global de PricewaterhouseCoopers International Limited (PwCIL). Cada una de las firmas es una entidad legal separada que no actúa como mandataria de PwCIL ni de cualquier otra firma miembro de la red

Despegar.com, Corp.

Consolidated Balance Sheets as of December 31, 2018 and 2017
(in thousands U.S. dollars)

	As of December 31, <u>2018</u>	As of December 31, <u>2017</u>
ASSETS		
Current assets		
Cash and cash equivalents	346,480	371,013
Restricted cash	5,709	29,764
Accounts receivable, net of allowances	228,448	198,273
Related party receivable	8,653	5,253
Other assets and prepaid expenses	68,471	29,405
Total current assets	\$ 657,761	\$ 633,708
Non-current assets		
Other assets	12,751	4,658
Restricted cash	—	10,000
Property and equipment, net	19,716	16,171
Intangible assets, net	37,512	35,424
Goodwill	36,207	38,733
Total non-current assets	\$ 106,186	\$ 104,986
TOTAL ASSETS	\$ 763,947	\$ 738,694
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued expenses	42,353	45,609
Travel suppliers payable	185,450	174,817
Related party payable	83,904	84,364
Loans and other financial liabilities	31,162	8,220
Deferred Revenue	8,229	30,113
Other liabilities	33,270	39,751
Contingent liabilities	4,794	4,732
Total current liabilities	\$ 389,162	\$ 387,606
Non-current liabilities		
Other liabilities	243	1,015
Contingent liabilities	1,968	7,115
Related party liability	125,000	125,000
Total non-current liabilities	\$ 127,211	\$ 133,130
TOTAL LIABILITIES	\$ 516,373	\$ 520,736
SHAREHOLDERS' EQUITY		
Common stock (1)	255,254	253,535
Additional paid-in capital	321,627	316,444
Other reserves	(728)	(728)
Accumulated other comprehensive income	3,051	16,323
Accumulated losses	(305,600)	(367,616)
Treasury Stock	(26,030)	—
Total Shareholders' Equity	\$ 247,574	\$ 217,958
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 763,947	\$ 738,694

(1) Represents 69,235 shares issued and outstanding at December 31, 2018 and 69,097 shares issued and outstanding at December 31, 2017.

The accompanying notes are an integral part of these consolidated financial statements.

Despegar.com, Corp.

C onsolidated Statements of Operations
for the years ended December 31, 2018, 2017 and 2016
(in thousands U.S. dollars)

	Year ended December 31,		
	2018	2017	2016
Revenue (1)	530,614	523,940	411,162
Cost of revenue	(172,110)	(142,479)	(126,675)
Gross profit	\$ 358,504	\$ 381,461	\$ 284,487
Operating expenses			
Selling and marketing	(174,357)	(166,288)	(121,466)
General and administrative	(67,240)	(72,626)	(64,683)
Technology and product development	(71,154)	(71,308)	(63,251)
Impairment of long-lived assets	(363)	—	—
Total operating expenses	\$(313,114)	\$(310,222)	\$(249,400)
Operating income	\$ 45,390	\$ 71,239	\$ 35,087
Financial income	7,621	2,389	8,327
Financial expense (2)	(26,788)	(19,268)	(15,079)
Income before income taxes	\$ 26,223	\$ 54,360	\$ 28,335
Income tax expense	(7,069)	(11,994)	(10,538)
Net income	\$ 19,154	\$ 42,366	\$ 17,797

(1) Includes \$ 43,975, \$ 37,000 and \$ 27,008 for related party transactions for the years 2018, 2017 and 2016, respectively. See note 15.

(2) Includes \$ 12,368, \$ 8,601 and \$ 10,516 for factoring of credit card receivables for the years ended 2018, 2017 and 2016, respectively.

Earnings per share available to common stockholders:

Basic	0.28	0.69	0.30
Diluted	0.27	0.69	0.30

Shares used in computing earnings per share (in thousands):

Basic	69,154	61,457	58,518
Diluted	71,254	61,548	58,609

The accompanying notes are an integral part of these consolidated financial statements.

Despegar.com, Corp.

Consolidated Statements of Comprehensive Income
for the years ended December 31, 2018, 2017 and 2016
(in thousands U.S. dollars)

	Year ended December 31,		
	2018	2017	2016
Net income	\$ 19,154	\$42,366	\$ 17,797
Other comprehensive income, net of tax			
Foreign currency translation adjustment (1)	(13,272)	37	(17,501)
Comprehensive income	\$ 5,882	\$42,403	\$ 296

(1) No tax impact

The accompanying notes are an integral part of these consolidated financial statements.

Despegar.com, Corp.

Consolidated Statements of Changes in Shareholders' Equity
for the years ended December 31, 2018, 2017 and 2016
(in thousands U.S. dollars)

	Common stock		Additional paid-in capital	Other reserves	Accumulated other comprehensive income	Accumulated Losses	Treasury Stock	Total Equity
	Number of shares (in thousands)	Amount						
Balance as of December 31, 2015	58,518	6	311,581	(728)	33,787	(427,779)	—	(83,133)
Stock-based compensation expense	—	—	574	—	—	—	—	574
Foreign currency translation adjustment	—	—	—	—	(17,501)	—	—	(17,501)
Net income for the year	—	—	—	—	—	17,797	—	17,797
Balance as of December 31, 2016	58,518	6	312,155	(728)	16,286	(409,982)	—	(82,263)
Stock-based compensation expense	—	—	4,289	—	—	—	—	4,289
Foreign currency translation adjustment	—	—	—	—	37	—	—	37
Issuance of common stock (1)	10,579	253,529	—	—	—	—	—	253,529
Net income for the year	—	—	—	—	—	42,366	—	42,366
Balance as of December 31, 2017	69,097	253,535	316,444	(728)	16,323	(367,616)	—	217,958
Change in accounting standard ASC 606 (2)	—	—	—	—	—	42,862	—	42,862
Balance as of December 31, 2017	69,097	253,535	316,444	(728)	16,323	(324,754)	—	260,820
Adjusted	69,097	253,535	316,444	(728)	16,323	(324,754)	—	260,820
Stock-based compensation expense	—	—	6,766	—	—	—	—	6,766
Foreign currency translation adjustment	—	—	—	—	(13,272)	—	—	(13,272)
Exercise of Stock Options by Employees	138	1,719	(1,583)	—	—	—	—	136
Net income for the year	—	—	—	—	—	19,154	—	19,154
Treasury Stock	—	—	—	—	—	—	(26,030)	(26,030)
Balance as of December 31, 2018	69,235	255,254	321,627	(728)	3,051	(305,600)	(26,030)	247,574

(1) Net of issuance costs of \$21,530.

(2) See note 3

The accompanying notes are an integral part of these consolidated financial statements.

Despegar.com, Corp.

Consolidated Statements of Cash Flows
for the years ended December 31, 2018, 2017 and 2016
(in thousands U.S. dollars)

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:			
Net income	\$ 19,154	\$ 42,366	\$ 17,797
Adjustments to reconcile net income to net cash flows from operating activities:			
Unrealized foreign currency translation losses	(1,088)	457	466
Depreciation expense	4,985	5,075	5,089
Amortization of intangible assets	10,140	8,751	7,835
Impairment of long-lived assets	363	—	—
Stock based compensation expense	6,766	4,289	574
Interest and penalties	494	(65)	1,494
Income taxes	2,876	5,507	3,846
Allowance for doubtful accounts	1,062	818	2,548
Provision / (Recovery) for contingencies	2,021	(603)	526
Changes in assets and liabilities, net of non-cash transactions:			
(Increase) / Decrease in accounts receivable, net of allowances	(54,705)	(85,383)	(71,389)
(Increase) / Decrease Related party receivables	(3,406)	(3,013)	(293)
(Increase) / Decrease in other assets and prepaid expenses	(61,302)	(10,090)	3,591
Increase / (Decrease) in accounts payable and accrued expenses	4,277	22,363	(13,895)
Increase / (Decrease) in travel suppliers payable	42,789	78,835	(20,121)
Increase / (Decrease) in other liabilities	3,309	(12,323)	10,440
Increase / (Decrease) in contingencies	(5,567)	(12,183)	618
Increase / (Decrease) in related party liabilities	4,203	13,964	13,210
Increase / (Decrease) in deferred revenue	6,009	2,461	(5,628)
Net cash flows (used in) / provided by operating activities	\$ (17,620)	\$ 61,226	\$ (43,292)
Cash flows from investing activities:			
Sales of short-term investments	—	—	40,013
Acquisition of property and equipment	(13,085)	(8,746)	(4,419)
Increase of intangible assets, including internal-use software and website development	(13,494)	(12,929)	(12,159)
Net cash flows (used in) / provided by investing activities	\$ (26,579)	\$ (21,675)	\$ 23,435
Cash flows from financing activities:			
Increase in loans and other financial liabilities	66,814	30,159	10,142
Decrease in loans and other financial liabilities	(42,177)	(29,574)	(5,000)
Exercise of stock based compensation	136	—	—
Proceeds from issuance of shares (1)	—	253,529	—
Purchase of Treasury Stock	(26,030)	—	—
Net cash flows provided by financing activities	\$ (1,257)	\$ 254,114	\$ 5,142
Effect of exchange rate changes on cash and cash equivalents	(13,132)	(2,053)	(2,008)
Net (decrease) / increase in cash and cash equivalents	\$ (58,588)	\$ 291,612	\$ (16,723)
Cash and cash equivalents and restricted cash as of beginning of the year	\$ 410,777	\$ 119,165	\$ 135,888
Cash and cash equivalents and restricted cash as of end of the period	\$ 352,189	\$ 410,777	\$ 119,165
Supplemental cash flow information			
Cash paid for income tax	\$ 14,423	\$ 18,455	\$ 6,111
Interest paid	\$ 5,311	\$ 942	\$ 684

(1) Net of issuance costs paid of \$ 21,530 as of December 31, 2017. See note 1.

