2017 Annual Report
and
Notice of 2018 Annual Meeting and Proxy Statement

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Dear Shareholders,

We love travel and we are dedicated to delivering products that help travelers around the world unleash the full potential of every trip. As previewed in last year's letter, in 2017 we more closely aligned our key product, supply and marketing initiatives to better position our business for long-term growth.

Overall, consolidated 2017 financial results improved compared to our 2016 results. However, finding profitable growth remained challenging in our Hotel segment. Headwinds created by competition, rapid user growth on lower-monetizing mobile devices, as well as bidding volatility in our core click-based auction continued to pressure Hotel segment financials, resulting in modest revenue growth of 1% and a significant decline in Hotel segment adjusted EBITDA. This dampened not only our overall P&L, but also our public equity market valuation.

Volatility in our quarterly Hotel results overshadowed a number of important steps we have taken to improve the long-term growth trajectory of this business. Starting with our product work, in 2017 we launched a streamlined hotel shopping experience, we made it easier for users to find and compare the best hotel prices across all booking options and we also prioritized mobile in our product development cycle, delivering a cleaner, faster and better- monetizing experience on that device.

We also made important changes to our portfolio of online and offline marketing investments. First, we sharpened our online traffic acquisition campaigns, leveraging improved tracking capabilities to identify and remove investments on unprofitable traffic. Second, after completing our major hotel product work, we began strategically re-allocating some of our online savings to offline channels, including a return to television brand advertising, which we believe can help us build a more durable and fruitful relationship with users, as we amplify TripAdvisor as a great place to find and book the right hotel at the right price.

These product and marketing initiatives gained traction throughout the year. We believe these initiatives will continue to coalesce, generating more revenue and profit as users visit TripAdvisor not only to get the best travel content on the web, but also to find the best hotel room prices when they are ready to book. In 2018, our focus in our Hotel business remains on three key areas: improving the product experience, growing brand advertising campaign and further optimizing our marketing investment mix. We believe we are on the right path to create long-term profitable growth.

Switching gears, TripAdvisor is great not only for having the best reviews and price-shopping tools to find, to shop for, and to book an accommodation, but it also plays a significant role in helping users find, book, experience, and share things to do and places to eat on a trip. We continue to match global travel demand with bookable supply in our Experiences (formerly known as Attractions) and Restaurants businesses. This powered Non-Hotel segment revenue growth of 24% in 2017 and Non-Hotel revenue accounted for 23% of consolidated revenue. Additionally, following three years of significant product and supply investments, this segment generated $45 million of adjusted EBITDA in 2017, up from negative $28 million in 2016, demonstrating strong embedded operating leverage and its potential for substantial long-term earnings power. In 2018 and over the coming years, our strategic objectives are to continue to improve the user experience, to grow supply, to enhance our transaction capabilities and to grow media advertising opportunities on our platform. Given the large addressable markets and ample growth opportunities in front of us, our focus will remain squarely on driving strong revenue growth and market share gains.

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TripAdvisor's influence creates opportunity

With rich travel content of 600 million reviews and opinions, a massive travel community of 455 million monthly unique users during our seasonal peak, and a diverse offering across a spectrum of travel products, TripAdvisor continues to have significant influence across the $1.6 trillion travel landscape. These attributes uniquely position our business for attractive, and largely untapped, growth opportunities. As part of our recently announced organizational changes that will enable us to execute faster and capitalize on the opportunities ahead, we will be adding two talented leaders to spearhead our Hotel business towards long-term profitable growth and to lead our new Core Experience team. Core Experience will be the "connective tissue" between our travel products and will ensure we are succeeding at delivering to travelers an engaging, seamless and holistic TripAdvisor user experience. We believe we will be able to unlock new advertising opportunities that further improve the overall user experience throughout every stage of the travel journey while enabling more partners to engage on the TripAdvisor platform.

In sum, we believe our progress and our successes in 2017 outweighed the challenges we encountered. We have a lot of work ahead, to be sure, but we have taken – and are continuing to take – a number of important steps to position the business for long-term profitable growth. Every day, I am fortunate to be surrounded by passionate colleagues who never stop learning and who know that our best results are achieved together. I want to thank all TripAdvisor Media Group employees around the globe for their continued hard work. I also want to thank our users, our partners and our shareholders for their continued support.

Happy travels,

Stephen Kaufer
Co-founder, President and Chief Executive Officer
TripAdvisor, Inc.

tripadvisor®

Notice of 2018 Annual Meeting and Proxy Statement

April 27, 2018

Dear Fellow Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of TripAdvisor, Inc. We will hold the Annual Meeting on Thursday, June 21, 2018, at 11:00 a.m. local time at the Residence Inn located at 80 B Street, Needham, MA 02494.

At the Annual Meeting, stockholders will be asked (1) to elect the eight directors named in this Proxy Statement, (2) to ratify the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2018, (3) to approve the TripAdvisor, Inc. 2018 Stock and Annual Incentive Plan; (4) to approve, on an advisory basis, the compensation of our named executive officers; (5) to vote, on an advisory basis, on the frequency of future advisory resolutions to approve the compensation of our named executive officers; and (6) to consider and act upon any other business that may properly come before the meeting and any adjournments or postponements thereof. **The Board of Directors recommends a vote FOR proposals (1) through (4) and for every "THREE" years on proposal (5).**

You may vote if you were a stockholder of record on April 23, 2018. You may vote via the Internet or by telephone by following the instructions on your Notice of Internet Availability and on the website noted in the Notice of Internet Availability. In order to vote via the Internet or by telephone, you must have your stockholder identification number, which is provided in your Notice. If you have requested a proxy card by mail, you may vote by signing, voting and returning that proxy card in the envelope provided. If you attend the Annual Meeting, you may vote in person even if you have previously returned your proxy card or have voted via the Internet or by telephone.

Your vote is very important to us. Please review the instructions for each voting option described in the Notice and in this Proxy Statement. Your prompt cooperation will be greatly appreciated.

Sincerely,

Steve Kaufer

STEPHEN KAUFER
President and Chief Executive Officer

400 1st Avenue
Needham, Massachusetts 02494

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held on June 21, 2018

The Annual Meeting of Stockholders of TripAdvisor, Inc., a Delaware corporation, will be held on Thursday, June 21, 2018, at 11:00 a.m. local time at the Residence Inn located at 80 B Street, Needham, MA 02494. At the Annual Meeting, stockholders will be asked to consider the following:

1. To elect the eight directors named in this Proxy Statement, each to serve for a one-year term from the date of his election and until such director's successor is elected or until such director's earlier resignation or removal;

2. To ratify the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2018;

3. To approve the TripAdvisor, Inc. 2018 Stock and Annual Incentive Plan;

4. To approve, on an advisory basis, the compensation of our named executive officers;

5. To vote, on an advisory basis, on the frequency of future advisory resolutions to approve the compensation of our named executive officers; and

6. To consider and act upon any other business that may properly come before the Annual Meeting and any adjournments or postponements thereof.

Only holders of record of outstanding shares of TripAdvisor capital stock at the close of business on April 23, 2018 are entitled to notice of and to vote at the Annual Meeting and at any adjournments or postponements thereof.

In accordance with the rules of the U.S. Securities and Exchange Commission, we will furnish proxy materials over the Internet. We will send to our stockholders a Notice of Internet Availability of Proxy Materials on or about April 27, 2018, and provide access to our proxy materials over the Internet to our holders of record and beneficial owners of our capital stock as of the close of business on the record date.

Only stockholders and persons holding proxies from stockholders may attend the Annual Meeting. If your shares are registered in your name, you must bring a form of identification to the Annual Meeting. If your shares are held in the name of a broker, trust, bank or other nominee, you must bring a proxy or letter from that broker, trust, bank or other nominee that confirms that you are the beneficial owner of those shares.

By Order of the Board of Directors,

SETH J. KALVERT
Senior Vice President, General Counsel
and Secretary

April 27, 2018

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to Be Held on June 21, 2018

This Proxy Statement and the 2017 Annual Report are available at:
http://ir.tripadvisor.com/annual-proxy.cfm

PROXY STATEMENT FOR THE ANNUAL MEETING OF STOCKHOLDERS

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PROCEDURAL MATTERS

This Proxy Statement is being furnished to holders of common stock and Class B common stock of TripAdvisor, Inc., a Delaware corporation, in connection with the solicitation of proxies by TripAdvisor's Board of Directors for use at its 2018 Annual Meeting of Stockholders or any adjournment or postponement thereof (the "Annual Meeting"). All references to "TripAdvisor," the "Company," "we," "our" or "us" in this Proxy Statement are to TripAdvisor, Inc. and its subsidiaries. An Annual Report to Stockholders, containing financial statements for the year ended December 31, 2017, and this Proxy Statement are being made available to all stockholders entitled to vote at the Annual Meeting.

TripAdvisor's principal executive offices are currently located at 400 1st Avenue, Needham, Massachusetts 02494. This Proxy Statement is being made available to TripAdvisor stockholders on or about April 27, 2018.

Date, Time and Place of Meeting

The Annual Meeting will be held on Thursday, June 21, 2018, at 11:00 a.m. local time at the Residence Inn located at 80 B Street, Needham, MA 02494.

Only stockholders and persons holding proxies from stockholders may attend the Annual Meeting. If your shares are registered in your name, you must bring a form of identification to the Annual Meeting. If your shares are held in the name of a broker, trust, bank or other nominee, otherwise known as holding in "street name," you must bring a proxy or letter from that broker, trust, bank or other nominee that confirms you are the beneficial owner of those shares. Cameras and recording devices will not be permitted at the Annual Meeting.

Record Date and Voting Rights

The Board of Directors established the close of business on April 23, 2018 as the record date for determining the holders of TripAdvisor common stock entitled to notice of and to vote at the Annual Meeting. On the record date, 125,819,936 shares of common stock and 12,799,999 shares of Class B common stock were outstanding and entitled to vote at the Annual Meeting. TripAdvisor stockholders are entitled to one vote for each share of common stock and ten votes for each share of Class B common stock held as of the record date, voting together as a single voting group, on (i) the election of six of the eight director nominees, (ii) the ratification of the appointment of KPMG LLP as TripAdvisor's independent registered public accounting firm for the year ending December 31, 2018, (iii) the approval of the TripAdvisor, Inc. 2018 Stock and Annual Incentive Plan; (iv) the approval, on an advisory basis, of the compensation of our named executive officers; and (v) the vote, on an advisory basis, on the frequency of future advisory resolutions to approve the compensation of our named executive officers. TripAdvisor stockholders are entitled to one vote for each share of common stock held as of the record date in the election of the two director nominees that the holders of TripAdvisor common stock are entitled to elect as a separate class pursuant to TripAdvisor's restated certificate of incorporation.

On August 27, 2014, the entire beneficial ownership of our common stock and Class B common stock previously held by Liberty Interactive Corporation, which is currently known as Qurate Retail, Inc. ("Liberty") was transferred to Liberty TripAdvisor Holdings, Inc. ("LTRIP"). Simultaneously, Liberty, LTRIP's former parent company, distributed, by means of a dividend, to the holders of its Liberty Ventures common stock, Liberty's entire equity interest in LTRIP. We refer to this transaction as the Liberty Spin-Off. As a result of the Liberty Spin-Off, effective August 27, 2014, LTRIP became a separate, publicly traded company and 100% of Liberty's interest in TripAdvisor was held by LTRIP. Liberty also assigned to LTRIP its rights and obligations under the Governance Agreement between TripAdvisor and Liberty, dated December 20, 2011 (the "Governance Agreement").

As a result of these transactions, as of the record date, LTRIP beneficially owned 18,159,752 shares of our common stock and 12,799,999 shares of our Class B common stock, which shares constitute 14.4% of the outstanding shares of common stock and 100% of the outstanding shares of Class B Common Stock. Assuming the conversion of all of the LTRIP's shares of Class B common stock into common stock, as of the record date LTRIP would beneficially own 22.3% of the outstanding common stock. Because each share of Class B common stock generally is entitled to ten votes per share and each share of common stock is entitled to one vote per share, as of the record date LTRIP may be deemed to beneficially own equity securities representing 57.6% of our voting power. As a result, regardless of the vote of any other TripAdvisor stockholder, LTRIP has control over the vote relating to (i) the election of six of the eight director nominees; (ii) the ratification of the appointment of KPMG LLP as TripAdvisor's independent registered public accounting firm for the fiscal year ending December 31, 2018; (iii) the approval of the TripAdvisor, Inc. 2018 Stock and Annual Incentive Plan; (iv) the approval, on an advisory basis, of the compensation of our named executive officers; and (v) the vote, on an advisory basis, on the frequency of future advisory resolutions to approve the compensation of our named executive officers.

Quorum; Abstentions; Broker Non-Votes

Transaction of business at the Annual Meeting may occur if a quorum is present. If a quorum is not present, it is expected that the Annual Meeting will be adjourned or postponed in order to permit additional time for soliciting and obtaining additional proxies or votes, and, at any subsequent reconvening of the Annual Meeting, all proxies will be voted in the same manner as such proxies would have been voted at the original convening of the Annual Meeting, except for any proxies that have been effectively revoked or withdrawn.

With respect to (i) the election of six of the eight director nominees; (ii) the ratification of the appointment of KPMG LLP as TripAdvisor's independent registered public accounting firm for the fiscal year ending December 31, 2018; (iii) the approval of the TripAdvisor, Inc. 2018 Stock and Annual Incentive Plan; (iv) the approval, on an advisory basis, on the compensation of our named executive officers; and (v) the vote, on an advisory basis, on the frequency of future advisory resolutions to approve the compensation of our named executive officers, the presence at the Annual Meeting, in person or by proxy, of the holders of a majority of the total votes entitled to be cast constitutes a quorum. For the election of the two directors whom the holders of TripAdvisor common stock are entitled to elect as a separate class, the presence at the Annual Meeting, in person or by proxy, of the holders of a majority of shares of common stock constitutes a quorum.

If a share is represented for any purpose at the meeting, it is deemed to be present for quorum purposes and for all other matters as well. Shares of TripAdvisor capital stock represented by a properly executed proxy will be treated as present at the Annual Meeting for purposes of determining a quorum, without regard to whether the proxy is marked as casting a vote or abstaining.

Abstentions and broker non-votes are counted as present and entitled to vote for purposes of determining a quorum. A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote the shares on a proposal because the nominee does not have discretionary voting power for a particular item and has not received instructions from the beneficial owner regarding voting. Brokers who hold shares for the accounts of their clients have discretionary authority to vote shares if specific instructions are not given with respect to the ratification of the appointment of our independent registered public accounting firm. Brokers do not have discretionary authority to vote on the election of our directors, so we encourage you to provide instructions to your broker regarding the voting of your shares.

Solicitation of Proxies

TripAdvisor will bear the cost of the solicitation of proxies from its stockholders. In addition to solicitation by mail, the directors, officers and employees of TripAdvisor, without additional compensation, may solicit proxies from stockholders by telephone, by letter, by facsimile, in person or otherwise.

Following the original mailing of the proxies and other soliciting materials, TripAdvisor will ask brokers, trusts, banks or other nominees to forward copies of the proxy and other soliciting materials to persons for whom they hold shares of TripAdvisor capital stock and to request authority for the exercise of proxies. In such cases, TripAdvisor, upon the request of the brokers, trusts, banks and other stockholder nominees, will reimburse such holders for their reasonable expenses.

Voting of Proxies

The manner in which your shares may be voted depends on whether you are a:

- *Registered stockholder:* Your shares are represented by certificates or book entries in your name on the records of TripAdvisor's stock transfer agent and you have the right to vote those shares directly; or

- *Beneficial stockholder:* You hold your shares "in street name" through a broker, trust, bank or other nominee and you have the right to direct your broker, trust, bank or other nominee on how to vote the shares in your account; however, you must request and receive a valid proxy from your broker, trust, bank or other nominee.

Whether you hold shares directly as a registered stockholder or beneficially as a beneficial stockholder, you may direct how your shares are voted without attending the Annual Meeting. For directions on how to vote, please refer to the instructions below and those on the Notice of Internet Availability of Proxy Materials, proxy card or voting instruction form provided. To vote using the Internet or by telephone, you will be required to enter the control number included on your Notice of Internet Availability of Proxy Materials or other voting instruction form provided by your broker, trust, bank or other nominee.

- *Using the Internet.* Registered stockholders may vote using the Internet by going to www.proxyvote.com and following the instructions. Beneficial stockholders may vote by accessing the website specified on the voting instruction forms provided by their brokers, trusts, banks or other nominees.

- *By Telephone.* Registered stockholders may vote, from within the United States, using any touch-tone telephone by calling 1-800-690-6903 and following the recorded instructions. Beneficial owners may vote, from within the United States, using any touch-tone telephone by calling the number specified on the voting instruction forms provided by their brokers, trusts, banks or other nominees.