The accompanying notes are an integral part of these consolidated financial statements.

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Notes to the Consolidated Financial Statements
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1. Operations of the Company

On May 3, 2017, the stockholders of Decolar.com, Inc., a Delaware holding company, exchanged their shares for ordinary shares of Despegar.com, Corp. to create a new British Virgin Island holding company. Following the exchange, the Company's shareholders own shares of Despegar.com, Corp. and Decolar.com, Inc. is a wholly-owned subsidiary of Despegar.com, Corp.

Despegar.com, Corp. (formerly Decolar.com, Inc.), is an online travel agency, which provides leisure and business travelers the tools and information they need to make travel reservations with providers of travel products around the world.

Despegar.com is the leading online travel agency in Latin America and includes both the Decolar and Despegar brands. With a presence in 20 countries, Despegar's websites and mobile apps help leisure and business travelers to book accommodations, airline tickets, packages, rental cars, cruises, destination services and travel insurance around the world. The Company operates primarily under the "Despegar.com" brand for Spanish and English speaking customers and the "Decolar.com" brand for Portuguese speaking customers. The Company also generates additional revenue through the sale of advertising on its websites.

Despegar.com provides its customers with multiple ways to save on travel-related products and multiple alternatives to pay for such products.

During September 2017, the Company successfully completed its registration process with the United States Securities and Exchange Commission and initial public offering through which 12,770,000 shares of common stock were sold to the underwriters at \$ 26 per share less an underwriting discount of 5.75%. From this total, 8,663,431 shares were sold by the Company and 4,106,569 shares were sold by stockholders. The Company granted to the Underwriters an option to purchase up to 1,915,500 additional shares at the public offering price less the underwriting discount, which was exercised on September 20, 2017, for all the shares available. The net proceeds of the offering totaled \$253,529 after deducting the underwriting discount and offering expenses payable by the Company.

2. Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. The following are the Company's main operating subsidiaries (all wholly-owned):

<u>Name of the Subsidiary</u>	<u>Country of Incorporation</u>
Despegar.com.ar S.A.	Argentina
Decolar.com LTDA.	Brazil
Despegar.com Chile SpA	Chile
Despegar Colombia S.A.S.	Colombia
DespegarEcuador S.A.	Ecuador
Despegar.com México S.A. de C.V.	Mexico
Despegar.com Peru S.A.C.	Peru
Despegar.com USA, Inc.	United States
Travel Reservations S.R.L.	Uruguay

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The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”). Although the subsidiaries transact the majority of their businesses in their local currencies, the Company has selected the United States dollar (“U.S. dollar”) as its reporting currency. All significant intercompany accounts and transactions have been eliminated.

Foreign currency translation

The Company’s foreign subsidiaries (except for Travel Reservations S.R.L in Uruguay and other subsidiaries in the United States, Ecuador and Venezuela, which use the U.S. dollar as functional currency) have determined the local currency to be their functional currency. Assets and liabilities are translated from their local currencies into U.S. dollars at the end-of-the-year exchange rates, and revenue and expenses are translated at average monthly rates in effect during the year. Translation adjustments are included in the consolidated statement of comprehensive income / (loss).

Gains and losses resulting from transactions in non-functional currencies are recognized directly in the consolidated statements of operations under the caption “Financial income” and “Financial expense.”

Highly inflationary status in Argentina

During May 2018, the International Practices Task Force (“IPTF”) discussed the highly inflationary status of the Argentine economy. Historically, the IPTF has used the Consumer Price Index (“CPI”) when considering the inflationary status of the Argentine economy. Given that the CPI was considered flawed by the current Argentine Government until December 2015 and the new CPI was published as from June 2016, the IPTF considered alternative indices to determine the three-year cumulative inflation.

A highly inflationary economy is one that has cumulative inflation of approximately 100% or more over a three-year period. The alternative three-year cumulative indices at June 30, 2018 exceeded 100%. According to U.S. GAAP, the company should apply highly inflationary accounting no later than July 1, 2018. As of July 1, 2018, the Company transitioned its Argentinian operations to highly inflationary status in accordance with U.S. GAAP, and changed the functional currency for Argentine subsidiaries from Argentine Pesos to U.S. dollars, which is the functional currency of their immediate parent company

Pursuant to the change in the functional currency, local currency monetary assets and liabilities are remeasured at closing exchange rate, non-monetary assets are remeasured at the rate prevailing on the date of the respective transaction, and revenues and expenses are remeasured at the average exchange rate of each month. The effect of the remeasurement is recognized as foreign currency gains (losses) and have been accounted for under in Financial income/(expense) in the consolidated statement of operations.

3. Summary of significant accounting policies

The following is a summary of significant accounting policies followed by the Company in the preparation of these consolidated financial statements.

Despegar.com, Corp.
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Use of estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from estimates. The significant estimates underlying the Company's consolidated financial statements include revenue recognition, including the accounting for certain merchant revenues, allowance for doubtful accounts, recoverability of intangible assets with indefinite useful lives and goodwill, contingencies, fair value of stock based compensation and fair value of financial instruments. The consolidated financial statements reflect all adjustments considered, in the opinion of management, necessary to fairly present the results for the periods presented.

Concentration of risk

The Company's business is subject to certain risks and concentrations including dependence on relationships with travel suppliers, primarily airlines, dependence on third-party technology providers, exposure to risks associated with online commerce security and payment related fraud. It also relies on global distribution system ("GDS") partners and third-party service providers for certain fulfillment services.

Financial instruments, which potentially subject the Company to concentration of credit risk, mainly consist of cash and cash equivalents and accounts receivable (i.e. clearing house for credit cards). The Company maintains cash and cash equivalents balances in financial institutions that management believes are high credit quality. Accounts receivable are settled mainly through customer credit cards and debit cards; the company maintains allowance for doubtful accounts based on management's evaluation of various factors, including the credit risk of customers, historical trends and other information.

Revenue recognition

The Company generates revenue as a result of the booking of travel products and services on its websites and mobile apps. The Company provides customers the ability to book travel products and services on both a stand-alone basis or as a vacation package, primarily through its merchant and agency business models.

The Company derives its revenue mainly from:

- Commissions earned from intermediating services, including facilitating reservations of flight tickets, hotel accommodations, car rentals and other travel-related products and services;
- Service fees charged to customers for processing air tickets, hotel accommodations, car rentals and other travel-related products and services;
- Override commissions or incentives from suppliers and GDS providers if the Company meets certain performance conditions; and
- Advertising revenues from the sale of advertising placements on the Company's websites.

Revenue is recognized upon the transfer of control of our promised services in an amount that reflects the consideration we expect to be entitled to in exchange for those services, which generally occurs at the completion of the transaction on the Company's platform at the time of booking. Concurrently, the Company will recognize a provision for cancellations and customers failing to arrive for their reservations for all refundable pre-paid sales and all pay-at-destination reserves recognized under these criteria.

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For our primary transaction-based revenue sources, discussed below, we have determined net presentation (that is, the amount billed to the traveler less the amount paid to a supplier) is appropriate for the majority of our revenue transactions as the supplier is primarily responsible for providing the underlying travel services and we do not control the service provided by the supplier to the traveler. We exclude all taxes assessed by a government authority, if any, from the measurement of transaction prices that are imposed on our travel related services or collected by the Company from customers (which are therefore excluded from revenue).

The Company offers travel products and services through the following business models: the Prepay/Merchant Model, which represents approximately 80% of total revenue, Other Revenue including GDS incentives, advertising represents 15% and the Pay-at-destination/Agency Model, which represents approximately 5% of total revenue.

Prepay/Merchant Business Model

Through this model the Company's performance obligation is to facilitate the booking of air travel, accommodation, car rentals, cruises, destination services and vacation packages. The Company generates revenue based on the difference between the total amount that the customer pays for the travel product and the net rate owed to the supplier plus estimated taxes. Despegar.com also earns revenue by charging customers a service fee for booking their travel reservation. Customers generally pay at the time of booking and the Company generally pays to the supplier at a later date, which is normally at the time the customer uses the travel reservation.

Despegar.com recognizes revenue on a net base, and for some bookings where the Company pre-purchase the flight seats, in gross base, when the customer completes the reservation process in the Company's platform, which is when the Company's performance obligation is satisfied. For the refundable transaction, the Company records an allowance for collection risk on this revenue based on historical experience for cancellation. For travel products that are cancelled by the customer after a specified period of time, the Company may charge a cancellation fee or penalty similar to the amount that the supplier charges for the cancellation.

Packages and sales transactions performed by customers through affiliated agencies are recognized following the revenue recognition policy described above.

Pursuant to the terms of the Company's merchant supplier agreements with hotels, the Company's travel service suppliers are permitted to bill it for the underlying cost of the service during a specified period of time. In the event that the Company is not billed by the travel supplier within a 12-month period from the check-out date, the Company recognizes incremental revenue from the unbilled amounts.

Pay-at-Destination/Agency Business Model

Through this model, the Company's performance obligation is to facilitate the booking of hotels, car rentals and other travel-related products and services to be paid at destination. Despegar.com earns a commission paid directly by suppliers. The Company generally collects these commissions after the customer uses the travel reservation. In certain circumstances, the Company may also earn revenue by charging customers with a service fee for booking their travel reservation.