- *By Mail.* Registered stockholders may submit proxies by mail by requesting printed proxy cards and marking, signing and dating the printed proxy cards and mailing them in the accompanying pre-addressed envelopes. Beneficial owners may vote by marking, signing and dating the voting instruction forms provided by their brokers, trusts, banks or other nominees and mailing them in the accompanying pre-addressed envelopes.

All proxies properly submitted and not revoked will be voted at the Annual Meeting in accordance with the instructions indicated thereon. If no instructions are provided, such proxies will be voted FOR proposals (1), (2), (3) and (4) and for every "THREE YEARS" on proposal (5).

TripAdvisor is incorporated under Delaware law, which specifically permits electronically transmitted proxies, provided that each such proxy contains, or is submitted with, information from which the inspector of elections can determine that such proxy was authorized by the stockholder. The electronic voting procedures provided for the Annual Meeting are designed to authenticate each stockholder by use of a control number, to allow stockholders to vote their shares and to confirm that their instructions have been properly recorded.

Voting in Person at the Annual Meeting

You may also vote in person at the Annual Meeting. Votes in person will replace any previous votes you have made by mail or telephone or via the Internet. We will provide a ballot to registered stockholders who request one at the meeting. Shares held in your name as the stockholder of record may be voted on that ballot. Shares held beneficially in street name may be voted on a ballot only if you bring a legal proxy from the broker, trust, bank or other nominee that holds your shares giving you the right to vote the shares. Attendance at the Annual Meeting without voting or revoking a previous proxy in accordance with the voting procedures will not in and of itself revoke a proxy.

Your vote is very important. Whether or not you plan to attend the Annual Meeting, please take the time to vote via the Internet, by telephone or by returning your marked, signed and dated proxy card so that your shares will be represented at the Annual Meeting.

Revocation of Proxies

Any proxy given pursuant to this solicitation may be revoked by the person giving it any time before the taking of the vote at the Annual Meeting.

If you are a beneficial stockholder, you may revoke your proxy or change your vote only by following the separate instructions provided by your broker, trust, bank or other nominee.

If you are a registered stockholder, you may revoke your proxy at any time before it is exercised at the Annual Meeting by (i) delivering written notice, bearing a date later than the proxy, stating that the proxy is revoked, (ii) submitting a later-dated proxy relating to the same shares by mail or telephone or via the Internet prior to the vote at the Annual Meeting or (iii) attending the Annual Meeting and properly giving notice of revocation to the inspector of elections or voting in person. Registered holders may send any written notice or request for a new proxy card to TripAdvisor, Inc., c/o Broadridge, 51 Mercedes Way, Edgewood, New York 11717, or follow the instructions provided on the Notice of Internet Availability of Proxy Materials and proxy card to submit a new proxy by telephone or via the Internet. Registered holders may also request a new proxy card by calling 1-800-579-1639.

Other Business

The Board of Directors does not presently intend to bring any business before the Annual Meeting other than the proposals discussed in this Proxy Statement and specified in the Notice of Annual Meeting of Stockholders. The Board has no knowledge of any other matters to be presented at the Annual Meeting other than those described in this Proxy Statement. If any other matters should properly come before the Annual Meeting, the persons designated in the proxy will vote on them according to their best judgment.

PROPOSAL 1:
ELECTION OF DIRECTORS

Overview

Our Board of Directors currently consists of nine members. Pursuant to the terms of TripAdvisor's bylaws, each director serves for a one-year term from the date of his or her election and until such director's successor is elected or until such director's earlier resignation or removal. The Board recommends that each of the eight nominees listed below be elected to serve a one-year term and until such director's successor shall have been duly elected and qualified or until such director's earlier resignation or removal:

Gregory B. Maffei
Stephen Kaufer
Jay C. Hoag
Dipchand (Deep) Nishar
Jeremy Philips
Spencer M. Rascoff
Albert E. Rosenthaler
Robert S. Wiesenthal

TripAdvisor's restated certificate of incorporation provides that the holders of TripAdvisor common stock, acting as a single class, are entitled to elect a number of directors equal to 25% of the total number of directors, rounded up to the next whole number, which will be two directors as of the date of the Annual Meeting. The Board has designated Messrs. Philips and Wiesenthal as nominees for the positions on the Board to be elected by the holders of TripAdvisor common stock voting as a separate class.

Pursuant to the Governance Agreement, LTRIP has the right to nominate up to a number of directors equal to 20% of the total number of the directors on the Board of Directors (rounded up to the next whole number if the number of directors on the Board is not an even multiple of five) for election to the Board of Directors and has certain other rights regarding committee participation, so long as certain stock ownership requirements applicable to LTRIP are satisfied. LTRIP has designated Messrs. Maffei and Rosenthaler as its nominees to the Board of Directors.

Although management does not anticipate that any of the nominees named above will be unable or unwilling to stand for election, in the event of such an occurrence, proxies may be voted for a substitute nominee designated by the Board of Directors.

Information Regarding Director Nominees

The information provided below about each nominee is as of the date of this Proxy Statement. The information presented includes the names of each of the nominees, along with his age, any positions held with the Company, term of office as a director, principal occupations or employment for the past five years or more, involvement in certain legal proceedings, if applicable, and the names of all other publicly-held companies for which he or she currently serves as a director or has served as a director during the past five years. The information also includes a description of the specific experience, qualifications, attributes and skills of each nominee that led our Board of Directors to conclude that he should serve as a director of the company for the ensuing term.

Gregory B. Maffei

Age: 57
Director Since: 2013

Committee Memberships:
Compensation
Executive

Mr. Maffei has served as a director as well as the President and Chief Executive Officer of Liberty Media Corporation ("LMC") (including its predecessor) since May 2007, LTRIP since July 2013, Liberty Broadband Corporation ("LBC") since June 2014 and GCI Liberty, Inc. since March 2018. He has served as Chairman of the Board of Directors of Qurate Retail, Inc. (formerly, Liberty Interactive Corporation) ("Qurate") since March 2018 and as a director of Qurate (including its predecessor) since November 2005. He previously served as President and Chief Executive Officer of Qurate from February 2006 to March 2018 and CEO-Elect from November 2005 through February 2006. Prior to joining Qurate in 2005, Mr. Maffei served as President and Chief Financial Officer of Oracle Corporation, Chairman, President and Chief Executive Officer of 360networks Corporation and Chief Financial Officer of Microsoft Corporation. Mr. Maffei also currently serves on the Board of Directors of the following public companies: Sirius XM Holdings Inc., Live Nation Entertainment, Inc., Charter Communications, Inc., Zillow Group, Inc. and Pandora Media, Inc. Mr. Maffei is a member of the Council on Foreign Relations and the Board of Trustees of Dartmouth College. Mr. Maffei previously served on the Board of Directors of Starz, Electronic Arts, Inc., Barnes & Noble, Inc., Citrix Systems, Inc., DirecTV, Starbucks Corp., and Dorling Kindersley Limited. Mr. Maffei holds an M.B.A. from Harvard Business School, where he was a Baker Scholar, and an A.B. from Dartmouth College.

Board Membership Qualifications

Mr. Maffei brings to our Board significant financial and operational experience based on his senior policy-making positions at LMC, Qurate, LBC and LTRIP, his previous executive positions at Oracle, 360networks and Microsoft and his other public company board experience. He provides our board with an executive and leadership perspective on the operation and management of large public companies and risk management principles.

Stephen Kaufer **Age:** 55 **Director Since:** 2011 **Committee Memberships:** *Executive*	Mr. Kaufer co-founded TripAdvisor in February 2000 and has been the President and Chief Executive Officer of TripAdvisor since that date. Mr. Kaufer has been a director of TripAdvisor since the completion of the spin-off of TripAdvisor from Expedia, Inc. ("Expedia") in December 2011 (the "Spin-Off"). Mr. Kaufer serves on the Board of Directors of CarGurus, Inc., a company traded on The Nasdaq Stock Market, LLC. Mr. Kaufer also serves as President and Chairman of the Board of The TripAdvisor Charitable Foundation, a private charitable foundation. Mr. Kaufer serves on the boards of several privately-held companies, including GlassDoor, Inc., as well as the charity Neuroendocrine Tumor Research Foundation (formerly known as Caring for Carcinoid Foundation). Prior to co-founding TripAdvisor, Mr. Kaufer served as President of CDS, Inc., an independent software vendor specializing in programming and testing tools, and co-founded CenterLine Software and served as its Vice President of Engineering. Mr. Kaufer holds an A.B. in Computer Science from Harvard University. ***Board Membership Qualifications*** As co-founder of TripAdvisor and through his service as its Chief Executive Officer, Mr. Kaufer has extensive knowledge of our business and operations, and significant experience in the online advertising sector of the global travel industry. Mr. Kaufer also possesses strategic and governance skills gained through his executive and director roles with several other companies.
Jay C. Hoag **Age:** 59 **Director Since:** 2018 **Committee Memberships:** *Compensation* *Section 16*	Mr. Hoag co-founded Technology Crossover Ventures, a private equity and venture capital firm, in 1995 and continues to serve as a founding General Partner. Mr. Hoag serves on the Boards of Directors of the following public companies: Electronic Arts Inc.; Zillow Group, Inc.; and Netflix, Inc. Mr. Hoag also serves on the Board of Directors of several private companies. Previously, Mr. Hoag has served on the Board of Directors of numerous other public and private companies. Mr. Hoag also serves on the Board of Trustees of Northwestern University and Vanderbilt University and the Investment Advisory Board of the University of Michigan. Mr. Hoag holds a B.A. from Northwestern University and an M.B.A. from the University of Michigan. ***Board Membership Qualifications*** As a venture capital investor, Mr. Hoag brings strategic insights and extensive financial experience to our Board. He has evaluated, invested in and served as a board and committee member of numerous companies, both public and private, and is familiar with a full range of corporate and board functions. His many years of experience helping companies shape and implement strategy provide our Board with unique perspectives on matters such as risk management, corporate governance, talent selection and leadership development.