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The Company recognizes revenue on a net basis when the customer completes the reservation process in the Company's platform, which is when the Company's performance obligation is satisfied. In addition, the Company records an allowance for collection risk on this revenue based on historical experience.

Incentives

The Company may receive override commissions from air, hotel and other travel service suppliers when it meets certain performance conditions. These variable considerations are recognized on a monthly accrued basis in accordance with the achievement of thresholds determined by each supplier.

Additionally, the Company uses GDS services provided by recognized suppliers. Under GDS service agreements, the Company earns revenue in the form of an incentive payment for sales that are processed through a GDS if certain contractual volume thresholds are met. Revenue is recognized for these incentive payments on a monthly accrued basis in accordance with ratable volume thresholds.

Advertising

The Company records advertising revenue ratably over the advertising period or upon delivery of advertising material, depending on the terms of the advertising agreement.

Cash and cash equivalents

Cash and cash equivalents includes investments with a maturity of three months or less when purchased. All results generated from these investments are recorded as financial results when earned.

Restricted cash

The primary purpose of restricted cash is to collateralize operations with suppliers of travel products and services and related service providers such as IATA.

Accounts receivable, net of allowances for doubtful accounts

Accounts receivables are mainly related to credit card receivables, incentives and advertising, which are carried at the invoice amount less an allowance for doubtful accounts. The Company determines its allowance based on the aging of its receivables. While management uses the information available to make evaluations, future adjustments to the allowance may be necessary if future economic conditions differ substantially from the assumptions used in making the evaluations. Management has considered all events and/or transactions that are subject to reasonable and normal methods of estimations, and the consolidated financial statements reflect that consideration.

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Property and equipment, net

Property and equipment are stated at acquisition cost, less accumulated depreciation. Depreciation expense is calculated using the straight-line method, based on the estimated useful lives of the related assets.

The estimated useful lives (in years) of the main categories of the Company's property and equipment are as follows:

<u>Asset</u>	<u>Estimated useful life (years)</u>
Computer hardware	3
Office furniture and fixture	10
Buildings	50

Expenditures for repairs and maintenance are charged to expense as incurred. The cost of significant renewals and improvements is added to the carrying amount of the respective asset and its depreciated over the life of the contract.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the consolidated statement of operations.

Goodwill and Intangible assets, net

Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired in a business combination. Goodwill is not subject to amortization, but is subject to an annual assessment for impairment, or more frequently if events and circumstances indicate impairment may have occurred.

Intangible assets resulting from the acquisition of companies were estimated by management based on the fair value of assets received. Identifiable intangible assets are comprised of trademarks and internet domains. Trademarks and domains are not subject to amortization, but subject to an annual impairment assessment.

Certain costs incurred related to the development of internal-use software are capitalized. Development costs incurred during the application development stage and upgrades and enhancement to existing software that provides additional functionality are capitalized. Costs incurred related to the preliminary project and post-implementation phases are expensed as incurred.

Software internally developed is amortized over a period of three years according to its expected useful life, using the straight-line method. In addition, the asset value of the software is evaluated for impairment periodically.

Financial systems are amortized over a period of 10 years, using the straight-line method.

Impairment of Long-Lived Assets

The Company reviews long-lived assets for impairments whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to undiscounted future net cash flows expected to be generated by the asset. If such assets are considered to be impaired on this basis, the impairment loss to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

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As of December 31, 2018, the Company concluded that the property held in Caracas, Venezuela, should be impaired. As a consequence, the Company estimated the fair value of the impaired long-live asset and recorded impairment losses of \$ 363 thousand as of December 31, 2018, by using the market approach and considering prices for similar assets.

Impairment of goodwill and intangible assets with indefinite useful life

Goodwill and intangible assets with indefinite lives are reviewed at least annually for impairment, generally as of December 31, or more frequently if events and circumstances indicate impairment may have occurred. Impairment of goodwill is tested at the reporting unit level by comparing the reporting units carrying amount, including goodwill, to the fair value of the reporting unit. The fair values of the reporting units are estimated using a combination of the income or discounted cash flows approach and the market approach, which utilizes comparable companies' data. If the carrying amount of the reporting unit exceeds its fair value, goodwill is considered impaired and a second step is performed to measure the amount of impairment loss, if any.

No impairments were recognized during the reporting years for goodwill or intangible assets with indefinite life.

Travel suppliers payable

Travel suppliers payable is mainly related to debt with airlines, hotels and other product suppliers. These payables are generated when customers complete the reservation process in the Company's platform and are paid to the suppliers after customers use the service and suppliers invoice the Company, and to the airlines within thirty day of the customers' booking. These payables are recorded at the invoice amount. For hotels and other product suppliers, the Company instituted a clause in the contract imposing a twelve-month time limit from the check-out date for the Company's travel supplier to invoice for payment, after the twelve-month time the Company recognizes the revenue for release of age payables.

Pension information

The Company does not maintain any pension plans. The laws in the different countries in which the Company carries out its operations provide for pension benefits to be paid to retired employees from government pension plans and/or private pension plans. Amounts payable to such plans are accounted for on an accrual basis.

Severance payments

The Company may register a liability for severance payments if the following criteria are met: (a) management, having the authority to approve the action, commits to a plan of termination; (b) the plan identifies the number of employees to be terminated, their job classifications or functions and their locations, and the expected completion date; (c) the plan establishes the terms of the benefit arrangement, including the benefits that employees will receive upon termination, in sufficient detail to enable employees to determine the type and amount of benefits they will receive if they are involuntarily terminated; (d) actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn; and (e) the plan has been communicated to employees.

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Contingent liabilities

The Company has certain regulatory and legal matters outstanding, as discussed further in note 14 “Commitments and Contingencies.” Periodically, the status of all significant outstanding matters is reviewed to assess the potential financial exposure. When (i) it is probable that an asset has been impaired or a liability has been incurred and (ii) the amount of the loss can be reasonably estimated, the Company records the estimated loss in the consolidated statements of operations.

Additionally, disclosure in the notes to the consolidated financial statements is provided for loss contingencies that do not meet both of these conditions if there is a reasonable possibility that a loss may have been incurred that would materially impact the financial position and results of operations. Significant judgment is required to determine the probability that a liability has been incurred and whether such liability is reasonably estimable.

The Company records accruals related to commercial, labor and tax contingencies that may generate an obligation for the Company. Accruals are made on the best information available at the time; such analysis may be highly subjective. The final outcome of these matters could vary significantly from the amounts included in the accompanying consolidated financial statements.

Derivative instruments

Derivative instruments are carried at fair value on the consolidated balance sheets. The fair values of the derivative financial instruments generally represent the estimated amounts the Company would expect to receive or pay upon termination of the contracts as of the reporting date.

As of December 31, 2018 the Company maintained derivative instruments consisting of foreign currency forward contracts. The Company uses foreign currency forward contracts to hedge exposure in currencies different from the reporting currency. The goal in managing the foreign exchange risk is to reduce, to the extent practicable, the potential exposure to exchange rate fluctuations and its resulting effect on earnings, cash flows and financial position. The foreign currency forward contracts are typically short-term and do not qualify for hedge accounting treatment. Changes in fair value are recorded in financial results.

Following is the derivatives position as of December 31, 2018 and 2017:

	<u>Currency</u>	<u>Notional amount</u>	<u>Type</u>	<u>Due</u>	<u>Avg Price (1)</u>	<u>Fair value</u>
2018						
	Brazilian reais	\$ 9,700	Purchase	Mar- 19	4.19	(760)
	Chile pesos	\$ 7,000	Purchase	Jan / Feb- 19	689.29	92
	Mexican pesos	\$ 2,000	Sell	Feb - 19	19.75	n/m
2017						
	Argentine pesos	\$ 2,000	Purchase	Jan-18	17.835	115
	Chile pesos	\$ 8,500	Purchase	Jan-18	634.49	(260)
	Mexican pesos	\$ 7,000	Sell	Jan / Feb-18	19.27	(214)

(1) In each respective currency.

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The changes in fair value of derivatives have been accounted for under Financial income/(expense) in the consolidated statement of operations.

Comprehensive income / (loss)

Comprehensive income / (loss) includes net income / (loss) as currently reported under U.S. GAAP and also considers the effect of additional economic events that are not required to be recorded in determining net income, but are rather reported as a separate component of shareholders' deficit.

Other comprehensive income / (loss) includes the cumulative translation adjustment relating to the translation of the financial statements of the Company's foreign subsidiaries (see Note 2 "Foreign currency translation").

Stock-based compensation

Compensation cost related to stock-based employee compensation arrangements are accounted for at fair value at the time of grant. The calculation of fair value is affected by the Company's stock price estimation as well as assumptions regarding a number of highly complex and subjective variables at the time of the grant. Compensation cost is recognized on a straight-line basis over the requisite service period which commences on the grant date as there exists a mutual understanding of the key terms and conditions at the date the award is approved by the board of directors or other management with relevant authority and the following conditions are met:

- The award is a unilateral grant and, therefore, the recipient does not have the ability to negotiate the key terms and conditions of the award with the employer.
- The key terms and conditions of the award had been communicated to an individual recipient within a relatively short time period from the date of approval.

Marketing and advertising expenses

The Company incurs advertising expense consisting of offline costs, including television and radio advertising, and online advertising expense to promote the business. The Company expenses the production costs associated with advertisements in the period in which the advertisement first takes place. The Company expenses the costs of advertisement in the period during which the advertisement space or airtime is consumed. Internet advertising expenses are recognized based on the terms of the individual agreements, which is generally over the greater of (i) the ratio of the number of clicks delivered over the total number of contracted clicks, on a pay-per-click basis, or (ii) on a straight-line basis over the term of the contract.