Dipchand (Deep) Nishar

Age: 49
Director Since: 2013

Committee Memberships:
Compensation
Section 16

Since June 2015, Mr. Nishar has been with SoftBank Investment Advisors and currently serves as Senior Managing Partner. Prior to that, from January 2009 to October 2014, Mr. Nishar served in various roles with LinkedIn Corporation, most recently as Senior Vice President, Products and User Experience. From August 2003 to January 2009, Mr. Nishar served in various roles with Google Inc., most recently as the Senior Director of Products for the Asia-Pacific region. Mr. Nishar served on the Board of Directors of OPower, Inc. from August 2013 to June 2016. Mr. Nishar holds an M.B.A. with highest honors (Baker Scholar) from Harvard Business School, an M.SEE from University of Illinois, Urbana-Champaign, and a B.Tech with honors from the Indian Institute of Technology.

Board Membership Qualifications

Mr. Nishar has significant operational experience in those matters which are directly applicable to our business and are areas of focus. Mr. Nishar has an extensive background in the Internet industry and, in particular, the digital media and online advertising sectors.

Jeremy Philips

Age: 45
Director Since: 2011

Committee Memberships:
Audit

Mr. Philips has been a general partner of Spark Capital since May 2014. From January 2012 until May 2014, Mr. Philips invested in private technology companies. From June 2010 to January 2012, Mr. Philips served as the Chief Executive Officer of Photon Group Limited, a holding company listed on the Australian Securities Exchange. From July 2004 to March 2010, Mr. Philips held various roles of increasing responsibility with News Corporation, most recently as an Executive Vice President in the Office of the Chairman. Prior to joining News Corporation, he served in several roles, including co-founder and Vice-Chairman of ecorp, a publicly traded Internet holding company, and as an analyst at McKinsey & Company. Mr. Philips is on the Board of Directors of several private Internet companies. He is an adjunct professor at Columbia Business School and holds a B.A. and LL.B. from the University of New South Wales and an MPA from the Harvard Kennedy School of Government.

Board Membership Qualifications

Mr. Philips has significant strategic and operational experience acquired through his service as Chief Executive Officer and other executive-level positions. He also possesses a high level of financial literacy and expertise regarding mergers, acquisitions, investments and other strategic transactions as well as an extensive background in the Internet industry.

Spencer M. Rascoff

Age: 42
Director Since: 2013

Committee Memberships:
Audit

Mr. Rascoff has served as the Chief Executive Officer of Zillow Group, Inc. since September 2010 and has served as a member of its Board of Directors since July 2011. Mr. Rascoff joined Zillow as one of its founding employees in 2005 and served as Vice President of Marketing and Chief Financial Officer from December 2008 to September 2010. From 2003 to 2005, Mr. Rascoff served as Vice President of Lodging for Expedia. In 1999, Mr. Rascoff co-founded Hotwire, Inc., an online travel company, and managed several of Hotwire's product lines before Hotwire was acquired in 2003 by IAC/InterActiveCorp, or IAC, Expedia's parent company at the time. Mr. Rascoff previously served in the mergers and acquisitions group at Goldman, Sachs & Co., an investment banking and securities firm, and an associate at TPG Capital, a private equity firm. Mr. Rascoff also serves on Board of Directors of Hutch Interiors, Inc. a home design app, in which Zillow has been an investor since July 2017. Mr. Rascoff also serves on the Seattle Children's Hospital Research Institute Advisory Board. Mr. Rascoff graduated cum laude with a B.A. in Government and Economics from Harvard University.

Board Membership Qualifications

Mr. Rascoff has significant operational and financial experience acquired through his current service as Chief Executive Officer and prior service as Chief Financial Officer of Zillow. Mr. Rascoff also possesses a high level of financial literacy and expertise regarding mergers, acquisitions, investments and other strategic transactions as well as an extensive background in the Internet industry and global travel industry.

Albert E. Rosenthaler

Age: 58
Director Since: 2016

Committee Memberships:

Mr. Rosenthaler has served as Chief Corporate Development Officer of LMC, Qurate, LTRIP, LBC and Liberty Expedia Holdings, Inc. since October 2016, and GCI Liberty, Inc. since March 2018. He previously served as Chief Tax Officer of LMC, Qurate, LTRIP and LBC from January 2016 to September 2016, and Liberty Expedia Holdings, Inc. from March 2016 to September 2016. Prior to that, Mr. Rosenthaler served as a Senior Vice President of LMC (including its predecessor) from May 2007 to December 2015, Qurate (including its predecessors) from April 2002 to December 2015, LTRIP from July 2013 to December 2015 and LBC from June 2014 to December 2015. Mr. Rosenthaler has also served on the Board of Directors of LTRIP since August 2014. He is a graduate of Olivet College (B.A.) and University of Illinois (M.A.S.).

Board Membership Qualifications

Mr. Rosenthaler has significant executive and financial experience gained through his service as an executive officer of Qurate and LMC for many years and as a partner of a major national accounting firm for more than five years prior to joining QurateLiberty. Mr. Rosenthaler brings a unique perspective to our Board of Directors, focused in particular on the areas of tax management, mergers and acquisitions and financial structuring. Mr. Rosenthaler's perspective and expertise assist the Board in developing strategies that take into consideration the application of tax laws and capital allocation.

Robert S. Wiesenthal **Age:** 51 **Director Since:** 2011 **Committee Memberships:** *Audit – Chair*	Since July 2015, Mr. Wiesenthal has served as founder and Chief Executive Officer of FlyBlade, Inc., a short distance aviation company that leverages mobile technology and crowdsourcing to provide easily accessible and cost-effective air travel. From January 2013 to July 2015, Mr. Wiesenthal served as Chief Operating Officer of Warner Music Group Corp., a leading global music conglomerate. From 2000 to 2012, Mr. Wiesenthal served in various senior executive capacities with Sony Corporation, most recently as Executive Vice President and Chief Financial Officer of Sony Corporation of America. Prior to joining Sony, from 1988 to 2000, Mr. Wiesenthal served in various capacities with Credit Suisse First Boston, most recently as Managing Director, Head of Digital Media and Entertainment. Mr. Wiesenthal previously served on the Board of Directors of Starz. Mr. Wiesenthal has a B.A. from the University of Rochester. ***Board Membership Qualifications*** Mr. Wiesenthal possesses extensive strategic, operational and financial experience, gained through his wide range of service in executive-level positions with a strong focus on networked consumer electronics, entertainment, and digital media. He also has a high degree of financial literacy and expertise regarding mergers, acquisitions, investments and other strategic transactions.

All of our nominees also have extensive management experience in complex organizations. In addition to the information presented regarding each nominee's specific experience, qualifications, attributes and skills that led the Board of Directors to the conclusion that he should be nominated as a director, each nominee has proven business acumen and an ability to exercise sound judgment, as well as a commitment to TripAdvisor and its Board of Directors as demonstrated by each nominee's past service. The Board of Directors considered the NASDAQ requirement that TripAdvisor's Audit Committee be composed of at least three independent directors, as well as specific NASDAQ and U.S. Securities and Exchange Commission ("SEC") requirements regarding financial literacy and expertise.

Required Vote

Election of Messrs. Maffei, Hoag, Kaufer, Nishar, Rascoff and Rosenthaler as directors requires the affirmative vote of a plurality of the total number of votes cast by the holders of shares of TripAdvisor common stock and Class B common stock, present in person or represented by proxy, voting together as a single class. Election of Messrs. Philips and Wiesenthal as directors requires the affirmative vote of a plurality of the total number of votes cast by the holders of shares of TripAdvisor common stock, present in person or represented by proxy, voting together as a separate class.

We ask our stockholders to vote in favor of each of the director nominees. Valid proxies received pursuant to this solicitation will be voted in the manner specified. With respect to the election of directors, you may vote "FOR" or "WITHHOLD". Where no specification is made, it is intended that the proxies received from stockholders will be voted FOR the election of the director nominees identified. Votes withheld and broker non-votes will have no effect because approval by a certain percentage of voting stock present or outstanding is not required.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" THE ELECTION OF EACH OF THE NOMINEES FOR DIRECTOR NAMED ABOVE.

Executive Officers

Set forth below is certain background information, as of April 23, 2018, regarding TripAdvisor's executive officers. There are no family relationships among directors or executive officers of TripAdvisor.

Name	Age	Position
Stephen Kaufer	55	Director, President and Chief Executive Officer
Ernst Teunissen	51	Senior Vice President, Chief Financial Officer and Treasurer
Seth J. Kalvert	48	Senior Vice President, General Counsel and Secretary
Dermot M. Halpin	47	President, Vacation Rentals and Attractions

Refer to "Proposal 1: Election of Directors" above for information about our President and Chief Executive Officer Stephen Kaufer.

Ernst Teunissen has served as Senior Vice President, Chief Financial Officer and Treasurer of TripAdvisor since November 2015. From October 2009 to October 2015, Mr. Teunissen served in various capacities with Cimpress, N.V. (formerly known as Vistaprint, N.V.), most recently as Executive Vice President and Chief Financial Officer. Before joining Cimpress, Mr. Teunissen was a founder and director of two corporate finance and management consulting firms: Manifold Partners from May 2007 through September 2009 and ThreeStone Ventures Limited from June 2003 through September 2009. From August 1999 to February 2003, Mr. Teunissen served as an Executive Director in Morgan Stanley's Investment Banking Division in London. Mr. Teunissen worked as an Associate Director in Investment Banking at Deutsche Bank from February 1997 to February 1999 and as a Senior Strategy Consultant at Monitor Company from April 1990 to February 1995. Mr. Teunissen holds an M.B.A. from the University of Oregon and a B.B.A. from Nijenrode University, The Netherlands School of Business.

Seth J. Kalvert has served as Senior Vice President, General Counsel and Secretary of TripAdvisor since August 2011. Mr. Kalvert also serves as Secretary and a director of The TripAdvisor Charitable Foundation, a private charitable foundation. Prior to joining TripAdvisor, from March 2005 to August 2011, Mr. Kalvert held positions at Expedia, most recently as Vice President and Associate General Counsel. Prior to that, Mr. Kalvert worked at IAC/InterActiveCorp. Mr. Kalvert began his career as an associate at Debevoise & Plimpton, LLP, a New York law firm. Mr. Kalvert also serves on the Board of Directors of Citizen Schools and as Secretary and a director of the Internet Association, an industry trade group. Mr. Kalvert holds an A.B. from Brown University and a J.D. from Columbia Law School.

Dermot M. Halpin has been serving as President of the Vacation Rentals division since December 2011 and President of the Attractions division since November 2016. Mr. Halpin served as a board member commencing June 2009 and Chief Executive Officer commencing November 2009 of Autoquake, a venture-backed consumer Internet business, until his resignation in March 2011. Prior to Autoquake, from October 2001 to December 2008, Mr. Halpin worked at Expedia, most recently serving as President of Expedia EMEA (Europe, Middle East and Africa). Before joining Expedia, Mr. Halpin worked at several technology-driven businesses. Mr. Halpin holds an M.B.A. from INSEAD and studied engineering at University College Dublin, Ireland.

Board of Directors

Director Qualifications and Diversity

Our Board of Directors is comprised of a group of individuals whose previous experience, financial and business acumen, personal ethics and dedication and commitment to our company allow the Board to complete its key task of oversight. The specific experience and qualifications of each of our Board members are set forth above. The Board is committed to a policy of inclusiveness and diversity. The Board believes members should be comprised of persons with diverse skills, expertise, backgrounds and experiences including, without limitation, the following areas:

- management or board experience in a wide variety of enterprises and organizations;
- banking, capital markets and finance;
- accounting, audit and financial reporting;
- compliance, legal and regulatory;
- travel, technology, and commerce;
- sales and marketing; and
- operations.

In case of a Board vacancy or if the Board elects to increase its size, determinations regarding the eligibility of director candidates are made by the entire Board, which considers the candidate's qualifications as to skills and experience in the context of the needs of the Board of Directors and our stockholders. When seeking new Board candidates, the Board is committed to a policy of inclusiveness and will take reasonable steps to ensure that women and minority candidates are considered for the pool of candidates from which the Board nominees are chosen and will endeavor to include candidates from non-traditional venues.

Director Independence

Under the NASDAQ Stock Market Listing Rules (the "NASDAQ Rules"), the Board has a responsibility to make an affirmative determination that those members of the Board who serve as independent directors do not have any relationships that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In connection with these independence determinations, the Board reviews information regarding transactions, relationships and arrangements relevant to independence, including those required by the NASDAQ Rules. This information is obtained from director responses to questionnaires circulated by management, as well as our records and publicly available information. Following this determination, management monitors those transactions, relationships and arrangements that were relevant to such determination, as well as solicits updated information potentially relevant to independence from internal personnel and directors, to determine whether there have been any developments that could potentially have an adverse impact on the Board's prior independence determination.

Based on the information provided by each director concerning his background, employment and affiliations and upon review of this information, our Board of Directors previously determined that each of Ms. Singh Cassidy and Messrs. Nishar, Philips, Rascoff and Wiesenthal do not have a relationship that should interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is an "independent director" as defined under the applicable rules and regulations of the SEC and NASDAQ. In making its independence determinations, the Board considered the applicable legal standards and any relevant transactions, relationships or arrangements. In addition to the satisfaction of the director independence requirements set forth in the NASDAQ Rules, members of the Audit Committee and Compensation Committees also satisfied separate independence requirements under the current standards imposed by the SEC and the NASDAQ Rules for audit committee members and by the SEC, NASDAQ Rules and the Internal Revenue Service for compensation committee members. At the first meeting of the Board of Directors following the Annual Meeting, the Board intends to conduct a review of director independence and to designate the members of the Board to serve on each of the committees and the Chair of each of the committees for the directors' term.

Controlled Company Status

As of the record date, LTRIP beneficially owned 18,159,752 shares of our common stock and 12,799,999 shares of our Class B common stock, which shares constitute 14.4% of the outstanding shares of common stock and 100% of the outstanding shares of Class B common stock, respectively. Assuming the conversion of all of LTRIP's shares of Class B common stock into common stock, LTRIP would beneficially own 22.3% of the outstanding common stock. Because each share of Class B common stock generally is entitled to ten votes per share and each share of common stock is entitled to one vote per share, LTRIP may be deemed to beneficially own equity securities representing approximately 57.6% of our voting power. LTRIP has filed a Statement of Beneficial Ownership on Schedule 13D with respect to its TripAdvisor holdings and related voting arrangements with the SEC.

The NASDAQ Rules exempt "controlled companies," or companies of which more than 50% of the voting power is held by an individual, a group or another company, such as TripAdvisor, from certain governance requirements under the NASDAQ Rules. On this basis, TripAdvisor is relying on the exemption for controlled companies from certain requirements under the NASDAQ Rules, including, among others, the requirement that the Compensation Committees be composed solely of independent directors and certain requirements relating to the nomination of directors. We may, in the future, rely on other exemptions available to a controlled company, including, among others, the requirement that a majority of the Board of Directors be composed of independent directors.

Board Leadership Structure

Mr. Maffei serves as the Chairman of the Board of Directors, and Mr. Kaufer serves as President and Chief Executive Officer of TripAdvisor. The roles of Chief Executive Officer and Chairman of the Board of Directors are currently separated in recognition of the differences between the two roles. This leadership structure provides us with the benefit of Mr. Maffei's oversight of TripAdvisor's strategic goals and vision, coupled with the benefit of a full-time Chief Executive Officer dedicated to focusing on the day-to-day management and continued growth of TripAdvisor and its operating businesses. We believe that it is in the best interests of our stockholders for the Board of Directors to make a determination regarding the separation or combination of these roles each time it elects a new Chairman or Chief Executive Officer based on the relevant facts and circumstances applicable at such time.