Advertising expenses for 2018, 2017 and 2016 amounted to \$ 150,275, \$ 144,777 and \$ 102,770, respectively.

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Financial income / (expense)

The Company incurs in financial expenses items such as factoring for discounted installments, interest paid for derivatives instruments and financial liabilities and foreign exchange rate, and generates financial income from financial investments, derivatives instruments and foreign exchange rate.

Accounting for income taxes

The Company is subject to U.S. and foreign income taxes. The provision for income taxes includes federal and foreign taxes. Income taxes are accounted for under the asset and liabilities method. Under this method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company set up a valuation allowance for that component of net deferred tax assets which does not meet the more-likely-than-not criterion for realization. A valuation allowance is recognized for a component of net deferred tax assets, including tax loss carryforward, which is assessed as not recoverable. As of December 31, 2018 and 2017 the valuation allowance amounted to \$ 18,007 and \$ 42,584, respectively.

Due to inherent complexities arising from the nature of the Company's business, future changes in income tax law, transfer pricing new regulations or variances between actual and anticipated operating results, the Company makes certain judgments and estimates. Therefore, actual income taxes could materially vary from those estimates.

Recently Adopted Accounting Standards

Effective January 1, 2018, the Company adopted ASC 606 – Revenue from contracts with customers related to revenue recognition (ASC 606) issued by the Financial Accounting Standards Board (FASB) in 2014. ASC 606 provides a unified model to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services.

The Company adopted ASC 606 using the modified retrospective approach for all contracts reflecting the aggregate effect of modifications prior to the date of adoption. Results for reporting periods beginning after January 1, 2018 are presented under the new guidance, while prior period amounts were not adjusted and continue to be reported under the accounting standards in effect for those periods.

Upon adoption, we recognized a cumulative effect of applying the new revenue guidance as an increase in the opening balance of retained earnings of \$ 42.8 million, comprised of changes in the accounting of our contract with customers mainly due to recognition of commissions and customer fees (\$26.4 million) which under the previous accounting standard were deferred and “pay at destination” bookings (\$10.5 million) which under the previous accounting standard were recognized on an accrual basis when the travel occurred.

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The cumulative effect of the revenue accounting changes made to our consolidated balance sheet as of January 1, 2018 were as follows:

	Balance at December 31, 2017	Adjustments (1)	Balance at January 1, 2018
Current Assets	\$		\$
Accounts Receivables	198,273	15,407	213,680
Current Liabilities			
Deferred Revenue	30,113	(27,455)	2,658
Shareholders' Equity			
Accumulated losses	(367,616)	42,862	(324,754)

(1) Net of tax effect

Other Recently Adopted Accounting Standards

Effective January 1, 2018, the Company adopted the Accounting Standard Update No. 2016-18, Statement of cash flows (Topic 230): Restricted Cash (ASU 2016-18), which requires companies to include amounts generally describe as restricted cash and restricted cash equivalents in cash and cash equivalents when reconciling beginning-of-period and end-of-period total amounts shown on the statement of cash flow. The adoption of this standard had only affected the disclosure of the Consolidated Cash Flow statement.

In June 2018, the FASB issued ASU No. 2018-07 related to accounting for share-based payments with non-employees (Topic 505). The updated guidance substantially aligns the accounting requirements of share-based payment awards to non-employees with those of employees. The guidance is effective for annual and interim reporting periods beginning after December 15, 2018, with early adoption permitted. The Company elected to early adopt the new guidance in the fourth quarter of 2018, with the grant of a stock-compensation contract to non-employees during November of 2018. As the Company did not grant share-based payments to non-employees in the previous years, the adoption of this new standard had no impact in the consolidated financial statement for 2018.

Recently issued accounting pronouncements not yet adopted

The Company provides below a description of those standards which are relevant to the Company's business only and the impact of their adoption if any.

On February 25, 2016 the FASB issued ASU 2016-02. The amendments in this update create Topic 842, Leases, which supersedes Topic 840, Leases. The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases. Previous GAAP did not require lease assets and lease liabilities to be recognized for most leases. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset

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not to recognize lease assets and lease liabilities. Topic 842 retains a distinction between finance leases and operating leases. The classification criteria for distinguishing between finance leases and operating leases are substantially similar to the classification criteria for distinguishing between capital leases and operating leases in the previous leases guidance. The result of retaining a distinction between finance leases and operating leases is that under the lessee accounting model in Topic 842, the effect of leases in the statement of comprehensive income and the statement of cash flows is largely unchanged from previous GAAP. Based on existing leases currently classified as operating leases, the Company expects to recognize on the statements of financial position right-of-use assets and lease liabilities. The amendments in this update are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company has adopted this guidance as of January 1, 2019. We have elected the optional transition method that allows for a cumulative-effect adjustment in the period of adoption and will not restate prior periods. Based on our lease portfolio as of December 31, 2018, upon adoption we anticipate recording on our consolidated balance sheet right-of-use assets of approximately \$5.4 million as well as operating lease liabilities of approximately \$5.4 million with no material impact to our consolidated statements of operations or cash flows.

On June 16, 2016 the FASB issued the ASU 2016-13 “Financial Instruments–Credit Losses (Topic 326): Measurement of credit losses on financial instruments”. This update amends guidance on reporting credit losses for assets held at amortized cost basis and available for sale debt securities. For assets held at amortized cost basis, this update eliminates the probable initial recognition threshold in current GAAP and, instead, requires an entity to reflect its current estimate of all expected credit losses. For available for sale debt securities, credit losses should be measured in a manner similar to current GAAP, however this topic will require that credit losses be presented as an allowance rather than as a write-down. The new standard is effective for fiscal years beginning after December 15, 2019. The Company is assessing the effects that the adoption of this accounting pronouncement may have on its financial statements.

In January 2017, the FASB issued ASU No. 2017-04. To simplify the subsequent measurement of goodwill, the amendments eliminate Step 2 from the goodwill impairment test. The annual, or interim, goodwill impairment test is performed by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit’s fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. In addition, income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit should be considered when measuring the goodwill impairment loss, if applicable. The amendments also eliminate the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. A public business entity should adopt the amendments for its 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 performed on testing dates after January 1, 2017. The adoption of this standard is not expected to have a material impact on the Company’s financial statements.

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On August 28, 2018, the FASB issued the ASU 2018-13 “Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement”. The update is related to the disclosure requirements on fair value measurements, which removes, modifies or adds certain disclosures. The guidance is effective for annual and interim reporting periods beginning after December 15, 2019, with early adoption permitted. The Company is assessing the effects that the adoption of this accounting pronouncement may have on its financial statements.

In August 2018, the U.S. Securities and Exchange Commission (SEC) adopted the final rule under SEC Release No. 33-10532, Disclosure Update and Simplification. This final rule amends certain disclosure requirements that are redundant, duplicative, overlapping, outdated or superseded. In addition, the amendments expand the disclosure requirements on the analysis of stockholders’ equity for interim financial statements. Under the amendments, an analysis of changes in each caption of stockholders’ equity presented in the balance sheet must be provided in a note or separate statement. The analysis should present a reconciliation of the beginning balance to the ending balance of each period for which a statement of comprehensive income is required to be filed. This final rule is effective for the Company for all filings made on or after November 5, 2018. The SEC staff clarified that the first presentation of the changes in shareholders’ equity may be included in the first Form 10-Q for the quarter that begins after the effective date of the amendments. The adoption of the final rule did not have a material impact on the Company’s consolidated financial statements. The Company will change its presentation of shareholder’s equity in its Form 20-F for the period ending December 31, 2019.

On August 29, 2018, the FASB issued the ASU 2018-15 “Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract.” The update conforms the requirements for capitalizing implementation costs incurred in a cloud computing arrangement that is a service contract with the accounting guidance that provides for capitalization of costs incurred to develop or obtain internal-use-software. The new guidance is effective for annual and interim reporting periods beginning after December 15, 2019, with early adoption permitted. The Company is assessing the effects that the adoption of this accounting pronouncement may have on its financial statements.

4. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	<u>As of December 31,</u> <u>2018</u>	<u>As of December 31,</u> <u>2017</u>
Cash	20	12
Banks	177,013	344,809
Time deposits	135,614	—
Money market funds	33,833	26,192
	<u>\$ 346,480</u>	<u>\$ 371,013</u>

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5. Accounts receivable, net of allowances

Accounts receivable, net of allowances consists of the following:

	As of December 31, 2018	As of December 31, 2017
Accounts receivable	230,060	197,389
Others	453	4,048
Allowance for doubtful accounts	(2,065)	(3,164)
	<u>\$ 228,448</u>	<u>\$ 198,273</u>

6. Other assets and prepaid expenses

Other current assets and prepaid expenses consist of the following:

	As of December 31, 2018	As of December 31, 2017
Tax credits (1)	33,042	23,866
Prepaid expenses and advance to suppliers	31,553	3,473
Advertising paid in advance	1,934	383
Others	1,942	1,683
	<u>\$ 68,471</u>	<u>\$ 29,405</u>

- (1) Mainly includes \$ 14,631 of VAT credits, \$ 14,321 of income tax credits, \$ 2,410 of sales tax credits and \$ 1,680 of other tax credits as of December 31, 2018; and \$ 10,833 of VAT credits, \$ 7,394 of income tax credits, \$ 2,965 of sales tax credits and \$ 2,674 other tax credits as of December 31, 2017.

Other non-current assets consist of the following:

	As of December 31, 2018	As of December 31, 2017
Deferred tax assets	12,751	4,658
	<u>\$ 12,751</u>	<u>\$ 4,658</u>

7. Property and equipment, net

Property and equipment, net consists of the following:

	As of December 31, 2018	As of December 31, 2017
Computer hardware and software	27,365	26,001
Office furniture and fixture	15,255	11,915
Buildings	2,018	2,790
Land	41	64
Total property and equipment	44,679	40,770
Accumulated depreciation	\$ (24,963)	\$ (24,599)
Total property and equipment, net	<u>\$ 19,716</u>	<u>\$ 16,171</u>

Total depreciation expense for the years 2018 and 2017 is \$4,985 and \$5,075, respectively and for the year 2018 \$363 of impairment for long-lived assets for the building in Venezuela subsidiary.

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8. Goodwill and intangible assets, net

Goodwill and intangible assets, net consists of the following:

	As of December 31, 2018	As of December 31, 2017
Goodwill (1)	36,207	38,733
Intangible assets with indefinite lives		
Brands and domains	13,882	13,882
Amortizable Intangible assets		
Internal-use software and site internally developed	54,406	47,980
Total intangible assets	68,288	61,862
Accumulated amortization (2)	(30,776)	(26,438)
Total intangible assets, net	\$ 37,512	\$ 35,424

(1) Following is the breakdown of Goodwill per reporting unit as of December 31, 2018 and 2017:

	Balance of beginning of period	Other comprehensive Income / (Loss)	Balance at end of period
2018			
Argentina	1,866	(665)	1,201
Brazil	12,766	(1,865)	10,901
Mexico	7,262	4	7,266
Uruguay	16,839	—	16,839
Total	38,733	(2,526)	36,207
2017			
Argentina	2,187	(321)	1,866
Brazil	12,959	(193)	12,766
Mexico	6,909	353	7,262
Uruguay	16,839	—	16,839
Total	38,894	(161)	38,733

Goodwill is mainly attributable to the Air operating segment.

(2) Total amortization expense for the years 2018 and 2017 is \$ 10,140 and \$ 8,751, respectively. The estimated future amortization expense related to intangible assets with definite lives as of December 31, 2018, assuming no subsequent impairment of the underlying assets, is as follows:

2019	7,076
2020	7,076
2021	7,076
2022	801
2023 and beyond	1,601
Total	<u>23,630</u>

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9. Accounts payable and accrued expenses

Accounts payable and accrued expenses consist of the following:

	<u>As of December 31, 2018</u>	<u>As of December 31, 2017</u>
Marketing suppliers	25,484	28,301
Provision for invoices to be received	8,513	6,285
Affiliated agencies	—	977
Other suppliers	8,356	10,046
	<u>\$ 42,353</u>	<u>\$ 45,609</u>

10. Travel Suppliers payable

Travel Supplier payables consist of the following

	<u>As of December 31, 2018</u>	<u>As of December 31, 2017</u>
Hotels and other travel service suppliers (1)	151,393	151,023
Airlines	34,057	23,794
	<u>\$ 185,450</u>	<u>\$ 174,817</u>

(1) Includes \$ 132,863 and \$ 137,396 as of December 31, 2018 and 2017, respectively, for deferred merchant bookings which will be due after the traveler has checked out.

11. Other liabilities

Other current liabilities consist of the following:

	<u>As of December 31, 2018</u>	<u>As of December 31, 2017</u>
Salaries payable	22,030	31,141
Taxes payable	8,586	5,517
Others	2,654	3,093
	<u>\$ 33,270</u>	<u>\$ 39,751</u>

Other non-current liabilities consist of the following:

	<u>As of December 31, 2018</u>	<u>As of December 31, 2017</u>
Taxes payable	243	1,015
	<u>\$ 243</u>	<u>\$ 1,015</u>

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12. Income taxes

The following table presents a summary of U.S. and foreign income tax expense components:

	<u>As of December 31, 2018</u>	<u>As of December 31, 2017</u>	<u>As of December 31, 2016</u>
Current:			
Foreign	(10,289)	(7,682)	(4,459)
Federal	(1,336)	(36)	(50)
Deferred:			
Foreign	8,749	2,063	663
Withholding:			
Foreign	(3,921)	(6,339)	(6,692)
Federal	(272)	—	—
Income tax expense	<u>\$ (7,069)</u>	<u>\$ (11,994)</u>	<u>\$ (10,538)</u>

Below the classification of deferred tax assets/liabilities by current and non-current:

	<u>As of December 31, 2018</u>	<u>As of December 31, 2017</u>
Non-Current deferred tax assets	30,758	47,242
Total deferred tax assets	30,758	47,242
Less valuation allowance	(18,007)	(42,584)
Net deferred tax assets	12,751	4,658
Non-Current deferred tax liabilities	—	—
Total deferred tax liabilities	—	—
Total deferred tax	<u>12,751</u>	<u>4,658</u>

The Company had adopted ASU 2015-17, which requires entities to present deferred tax assets and deferred tax liabilities as noncurrent in a classified statement of financial position. The Company adopted the retrospective approach.

As of December 31, 2018, consolidated loss carryforwards for income tax purposes were \$79,022. If not utilized, tax loss carryforwards will begin to expire as follows:

<u>Expiration Date</u>	<u>NOLs Amount</u>
Expires 2020	32
Thereafter	29,124
Without expiration dates	49,866
TOTAL (1)	79,022

(1) A partial valuation allowance is booked as of December 31, 2018 in order to reserve \$58,275 of the tax loss carryforwards detailed above.

NOLs Carryforwards expiration:

- Brazil: \$46,292. No expiration but offset limitation of 30% of the taxable income by fiscal year.
- USA: \$6,851. Expiration after 20 years, but offset limitation of 90% of the taxable income by fiscal year.

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- Argentina: \$5,068. Five fiscal years expiration.
- Colombia: \$ 5,371. Twelve fiscal years expiration in general.
- Venezuela: \$ 64. Three fiscal years expiration, but offset limitation of 25% of the taxable income by fiscal year.
- Peru: \$3,574. No expiration, but offset limitation of 50% of the taxable income by fiscal year.
- Mexico: \$9,858. Ten fiscal years expiration.
- Uruguay: \$1,220. Five fiscal years expiration.
- Panama: \$397. Five fiscal years expiration.
- Spain: \$219. No expiration.
- Ecuador: \$108. Five fiscal years expiration.

Deferred tax assets and liabilities are recognized for the future tax consequences of differences between the carrying amounts of assets and liabilities and their respective tax bases using enacted tax rates in effect for the year in which the differences are expected to reverse. The Company has foreign subsidiaries with aggregated undistributed earnings of \$ 61,897 as of December 31, 2018. We have not provided deferred income taxes on taxable temporary differences related to investments in certain foreign subsidiaries where the foreign subsidiary has or will invest undistributed earnings indefinitely outside of the United States. In the event we distribute such earnings in the form of dividends or otherwise, we may be subject to income taxes. Further, a sale of these subsidiaries may cause these temporary differences to become taxable. Due to complexities in tax laws, uncertainties related to the timing and source of any potential distribution of such earnings, and other important factors such as the amount of associated foreign tax credits, it is not practicable to estimate the amount of unrecognized deferred taxes on these taxable temporary differences.

The Company's management considers the earnings of the foreign subsidiaries to be indefinitely reinvested, other than certain earnings the distributions of which do not imply withholdings or state income taxes, and for that reason has not recorded a deferred tax liability.

The following table summarizes the composition of deferred tax assets and liabilities as of the years ended December 31, 2018 and 2017:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Deferred Tax Assets		
Tax loss carryforwards	23,445	33,067
Allowance for doubtful accounts	175	322
Royalties	2,296	1,379
Provisions and other assets	6,037	12,474
Property and equipment	(125)	—
Others	(1,070)	—
Total Deferred Tax Assets	30,758	47,242
Less valuation allowance	(18,007)	(42,584)
Total Deferred Tax Assets, net	12,751	4,658
Deferred Tax Liabilities	—	—
Total Deferred Tax Liabilities	—	—
Total Deferred Tax	12,751	4,658

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The following is a reconciliation of the difference between the actual provision for income taxes and the provision computed by applying the weighted average income tax rate for 2018, 2017 and 2016 to income / (loss) before taxes:

	<u>As of December 31, 2018</u>	<u>As of December 31, 2017</u>	<u>As of December 31, 2016</u>
Net Income / (Loss) before Income Tax	26,223	54,360	28,335
Weighted average income tax rate (3)	39%	33%	30%
Income tax expense at weighted average income tax rate	10,273	17,740	8,501
<i>Permanent differences:</i>			
(Non-Taxable Income) / Non-Deductible Losses (1)	(1,448)	(10,714)	(6,826)
Foreign non-creditable withholding tax (2)	4,193	6,339	6,692
Non-deductible expenses	1,346	2,223	2,928
Currency translation adjustment	1,902		
Others	540	(651)	(94)
True up	1,204		
Change in Valuation allowance	(10,941)	(2,943)	(663)
Income Tax expense	<u><u>7,069</u></u>	<u><u>11,994</u></u>	<u><u>10,538</u></u>

- (1) Includes tax benefits/losses generated by operations located in the Uruguayan “Free Trade Zone” and the benefits from Promotion Software Law in Argentina.
- (2) Includes foreign withholding taxes on royalties and services.
- (3) The Company uses a weighted average rate for the income tax reconciliation, since most of the business operations are run by subsidiaries located outside the U.S. The calculation is performed based on an average between the enacted tax rates of the foreign jurisdictions.