Independent members of the Board of Directors chair our Audit Committee, Compensation Committee and Section 16 Committee.

Meeting Attendance

The Board of Directors met four times in 2017 and acted by written consent one time. During such period, each member of the Board of Directors attended at least 75% of the meetings of the Board and the Board committees on which they served. The independent directors meet in regularly scheduled sessions, typically before or after each Board meeting, without the presence of management. We do not have a lead independent director or any other formally appointed leader for these sessions. Directors are encouraged but not required to attend annual meetings of TripAdvisor stockholders. All of the incumbent directors who were directors at the time have historically attended the annual meetings of stockholders.

Committees of the Board of Directors

The Board of Directors has the following standing committees: the Audit Committee, the Compensation Committee, the Section 16 Committee and the Executive Committee. The Audit, Compensation and Section 16 Committees operate under written charters adopted by the Board of Directors. These charters are available in the "Corporate Governance" section of the Investor Relations page of TripAdvisor's corporate website at ir.tripadvisor.com. At each regularly scheduled Board meeting, the Chairperson of each committee provides the full Board of Directors with an update of all significant matters discussed, reviewed, considered and/or approved by the relevant committee since the last regularly scheduled Board meeting. The membership of our Audit, Compensation and Section 16 Committees ensures that directors with no ties to Company management are charged with oversight for all financial reporting and executive compensation related decisions made by Company management.

The following table sets forth the current members of the Board of Directors and the members of each committee of the Board. At the first meeting of the Board of Directors following the Annual Meeting, the Board intends to conduct a review of director independence and to designate the members of the Board to serve on each of the committees and the Chair of each of the committees for the directors' term.

Name	Audit Committee	Compensation Committee	Section 16 Committee	Executive Committee
Gregory B. Maffei	—	X	—	X
Jay C. Hoag	—	X	X	—
Stephen Kaufer	—	—	—	X
Dipchand (Deep) Nishar	—	X	X	—
Jeremy Philips	X	—	—	—
Spencer M. Rascoff	X	—	—	—
Albert Rosenthaler	—	—	—	—
Sukhinder Singh Cassidy	—	Chair	Chair	—
Robert S. Wiesenthal	Chair	—	—	—

Audit Committee

The Audit Committee of the Board of Directors currently consists of three directors: Messrs. Philips, Rascoff and Wiesenthal. Mr. Wiesenthal is the Chairman of the Audit Committee. Each Audit Committee member satisfies the independence requirements under the current standards imposed by the rules of the SEC and NASDAQ. The Board has determined that each of Messrs. Wiesenthal, Philips and Rascoff is an "audit committee financial expert," as such term is defined in the regulations promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

The Audit Committee is appointed by the Board of Directors to assist the Board with a variety of matters discussed in detail in the Audit Committee charter, including monitoring (i) the integrity of our accounting, financial reporting and public disclosures process, (ii) our relationship with our independent registered public accounting firm, including qualifications, performance and independence, (iii) the performance of our internal audit department, and (iv) our compliance with legal and regulatory requirements. The Audit Committee met four times in 2017. The formal report of the Audit Committee with respect to the year ended December 31, 2017 is set forth in the section below titled "Audit Committee Report."

Compensation Committee

The Compensation Committee currently consists of four directors: Ms. Singh Cassidy and Messrs. Maffei, Hoag and Nishar, Ms. Singh Cassidy is the Chairperson of the Compensation Committee. Each member of the Compensation Committee is an "outside director" for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"). With the exception of Mr. Maffei, each member is an "independent director" as defined by the NASDAQ Rules. No member of the Compensation Committee is an employee of TripAdvisor.

The Compensation Committee is responsible for (i) designing and overseeing compensation with respect to our executive officers, including salary matters, bonus plans and stock compensation plans; (ii) administrating our stock plans, including approving grants of equity awards but excluding matters governed by Rule 16b-3 under the Exchange Act (which are handled by the Section 16 Committee described below); and (iii) periodically reviewing and approving compensation of the members of our Board. A description of our policies and practices for the consideration and determination of executive compensation is included in the section below titled "Compensation Discussion and Analysis." The Compensation Committee met five times in 2017.

Section 16 Committee	The Section 16 Committee currently consists of three directors: Ms. Singh Cassidy, Mr. Hoag and Mr. Nishar. Ms. Singh Cassidy is the Chairperson of the Section 16 Committee. Each member is an "independent director" as defined by the NASDAQ Rules and satisfies the definition of "non-employee director" for purposes of Section 16 of the Exchange Act. The Section 16 Committee is authorized to exercise all powers of the Board of Directors with respect to matters governed by Rule 16b-3 under the Exchange Act, including approving grants of equity awards to TripAdvisor's executive officers. The Section 16 Committee met five times in 2017. In this Proxy Statement, we refer to the Compensation Committee and Section 16 Committee collectively as the "Compensation Committees."
Executive Committee	The Executive Committee currently consists of two directors: Messrs. Kaufer and Maffei. The Executive Committee has the powers and authority of the Board of Directors, except for those matters that are specifically reserved to the Board of Directors under Delaware law or our organizational documents. The Executive Committee primarily serves as a means to address issues that may arise and require Board approval between regularly scheduled Board meetings. Following are some examples of matters that could be handled by the Executive Committee: (i) oversight and implementation of matters approved by the Board of Directors (including any share repurchase program); (ii) administrative matters with respect to benefit plans, transfer agent matters, banking authority, formation of subsidiaries and other administrative items involving subsidiaries and determinations or findings under TripAdvisor's financing arrangements; and (iii) in the case of a natural disaster or other emergency as a result of which a quorum of the Board of Directors cannot readily be convened for action, directing the management of the business and affairs of TripAdvisor during such emergency or natural disaster. The Executive Committee met informally throughout 2017.

Risk Oversight

Assessing and managing risk is the responsibility of TripAdvisor's management. Our Board of Directors oversees and reviews certain aspects of our risk management efforts. Our Board of Directors is involved in risk oversight through direct decision-making authority with respect to significant matters and the oversight of management by the Board of Directors and its committees. The President and Chief Executive Officer; the Senior Vice President, Chief Financial Officer and Treasurer; and the Senior Vice President, General Counsel and Secretary attend Board meetings and discuss operational risks with the Board. Management also provides reports and presentations on strategic risks to the Board. Among other areas, the Board is involved, directly or through its committees, in overseeing risks related to our overall corporate strategy, business continuity, crisis preparedness and competitive and reputational risks.

The committees of the Board execute their oversight responsibility for risk management as follows:

- The Audit Committee has primary responsibility for discussing with management TripAdvisor's major financial risks and the steps management has taken to monitor and control such risks. In fulfilling its responsibilities, the Audit Committee receives regular reports from, among others, the Chief Financial Officer, the General Counsel, the Vice President of Tax and the Chief Accounting Officer as well as from representatives of information security, internal audit, the company's compliance committee and the Company's auditors. The Audit Committee makes regular reports to the Board of Directors. In addition, TripAdvisor has, under the supervision of the Audit Committee, established procedures available to all employees for the anonymous and confidential submission of complaints relating to any matter to encourage employees to report questionable activities directly to our senior management and the Audit Committee.

- The Compensation Committees consider and evaluate risks related to our cash and equity-based compensation programs, policies and practices and evaluate whether our compensation programs encourage participants to take excessive risks that are reasonably likely to have a material adverse effect on TripAdvisor or our business. Consistent with SEC disclosure requirements, the Compensation Committees, working with management, have assessed the compensation policies and practices for our employees, including our executive officers, and have concluded that such policies and practices do not create risks that are reasonably likely to have a material adverse effect on TripAdvisor

Ultimately, management is responsible for the day-to-day risk management process, including identification of key risks and implementation of policies and procedures to manage, mitigate and monitor risks. In fulfilling these duties, management conducts annually an enterprise and internal audit risk assessment and uses the results of these assessments in its risk management efforts. In addition, management has formed a Compliance Committee in connection with the implementation, management and oversight of a corporate compliance program to promote operational excellence throughout the entire organization in adherence with all legal and regulatory requirements and with the highest ethical standards.