The following table presents the changes in the Company’s valuation allowance as of December 31, 2018, 2017 and 2016:

	<u>Balance of beginning of period</u>	<u>Increase</u>	<u>(Decrease)</u>	<u>Balance at end of period</u>
2018	42,584	997	(25,574)	18,007
2017	45,526	4,716	(7,658)	42,584
2016	46,189	1,897	(2,560)	45,526

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Tax Reform

Argentina

On December 27, 2017, the Argentine Senate approved a comprehensive income tax reform effective since January 1, 2018. Among the key features of the bill, (i) reduces the current 35% income tax rate to 30% for 2018 and 2019, and to 25% as from 2020; (ii) imposes a dividend withholding tax paid by an Argentine entity of 7% for 2018 and 2019, increasing to 13% as from 2020; (iii) repeals the “equalization tax” (i.e., 35% withholding applicable to dividends distributed in excess of the accumulated taxable income) for income accrued from January 1, 2018; iv) imposes income tax on indirect sales of assets located in Argentina for new stock acquisition, when Argentinean assets represent at least 30% of the value of the foreign entity; v) creates new rules applicable to controlled foreign companies for tax recognition of foreign profit investment; vi) introduces taxation of foreign digital services on VAT for B2C (business to consumer) transactions; vii) establishes an advance pricing agreement regime and, viii) establishes a mutual agreement procedure for tax treaty interpretation disputes.

USA

On December 22, 2017, the U.S. government enacted a comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the “Tax Act”). The Tax Act made broad and complex changes to the U.S. tax code, including, but not limited to, (1) requiring a one-time transition tax on certain unrepatriated earnings of foreign subsidiaries that is payable over eight years and (2) bonus depreciation that will allow for full expensing of qualified property.

The Tax Act also established new tax laws that came into effect on January 1, 2018, including, but not limited to: (a) the elimination of the corporate alternative minimum tax (“AMT”); (b) the creation of the base erosion anti-abuse tax (“BEAT”), a new minimum tax; (c) a general elimination of U.S. federal income taxes on dividends from foreign subsidiaries -participation exemption system-; (d) a new provision designed to tax global intangible low-taxed income (“GILTI”), which allows for the possibility of using foreign tax credits (“FTCs”) and a deduction of up to 50 percent to offset income tax liability (subject to some limitations); (e) a new limitation on deductible interest expense; (f) the repeal of the domestic production activity deduction; (g) limitations on the deductibility of certain executive compensation; (h) limitations on the use of FTCs to reduce the U.S. income tax liability; and (i) limitations on net operating losses (“NOLs”) generated after December 31, 2017, to 80 percent of taxable income and the elimination of expiration rules.

The Deemed Repatriation Transition Tax (“Transition Tax”) is a tax on previously untaxed accumulated and current earnings and profits (“E&P”) of certain of our foreign subsidiaries. To determine the amount of the Transition Tax, the Company must determine, in addition to other factors, the amount of post-1986 E&P of the relevant subsidiaries, as well as the amount of non-U.S. income taxes paid on such earnings. The Company determined that no tax liability related to the Transition Tax is due. Accordingly, no adjustments have been made to income tax expense.

The Tax Act created a new requirement that certain income (i.e., GILTI) earned by controlled foreign corporations (CFCs) must be included in the gross income of the CFCs’ U.S. shareholder. GILTI is the excess of the shareholder’s “net CFC tested income” over the net deemed tangible income return, which is currently defined as the excess of (1) 10 percent of the aggregate of the U.S. shareholder’s pro rata share of the qualified business asset investment of each CFC with respect to which it is a U.S. shareholder over (2) the amount of certain interest expenses taken into account in the determination of net CFC-tested income. In addition, Tax Law allows to offset foreign tax credit against GILTI liability, with some limitations.

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Under U.S. GAAP, the Company was allowed to make an accounting policy choice of either (1) treat GILTI as a period cost if and when incurred, or (2) recognize deferred taxes for basis differences that are expected to reverse as GILTI in future years. The Company selected the period cost method.

The Company estimates that GILTI liability for 2018 fiscal year will be fully compensated against available foreign tax credit. Therefore, it is not recorded any impact as of December 31, 2018.

13. Revenue

The following tables summarizes the Company's revenues by business model and product types:

Business model

	As of December 31, 2018	As of December 31, 2017	As of December 31, 2016
Pre-pay model	415,812	412,679	321,990
Pay-at-destination model	20,143	23,710	22,907
Others	94,659	87,551	66,265
	<u>\$ 530,614</u>	<u>\$ 523,940</u>	<u>\$ 411,162</u>

Product types

	As of December 31, 2018	As of December 31, 2017	As of December 31, 2016
Air	214,804	241,015	205,721
Packages, Hotels and Other Travel Products	315,810	282,925	205,441
	<u>\$ 530,614</u>	<u>\$ 523,940</u>	<u>\$ 411,162</u>

14. Commitments and contingencies

Leases

The Company leases office space under operating lease agreements with original terms ranging from 2 to 5 years. Rent expense amounted to \$ 4,354 and \$ 4,413 for the years ended December 31, 2018 and 2017, respectively. The Company's lease obligations under non-cancellable operating leases are as follows:

<u>Year ended December 31, 2018</u>	<u>Amount</u>
Within 1 year	5,341
2 – 3 years	9,679
4 – 5 years	8,421
After 5 years	21,763
Total	<u>45,204</u>

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Employment agreements

The Company has entered into employment agreements with certain key employees providing compensation guidelines for each employee. Pursuant to the terms of the employment agreements, the executives are generally entitled to receive compensation in the form of (i) an annual salary payable in cash on a monthly basis and (ii) a yearly bonus subject to the fulfillment of certain performance targets.

Tax, legal and other

The Company is involved in disputes arising from its ordinary course of business. Although the ultimate resolution on these matters cannot be reasonably estimated at this time, management does not believe that they will have a material adverse effect on the financial condition or results of operations of the Company.

As of December 31, 2018 the Company had accrued liabilities approximately \$3,000 related to unasserted tax claims. The Company currently estimates unasserted possible losses related to matters for which it has not accrued liabilities, as they are not deemed probable and reasonably estimable, to be approximately \$13,700. The Company evaluates the likelihood of probable and reasonably possible losses, if any, related to all known contingencies on an ongoing basis. As a result, future increases or decreases to its accrued liabilities may be necessary and will be recorded in the period when such amounts are determined to be probable and reasonably estimable.

Argentina

On June 28, 2017, the *Sindicato Empleados de Comercio de Capital Federal* (Union for Employees of the Commercial Sector in the City of Buenos Aires, or "SECCF") filed a lawsuit against our Argentine subsidiary, in which SECCF is demanding the application of its collective labor agreement to all of the employees of the subsidiary. SECCF is demanding payment of approximately AR\$18 million.

On April 19, 2018 SECCF filed a new claim, similar to the previous one, but against La Inc S.A. - an Argentine subsidiary company that had already been merged with Despegar.com.ar several months before. In this new claim, SECCF is demanding an amount equal to the 0.5% of the gross monthly salaries of La Inc's employees for certain periods.

The Argentine subsidiary filed both responses in a timely manner, rejecting all the claims, with similar defenses. Although we believe Despegar.com.ar has meritorious defenses to this lawsuit, we cannot assure you what the ultimate outcome of this matter will be. The final resolution of these claims, which could take several years, is not likely to have a material effect on our financial position or results of operations.

15. Related party transactions

Settlement with Certain Management Stockholders

In the last two months of 2016, the Company entered into settlement agreements and terminated the employment of two management stockholders ("Founders"). The settlement agreements includes a payable cash amount of \$ 5,800, as a result of an employee relationship benefit and non-competition and non-disclosure agreement, out of which 50% was payable on July 1, 2018 or upon the occurrence of a liquidity event, which may result from the consummation of an initial public offering, or a capital injection among other conditions. On September 20, 2017, the Company completed its initial public offering, and the settlement was fully paid in December 2017.

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Balances and operations with Expedia

Starting in March 2015, as a result of the execution of the Expedia Outsourcing Agreement executed with Expedia, the Company recognized balances and operations with Expedia as a related party.

The balances between the Company and Expedia are: \$ 8,653 and \$ 5,253 as of December 31, 2018 and 2017, respectively, recorded in Related party receivable; \$ 83,904 and \$ 84,364 as of December 31, 2018 and 2017, respectively, recorded in Related party payables; and \$125,000 as of December 31, 2018 and 2017, recorded in Related party liability.

The net related party transactions are \$ 43,975, \$ 37,000 and \$ 27,008 for the years ended December 31, 2018, 2017 and 2016, respectively, recorded in Revenue.

16. Fair value measurements

The following table summarizes the Company's financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2018 and 2017:

Description	Balances as of December 31, 2018	Quoted prices in active markets for (Level1)	Significant other (Level 2)	Balances as of December 31, 2017	Quoted prices in active markets for (Level1)	Significant other (Level 2)
Liabilities						
Derivatives						
Foreign currency forward contract	(668)	—	(668)	(359)	—	(359)
Total financial Liabilities	(668)	—	(668)	(359)	—	(359)

As of December 31, 2018 and 2017, the Company's financial assets valued at fair value consisted of assets valued using; (i) Level 1 inputs: unadjusted quoted prices in active markets (Level 1 instrument valuations are obtained from observable inputs that reflect quoted prices (unadjusted) for identical assets in active markets); and (ii) Level 2 inputs, which are obtained from readily-available pricing sources for comparable instruments as well as instruments with inactive markets at the measurement date. As of December 31, 2018 and 2017, the Company did not have any assets without market values that would require a high level of judgment to determine fair value (Level 3).

As of December 31, 2018 and 2017, the carrying value of the Company's financial assets and liabilities measured at amortized cost approximated their fair value because of its short term maturity. These assets and liabilities included cash and cash equivalents; restricted cash; accounts receivables, net; other receivables and prepaid expenses; other non-current assets; accounts payable and accrued expenses; hotel suppliers payable; loans and other financial liabilities; salaries and social security payable; taxes payable and other liabilities. Loans payable approximate their fair value because the interest rates are not materially different from market interest rates.

The fair values for those financial assets and liabilities of the Company measured at amortized cost, is equal to their respective book values as of December 31, 2018 and 2017.

Despegar.com, Corp.
Notes to the Consolidated Financial Statements
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In addition, as of December 31, 2018 and 2017, the Company had \$ 141,323 and \$ 39,764 of cash and cash equivalents and restricted cash, respectively, which consisted of time deposits. Those investments are accounted for at amortized cost, which, as of December 31, 2018 and 2017, approximates their fair values.

There have been no reclassifications among fair value levels.

17. Shareholders' Equity – Treasury Stock

On August 9, 2018, the Company's Board of Directors approved a share repurchase program that enables the Company to repurchase up to \$75 million of its ordinary shares effective immediately and expiring in one year. Share repurchases may be made through a variety of methods, including in the open market, a 10b5-1 program and through privately negotiated transactions. The timing and number of ordinary shares repurchased will depend on a variety of factors, including price, general business and market conditions, and alternative investment opportunities. The Company is not obligated to acquire any specific number of ordinary shares and the repurchase program may be suspended, terminated or modified at any time for any reason.

Under the share repurchase program, the Company purchased 1,544,475 shares at a cost of \$ 26 million with a weighted average cost per share of \$16.84, for the period ended December 31, 2018. As of December 31, 2018, \$ 49 million remained available for repurchase under the current authorization.

18. Earnings per share

Earnings per share

Basic earnings per share

Basic earnings per share was calculated for the year ended December 31, 2018, 2017 and 2016 using the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share

For the year ended December 31, 2018, 2017 and 2016, the Company computed diluted earnings per share using (i) the number of shares of common stock used in the basic earnings per share calculation as indicated above (ii) if diluted, the incremental common stock that the Company would issue upon the assumed exercise of restricted stock units.

For the year ended December 31, 2018, there were 2,100 thousand shares included in the diluted earnings per share as the incremental common stock that the Company would issue upon the assumed exercise of the stock option plan, estimated under the treasury stock computation method.

For the year ended December 31, 2017, the incremental common stock that the Company would issue upon the assumed exercise of the stock option plan was not included in the diluted earnings per share even when they were in-the-money, as under the treasury stock computation method they have an antidilutive effect as the sum of the proceeds, including unrecognized compensation expense, exceeds the average stock price.

Despegar.com, Corp.
Notes to the Consolidated Financial Statements
(in thousands U.S. dollars)

For the year ended December 31, 2016, stock options were out-of-the-money as the strike price exceeded the current share price; therefore, they are not included in the computation of diluted earnings per share.

The following table presents basic and diluted earnings per share:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Net income / (loss) attributable to Despegar.com Corp.	19,154	42,366	17,797
Earnings per share attributable to Despegar.com Corp.			
Basic	0.28	0.69	0.30
Diluted	0.27	0.69	0.30
Weighted average number of shares outstanding			
Basic	69,154	61,457	58,518
Dilutive effect of restricted stock units	2,100	91	91

19. Stock based compensation

2015 Restricted Stock Unit Plan

On March 6, 2015, the shareholders of the Company approved a new restricted stock unit plan including the issuance of 90,626 restricted stock unit (the "RSUs") in favor of an officer of the Company.

The RSUs include the following conditions:

- Time-based condition: satisfied with respect to
 - 40,626 RSUs on January 1, 2016;
 - 20,000 RSUs on January 1, 2017;
 - 20,000 RSUs on January 1, 2018; and
 - 10,000 RSUs on July 1, 2018;provided that the officer remains in continuous service through each applicable date.
- Liquidity Event Requirement: satisfied on the earlier to occur of
 - an Initial Public Offering of the Company's common stock, or
 - a change of control transaction (sale event).
- No additional vesting exists upon completion of a liquidity event.
- Restrictions:
 - Repurchase rights: in the event of a change of control, the Company has the right to repurchase certain shares contingent upon the valuation of the Company at such time, and
 - Transfer restrictions: after the consummation of an Initial Public Offering transfer restrictions apply limiting the ability to transfer certain shares subject to the valuation of the Company at such time.

Despegar.com, Corp.
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(in thousands U.S. dollars)

The fair value of RSU granted during the year ended December 31, 2015, was estimated at the date of grant using the income approach valuation technique, including the Black-Scholes and Monte Carlo option-pricing models, assuming the following weighted average assumptions:

Expected volatility	41.69%
Expected life (in years)	10
Weighted-average estimated fair value of options granted during the year	\$ 7.47

As of December 31, 2018, these RSUs are fully vested.

The following table presents a summary of the Company's RSU activity:

	RSU's	Weighted Average Grant Date Fair Value per share
Balance as of December 31, 2016	90,626	7.47
Granted	—	—
Vested / (Cancelled)	—	—
Balance as of December 31, 2017	90,626	7.47
Granted	—	—
Vested as of March 21, 2018	(80,626)	—
Vested as of July 1, 2018	(10,000)	—
Balance as of December 31, 2018	—	—

2016 Stock Option Plan

On November 2016, the Board of Directors of the Company approved, subject to the approval of the Company's Stockholders (which occurred in March 2017), to adopt a stock plan and reserve for issuance up to 4,000,000 stock options, from which 3,175,000 stock options were effectively granted in favor of some officers of the Company.

The plan includes the following conditions:

- Time-based condition: satisfied with respect to:
 - 5% of stock options vest on December 1, 2017;
 - 10% of stock options vest on December 1, 2018;
 - 15% of stock options vest on December 1, 2019;
 - 20% of stock options vest on December 1, 2020;
 - 25% of stock options vest on December 1, 2021; and
 - 25% of stock options vest on December 1, 2022;
if the officer remains in continuous service through each applicable date.
- Liquidity Event Requirement: satisfied on the earlier to occur of
 - (i) an Initial Public Offering of the Company's common stock, or
 - (ii) a change of control event.
- No additional vesting exists upon completion of a liquidity event.

Despegar.com, Corp.
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(in thousands U.S. dollars)

The Company has used the Fair Value Method for determining the value of the stock options plan. The remaining vesting period as of December 31, 2018 is 47 months.

The fair value of stock options granted during the year ended December 31, 2016, was estimated at the date of grant using the income approach valuation technique, including the Black-Scholes and Monte Carlo option-pricing models, assuming the following weighted average assumptions:

Risk-free interest rate	1.84%
Expected volatility	39.9%
Expected life (in years)	10
Weighted-average estimated fair value of options granted during the year	\$6.90

The fair value of stock options granted during the year ended December 31, 2017, was estimated at the date of grant using the income approach valuation technique, including the Black-Scholes and Monte Carlo option-pricing models, assuming the following weighted average assumptions:

Risk-free interest rate	1.49%
Expected volatility	40.1%
Expected life (in years)	10
Weighted-average estimated fair value of options granted during the year	\$10.737

The fair value of stock options granted during the year ended December 31, 2018, was estimated at the date of each grant using the income approach valuation technique, including the Black-Scholes and Monte Carlo option-pricing models, assuming the following weighted average assumptions:

Grant date	March 1	April 9	May 3	November 1	December 24
Risk-free interest rate	1.49%	2.58%	2.58%	3.11%	2.74%
Expected volatility	40.1%	47.8%	45.7%	41.3%	39.9%
Expected life (in years)	10	10	10	10	10
Weighted-average estimated fair value of options granted during the year	\$ 14.55	17.21	16.81	4.96	13.62
Number of shares	250,000	25,000	250,000	150,000	499,489

The fair value of the RSUs granted during the year ended December 31, 2018, was:

Grant date	September 9	November 26	December 24
Weighted-average estimated fair value of options granted during the year	\$ 15.06	14.82	11.55
Number of shares	340,939	30,000	1,023,220

In December 2018, the Company approved a change in the stock option exercise price and an amendment to the relevant stock option contracts was made. Following ASC 718 – Stock based compensation, a change in the stock-based compensation plan should be accounted for a modification. Incremental compensation cost should be measured as: (a) the excess of the fair value of the replacement award or other valuable consideration over (b) the fair value of the cancelled award at the cancellation date.

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Notes to the Consolidated Financial Statements
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As the Company replaced an award for another with the same fair value, no incremental compensation cost needed to be recognized as a result of the exchange of the awards.

The following table presents a summary of the Company's stock option activity:

	<u>Options</u>	<u>Weighted Average Exercise Price per share</u>	<u>Remaining Contractual Life</u>
Balance as of December 31, 2016	3,175,000	26.02	6
Granted	600,000	26.02	
Balance as of December 31, 2017	3,775,000	26.02	5
Granted	2,693,648	18.40	
Forfeited	(2,158,213)	26.34	
Balance as of December 31, 2018	4,310,435	21.08	4

As of December 31, 2018, there was approximately \$40,119 of unrecognized stock-based compensation expense related to unvested stock-based awards, which is expected to be recognized in expense over a weighted-average period of 4 years. Compensation cost will not be impacted upon completion of a liquidity event.

On August 10, 2017, the Board of Directors and Company's Stockholders approved Amended and Restated 2016 Stock Incentive Plan and reserve for issuance of 861,777 shares, which increases total stock subject to the plan to no more than 4,861,777 shares.

20. Guarantees

The Company is required to be accredited by the International Air Transport Association ("IATA") to be permitted to sell international airlines tickets of airlines affiliated with IATA .