Director Nominations

Given the ownership structure of TripAdvisor and our status as a "controlled company," the Board of Directors does not have a nominating committee or other committee performing similar functions or any formal policy on director nominations. The Board of Directors does not have specific requirements for eligibility to serve as a director of TripAdvisor, nor does it have a specific policy on diversity; however, the Board of Directors does consider, among other things, diversity when considering nominees to serve on our Board of Directors. We broadly construe diversity to mean diversity of opinions, perspectives, and personal and professional experiences and backgrounds, such as gender, race and ethnicity, as well as other differentiating characteristics. In evaluating candidates, regardless of how recommended, the Board of Directors considers a number of factors, including whether the professional and personal ethics and values of the candidate are consistent with those of TripAdvisor; whether the candidate's experience and expertise would be beneficial to the Board in rendering service to TripAdvisor, including in providing a mix of Board members that represent a diversity of backgrounds, perspectives and opinions; whether the candidate is willing and able to devote the necessary time and energy to the work of the Board of Directors; and whether the candidate is prepared and qualified to represent the best interests of TripAdvisor's stockholders.

Pursuant to the Governance Agreement, LTRIP has the right to nominate a number of directors equal to 20% of the total number of the directors on the Board of Directors (rounded up to the next whole number if the number of directors on the Board is not an even multiple of five) for election to the Board of Directors so long as certain stock ownership requirements are satisfied. LTRIP has nominated Messrs. Maffei and Rosenthaler as nominees for 2018. The other nominees to the Board of Directors were recommended by the Chairman and then were considered and recommended by the entire Board of Directors.

The Board of Directors does not have a formal policy regarding the consideration of director candidates recommended by stockholders, as historically TripAdvisor has not received such recommendations. However, the Board of Directors would consider such recommendations if made in the future. Stockholders who wish to make such a recommendation should send the recommendation to TripAdvisor, Inc., 400 1st Avenue, Needham, Massachusetts 02494, Attention: Secretary. The envelope must contain a clear notation that the enclosed letter is a “Director Nominee Recommendation.” The letter must identify the author as a stockholder, provide a brief summary of the candidate’s qualifications and history and be accompanied by evidence of the sender’s stock ownership, as well as consent by the candidate to serve as a director if elected. Any director candidate recommendations will be reviewed by the Secretary and, if deemed appropriate, forwarded to the Chairman for further review. If the Chairman believes that the candidate fits the profile of a director nominee as described above, the recommendation will be shared with the entire Board of Directors.

Communications with the Board

Stockholders who wish to communicate with the Board of Directors or a particular director may send such communication to TripAdvisor, Inc., 400 1st Avenue, Needham, Massachusetts 02494, Attention: Secretary. The mailing envelope must contain a clear notation indicating that the enclosed letter is a “Stockholder-Board Communication” or “Stockholder-Director Communication.” All such letters must identify the author as a stockholder, provide evidence of the sender’s stock ownership and clearly state whether the intended recipients are all members of the Board of Directors or certain specified directors. The Secretary will then review such correspondence and forward it to the Board of Directors, or to the specified director(s), if deemed appropriate. Communications that are primarily commercial in nature, that are not relevant to stockholders or other interested constituents or that relate to improper or irrelevant topics will generally not be forwarded to the Board of Directors or to the specified director(s).

PROPOSAL 2:
RATIFICATION OF APPOINTMENT OF
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Overview

The Audit Committee of the Board of Directors is directly responsible for the appointment, compensation, retention and oversight of the external accounting firm retained to audit the Company's financial statements. The Audit Committee has retained KPMG LLP ("KPMG") as TripAdvisor's independent registered public accounting firm for the fiscal year ending December 31, 2018.

KPMG has served as TripAdvisor's independent registered public accounting firm continuously since the audit of the Company's financial statements for the fiscal year ended December 31, 2014. In order to assure continuing auditor independence, the Audit Committee periodically considers whether there should be a regular rotation of the independent external audit firm. The members of the Audit Committee and the Board believe that the continued retention of KPMG to serve as the Company's independent external auditor is in the best interest of the Company and its investors. A representative of KPMG is expected to be present at the Annual Meeting, and will be given an opportunity to make a statement if he or she so chooses and will be available to respond to appropriate questions.

If the stockholders fail to vote to ratify the appointment of KPMG, the Audit Committee will reconsider whether to retain KPMG and may retain that firm or another firm without resubmitting the matter to our stockholders. Even if stockholders vote on an advisory basis in favor of the appointment, the Audit Committee may, in its discretion, direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of TripAdvisor and our stockholders.

Required Vote

We ask our stockholders to ratify the appointment of KPMG as our independent registered public accounting firm for the fiscal year ending December 31, 2018. This proposal requires the affirmative vote of a majority of the voting power of our shares, present in person or represented by proxy, and entitled to vote thereon, voting together as a single class. With respect to the ratification of KPMG, you may vote "FOR", "AGAINST" or "ABSTAIN". Abstentions will be counted toward the tabulations of voting power present and entitled to vote on the ratification of the independent registered public accounting firm proposal and will have the same effect as votes against the proposal. Brokers have discretion to vote on the proposal for ratification of the independent registered public accounting firm.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" RATIFICATION OF THE APPOINTMENT OF KPMG LLP AS TRIPADVISOR'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2018.

Fees Paid to Our Independent Registered Public Accounting Firm

KPMG was TripAdvisor's independent registered public accounting firm for the fiscal years ended December 31, 2017 and 2016. The following table sets forth aggregate fees for professional services rendered by KPMG for the years ended December 31, 2017 and 2016.

	2017	2016
Audit Fees(1)	$ 2,203,537	$ 2,017,754
Audit-Related Fees(2)	$ 77,000	$ 1,000
Other Fees	2,730	2,730
Total Fees	$ 2,283,267	$ 2,021,484

(1) Audit Fees include fees and expenses associated with the annual audit of our consolidated financial statements, statutory audits, review of our periodic reports, accounting consultations, review of SEC registration statements, report on the effectiveness of internal control and consents and other services related to SEC matters.
(2) Audit-Related fees include fees and expenses for consultations in connection with due diligence assistance.

Audit and Non-Audit Services Pre-Approval Policy

The Audit Committee has responsibility for appointing, setting compensation of, retaining and overseeing the work of the independent registered public accounting firm. In recognition of this responsibility, the Audit Committee has adopted a policy governing the pre-approval of all audit and permitted non-audit services performed by TripAdvisor's independent registered public accounting firm to ensure that the provision of such services does not impair the independent registered public accounting firm's independence from TripAdvisor and our management. Unless a type of service to be provided by our independent registered public accounting firm has received general pre-approval from the Audit Committee, it requires specific pre-approval by the Audit Committee. The payment for any proposed services in excess of pre-approved cost levels requires specific pre-approval by the Audit Committee.

Pursuant to its pre-approval policy, the Audit Committee may delegate its authority to pre-approve services to one or more of its members, and it has currently delegated this authority to its Chairman, subject to a limit of $250,000 per approval. The decisions of the Chairman (or any other member(s) to whom such authority may be delegated) to grant pre-approvals must be presented to the full Audit Committee at its next scheduled meeting. The Audit Committee may not delegate its responsibilities to pre-approve services to Company management.

All of the audit-related, tax and all other services provided to us by KPMG in 2017 and 2016 were approved by the Audit Committee by means of specific pre-approvals or pursuant to the procedures contained in the Company's pre-approval policy.

The Audit Committee has considered the non-audit services provided by KPMG in 2017 and 2016, as described above, and believes that they are compatible with maintaining KPMG's independence in the conduct of their auditing functions.

AUDIT COMMITTEE REPORT

Management has primary responsibility for our financial statements, reporting process and system of internal control over financial reporting. TripAdvisor's independent registered public accounting firm is engaged to audit and express opinions on the conformity of our financial statements to generally accepted accounting principles, and the effectiveness of TripAdvisor's internal control over financial reporting.

The Audit Committee serves as a representative of the Board of Directors and assists the Board in monitoring (i) the integrity of our accounting, financial reporting and public disclosures process, (ii) our relationship with our independent registered public accounting firm, including qualifications, performance and independence, (iii) the performance of our internal audit department, and (iv) our compliance with legal and regulatory requirements. In this context, the Audit Committee met four times in 2017 and, among other things, took the following actions:

- appointed KPMG as our auditors and discussed with the auditors the overall scope and plans for the independent audit and pre-approved all audit and non-audit services to be performed by KPMG;
- reviewed and discussed with management and the auditors the audited consolidated financial statements for the year ended December 31, 2017, as well as our quarterly financial statements and interim financial information contained in each quarterly earnings announcement prior to public release;
- discussed with the auditors the matters required to be discussed by the Public Company Accounting Oversight Board ("PCAOB"), and received all written disclosures and letters required by the applicable requirements of the PCAOB;
- discussed with the auditors its independence from TripAdvisor and TripAdvisor's management as well as considered whether the non-audit services provided by the auditors could impair its independence and concluded that such services would not;
- reviewed and discussed with management and the auditors our compliance with the requirements of the Sarbanes-Oxley Act of 2002 with respect to internal control over financial reporting, together with management's assessment of the effectiveness of our internal control over financial reporting and the auditors' audit of internal control over financial reporting; and
- regularly met with KPMG, with and without management present, to discuss the results of their examinations, including the integrity, adequacy and effectiveness of the accounting and financial reporting processes and controls.