During 2018, certain Despegar.com subsidiaries granted guarantees for \$ 5,709 for the benefit of the IATA and other suppliers in the form of time deposits or bank and insurance guarantees, which were recorded as Restricted cash in the consolidated balance sheet at December 31, 2018.

21. Valuation and qualifying accounts

The following table presents the changes in the Company's valuation and qualifying accounts.

	<u>Balance of beginning of period</u>	<u>Increase / (Decrease)</u>	<u>Utilization</u>	<u>Other comprehensive Income / (Loss)</u>	<u>Balance at end of period</u>
2018					
Allowance for doubtful accounts	3,164	1,062	(1,063)	(1,098)	2,065
2017					
Allowance for doubtful accounts	3,513	818	(984)	(183)	3,164
2016					
Allowance for doubtful accounts	3,401	2,548	(2,515)	79	3,513

Despegar.com, Corp.
Notes to the Consolidated Financial Statements
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22. Segment information

In order to make operating decisions and assess performance, the Company's chief operating decision function organized the Company's business in two operating segments, namely "Air" and "Packages, Hotels and Other travel products", each of them having their own respective segment management.

The "Air" operating segment derives its revenue from commissions earned from facilitating reservations of flight tickets, service fees charged to customers for processing flight tickets and override commissions or incentives from suppliers and GDS if the Company meets certain volume thresholds.

The "Packages, Hotels and Other travel products" operating segment derives its revenue from commissions earned from facilitating reservations of packages, accommodations, car rentals and other travel related products and services, service fees charged to customers for processing bookings, advertising revenue from the sale of advertising placements on the Company's websites and override commissions or incentives from suppliers if the Company meets certain volume thresholds. Packages are bundle deals where the customer selects and buys multiple products, within the same session. In these transactions the Company acts as an intermediary. Packages transaction may include airline tickets. The air portion of these package transactions is included within the "Packages, Hotels and Other travel products" operating segment.

The Company's primary measure of a segment's profit or loss is Adjusted EBITDA, which includes allocations of certain expenses based on transaction volumes and other usage metrics. The Company's allocation methodology is periodically evaluated and may change.

The Company does not have:

- transactions between reportable segments
- assets allocated by segment, or
- revenue from transactions with a single customer amounting to 10 percent or more of revenue.

The following tables present the Company's segment information for 2018, 2017 and 2016. While depreciation and amortization is allocated to operating segments based on operational measures such as relative headcount and IT investment, property and equipment is not allocated to operating segments, and the Company does not report the assets by segment as this information is not regularly provided to its chief operating decision makers.

	2018			Total
	Air	Packages, Hotels and Other travel products	Unallocated	
Third-party revenue	214,804	315,810	—	530,614
Adjusted EBITDA	27,790	37,739	2,115	67,644
Depreciation and amortization	(4,630)	(4,582)	(6,276)	(15,488)
Stock-based compensation	—	—	(6,766)	(6,766)
Operating income / (loss)	23,160	33,157	(10,927)	45,390
Financial income				7,621
Financial expense				(26,788)
Income before income tax				26,223
Income tax expense				(7,069)
Net income				19,154

Despegar.com, Corp.
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	2017			
	Air	Packages, Hotels and other travel products	Unallocated	Total
Third-party revenue	241,015	282,925	—	523,940
Adjusted EBITDA	58,397	31,341	(384)	89,354
Depreciation and amortization	(1,865)	(2,556)	(9,405)	(13,826)
Stock-based compensation	—	—	(4,289)	(4,289)
Operating income / (loss)	56,532	28,785	(14,078)	71,239
Financial income	—	—	—	2,389
Financial expense	—	—	—	(19,268)
Income before income tax	—	—	—	54,360
Income tax expense	—	—	—	(11,994)
Net income	—	—	—	42,366

	2016			
	Air	Packages, Hotels and other travel products	Unallocated	Total
Third-party revenue	205,721	205,441	—	411,162
Adjusted EBITDA	27,940	20,643	2	48,585
Depreciation and amortization	(4,099)	(3,842)	(4,983)	(12,924)
Stock-based compensation	—	—	(574)	(574)
Operating income / (loss)	23,841	16,801	(5,555)	35,087
Financial income	—	—	—	8,327
Financial expense	—	—	—	(15,079)
Income / (loss) before income tax	—	—	—	28,335
Income tax expense	—	—	—	(10,538)
Net income / (loss)	—	—	—	17,797

Geographic information

The following table summarizes the allocation of the Long-lived assets based on geography:

	As of December 31, 2018	As of December 31, 2017
Argentina	7,830	7,346
Brazil	2,950	1,072
Uruguay	1,463	2,044
USA	4,097	3,729
Other countries	3,376	1,980
	<u>\$ 19,716</u>	<u>\$ 16,171</u>

Despegar.com, Corp.
Notes to the Consolidated Financial Statements
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The following table summarizes the allocation of the intangible assets based on geography:

	<u>As of December 31, 2018</u>	<u>As of December 31, 2017</u>
Argentina	19,616	16,854
Uruguay	14,837	14,760
Other countries	3,059	3,810
	<u>\$ 37,512</u>	<u>\$ 35,424</u>

The following table summarizes the allocation of the Goodwill based on geography:

	<u>As of December 31, 2018</u>	<u>As of December 31, 2017</u>
USA	36,207	38,733
	<u>\$ 36,207</u>	<u>\$ 38,733</u>

The following table summarizes the allocation of the revenue based on geography:

	<u>As of December 31, 2018</u>	<u>As of December 31, 2017</u>	<u>As of December 31, 2016</u>
Argentina	122,656	137,843	109,695
Brazil	165,688	151,550	115,636
Uruguay	142,902	145,534	111,617
Other countries	99,368	89,013	74,214
	<u>\$ 530,614</u>	<u>\$ 523,940</u>	<u>\$ 411,162</u>

23. Subsequent events

In April 2019, the Company had agreed to acquire Viajes Falabella in Chile, Colombia, Perú and Argentina, together with a license to use the Viajes Falabella brand name for \$ 27 million. The transaction assumes the transfer of these operations free of any financial debt. With this agreement, the Companies' clients will have access to an enhanced travel and tourism product and service offering, through an omnichannel service model (online, call center and physical stores). In addition, customers will be able to access exclusive discounts, earn double CMR Points Falabella's loyalty program, both at Viajes Falabella and Despegar, as well as an expanded product offering in exchange for CMR Points at Viajes Falabella.

List of Subsidiaries of Despegar.com, Corp.

<u>Name of Subsidiary</u>	<u>Jurisdiction of Incorporation or Organization</u>
Decolar.com Inc.	Delaware, United States of America
Despegar.com USA, Inc.	United States of America
Despegar.com.ar S.A.	Argentina
Decolar.com Ltda.	Brazil
Despegar.com Chile SpA.	Chile
Despegar Colombia S.A.S.	Colombia
Viajes Despegar.com O.N.L.I.N.E. S.A.	Costa Rica
DespegarEcuador S.A.	Ecuador
Despegar.com México, S.A. de C.V.	México
Despegar Servicios, S.A. de C.V.	México
Despegar.com Perú S.A.C.	Peru
Travel Reservations S.R.L.	Uruguay
Holidays S.A.	Uruguay
Servicios Online 3351 de Venezuela C.A.	Venezuela
Despegar.com Panamá S.A.	Panama

**Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Damián Scokin, certify that:

1. I have reviewed this annual report on Form 20-F of Despegar.com, Corp. (the “Company”);
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 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 Company as of, and for, the periods presented in this report;
4. The Company’s other certifying officer(s) 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)) for the Company and 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 Company, 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 Company’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;
 - (d) disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably to materially affect the Company’s internal control over financial reporting; and
5. The Company’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’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 Company’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 Company’s internal control over financial reporting.

Date: April 26, 2019

By: /s/ Damián Scokin
Name: Damián Scokin
Title: Chief Executive Officer

**Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Alberto Lopez Gaffney, certify that:

1. I have reviewed this annual report on Form 20-F of Despegar.com, Corp. (the "Company");
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 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 Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer(s) 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)) for the Company and 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 Company, 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 Company'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;
 - (d) disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect the Company's internal control over financial reporting. and
5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company'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 Company'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 Company's internal control over financial reporting.

Date: April 26, 2019

By: /s/ Alberto Lopez Gaffney

Name: Alberto Lopez Gaffney

Title: Chief Financial Officer

**Certification of Chief Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Despegar.com, Corp. (the "Company") on Form 20-F for the fiscal year ended December 31, 2018, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Damián Scokin, Chief Executive Officer, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the U.S. Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (i) the Report fully complies with the requirements of Section 13(a) or 15(d) of the U.S. Securities Exchange Act of 1934; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 26, 2019

By: /s/ Damián Scokin
Name: Damián Scokin
Title: Chief Executive Officer

**Certification of Chief Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Despegar.com, Corp. (the "Company") on Form 20-F for the fiscal year ended December 31, 2018, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Alberto Lopez Gaffney, Chief Financial Officer, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the U.S. Sarbanes-Oxley-Act of 2002, that to the best of my knowledge:

- (i) the Report fully complies with the requirements of Section 13(a) or 15(d) of the U.S. Securities Exchange Act of 1934; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 26, 2019

By: /s/ Alberto Lopez Gaffney

Name: Alberto Lopez Gaffney

Title: Chief Financial Officer

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form F-3, (No. 333-226869) of Despegar.com, Corp. of our report dated April 26, 2019 relating to the financial statements, which appears in this Form 20-F.

/s/ PRICE WATERHOUSE & CO. S.R.L.

/s/ Marcelo Daniel Pfaff

Marcelo Daniel Pfaff

Partner

Buenos Aires, Argentina

April 26, 2019