Relying on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in our Annual Report on Form 10-K for the year ended December 31, 2017, and the Board approved such inclusion.

No portion of this Audit Committee Report shall be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act, through any general statement incorporating by reference in its entirety the Proxy Statement in which this report appears, except to the extent that TripAdvisor specifically incorporates this report or a portion of it by reference. In addition, this report shall not be deemed to be "soliciting material" or "filed" under either the Securities Act or the Exchange Act.

Members of the Audit Committee:

Robert S. Wiesenthal (Chairman)
Jeremy Philips
Spencer Rascoff

Proposal

The Board of Directors believes that stock options, restricted stock units and other stock-based incentive awards can play an important role in the success of TripAdvisor by encouraging and enabling our employees, officers, non-employee directors and consultants, upon whose judgment, initiative and efforts we largely depend for the success of our business, to acquire a proprietary interest in TripAdvisor. The Board of Directors anticipates that providing such persons with a direct stake in the Company will assure a closer identification of the interests of such individuals with those of TripAdvisor and its stockholders, thereby stimulating their efforts on TripAdvisor's behalf and strengthening their desire to remain with TripAdvisor.

On April 24, 2018, the Board of Directors approved the TripAdvisor, Inc. 2018 Stock and Annual Incentive Plan, or the 2018 Plan, subject to approval by the stockholders, primarily for the purpose of providing sufficient reserves of shares of our common stock to ensure our ability to continue to provide new hires, employees and management with equity incentives. If approved, the number of shares reserved and available for issuance under the 2018 Plan would be 6,000,000 plus the number of shares available for issuance (and not subject to outstanding awards) under the TripAdvisor, Inc. Amended and Restated 2011 Stock and Annual Incentive Plan, or the 2011 Plan, as of the effective date of the 2018 Plan. The 2018 Plan also incorporates various other important changes to reflect developments in law, including the Tax Cuts and Jobs Act of 2017, as passed by Congress in November 2017 (the "2017 Tax Act").

Historical Burn Rate and Expected Duration

We are committed to managing the use of our equity incentives prudently to balance the benefits that equity compensation brings to our equity compensation programs against the dilution it causes our stockholders. As a result, as part of our analysis when considering the number of shares to be reserved under the 2018 Plan, we reviewed key metrics that are typically used to evaluate such proposed increases. One such metric considered was our "burn rate" calculation in order to quantify how quickly we use our stockholder capital. Over the last three years, TripAdvisor has had an average unadjusted gross burn rate of 2.9%, well below the average unadjusted gross burn rate of 4.3% for companies in our peer group. Over the same time frame, our average adjusted burn rate is 4.8% which is also below the average adjusted burn rate for companies in our peer group of 5.8%. The adjusted burn rate assumes a 2x weighting for grants of restricted stock units, or RSUs.

As a result, we currently expect that the proposed share reserve under the 2018 Plan will be sufficient for currently-anticipated awards through 2021. Expectations regarding future share usage could be impacted by a number of factors including but not limited to, hiring and promotion activity; the rate at which shares are returned to the 2018 Plan reserve upon the expiration, forfeiture and net share settlement of awards; the future performance of our stock price; terms of any potential future acquisitions and other factors. While we believe that the assumptions we used are reasonable, future share usage may differ from current expectations.

Summary of Material Features of the 2018 Plan

Some of the material features of the 2018 Plan are as follows:

- The total number of shares of common stock available for issuance under the 2018 Plan is 6,000,000 plus the number of shares available for issuance under the 2011 Plan as of the effective date of the 2018 Plan.
- Shares of common stock underlying awards that are forfeited, cancelled or otherwise terminated and shares tendered or held back for taxes or to cover the exercise price of options under the 2018 Plan and the 2011 Plan will be added back to the reserve pool under the 2018 Plan. Shares of common stock repurchased on the open market will not be added back to the shares available for issuance under the 2018 Plan.
- Based on current grant practices, we currently expect that the 2018 Plan will provide the Compensation Committees with sufficient shares for grants through 2021.
- The 2018 Plan does not allow for acceleration of equity awards solely upon a change in control (also known as a "single trigger").
- Stock options and stock appreciation rights may not be repriced in any manner without stockholder approval.
- The 2018 Plan provides that, during any calendar year, the maximum value of awards made under the 2018 Plan and cash fees paid to any non-employee director shall not exceed $1,000,000.
- Any material amendment to the 2018 Plan is subject to approval of our stockholders.
- Unless sooner terminated, the 2018 Plan carries a 10-year term and will expire on June 21, 2028.

Summary of the 2018 Plan

The following description of certain features of the 2018 Plan is intended to be a summary only. The summary is qualified in its entirety by the full text of the 2018 Plan that is attached hereto as Appendix A.

Plan Administration. The 2018 Plan is administered by the Compensation Committees. The Compensation Committees have full power to select, from among the individuals eligible for awards, the individuals to whom awards will be granted, to make any combination of awards to participants, and to determine the specific terms and conditions of each award, subject to the provisions of the 2018 Plan. The Compensation Committees may delegate to an officer of TripAdvisor the authority to grant awards to employees who are not subject to the reporting and other provisions of Section 16 of the Exchange Act, subject to certain limitations and guidelines.

Eligibility. Persons eligible to participate in the 2018 Plan are the directors, officers, employees, and consultants of TripAdvisor and its subsidiaries or affiliates as selected from time to time by the Compensation Committees in their discretion. Approximately 3,200 individuals are currently eligible to participate in the 2018 Plan, which includes four executive officers, 3,188 employees who are not officers, and eight non-employee directors.

Plan and Individual Limits. No more than 7,000,000 shares in the aggregate may be issued in the form of incentive stock options. The 2018 Plan provides that the value of awards under the 2018 Plan and all other compensation paid by the Company to any non-employee director in any calendar year shall not exceed $1,000,000.

Types of Awards. The 2018 Plan allows for the grant of different types of awards including, but not limited to, options, stock appreciation rights, restricted stock, restricted stock units, other stock-based awards and bonus awards.

- *Options*. The 2018 Plan permits the granting of (1) options to purchase common stock intended to qualify as incentive stock options under Section 422 of the Code and (2) options that do not so qualify. To qualify as incentive options, options must meet additional federal tax requirements, including a $100,000 limit on the value of shares subject to incentive options that first become exercisable by a participant in any one calendar year. Options granted under the 2018 Plan will be non-qualified options if they fail to qualify as incentive options under Section 422 of the Code or exceed the annual limit on incentive stock options. The exercise price of each option will be determined by the Compensation Committees but may not be less than 100% of the fair market value of the common stock on the grant date. The term of each option will be fixed by the Compensation Committees and may not exceed ten years from the date of grant. Non-qualified options may be granted to any persons eligible to receive incentive options and to non-employee directors and consultants. The option exercise price of each option will be determined by the Compensation Committees but may not be less than 100% of the fair market value of the common stock on the date of grant. Fair market value for this purpose will be the last reported sale price of the shares of common stock on NASDAQ on the date immediately preceding the grant date. The exercise price of an option may not be reduced after the date of the option grant, other than to appropriately reflect changes in our capital structure.

  Options may be exercisable in installments and the exercisability of options may be accelerated by the Compensation Committees. Upon exercise of options, the option exercise price must be paid in full by certified or bank check or other instrument acceptable to the Compensation Committees or, if authorized at the time the option is granted, by delivery (or attestation to the ownership) of shares of common stock that are beneficially owned by the optionee. In addition, the Compensation Committees may permit options to be exercised using a net exercise feature which reduces the number of shares issued to the optionee by the number of shares with a fair market value equal to the exercise price.

- *Stock Appreciation Rights*. The Compensation Committees may award tandem or free-standing stock appreciation rights, subject to such conditions and restrictions as the Compensation Committees may determine. Stock appreciation rights entitle the recipient to shares of common stock, or cash, equal to the value of the appreciation in the stock price over the exercise price. The exercise price may not be less than the fair market value of the common stock on the date of grant and the term shall not exceed ten years from the grant date. The terms of the stock appreciation right (including whether the payment is made in common stock or cash) shall be determined by the Compensation Committees.

- *Restricted Stock*. The Compensation Committees may award shares of common stock to participants subject to such conditions and restrictions as the Compensation Committees may determine. These conditions and restrictions may include continued employment with TripAdvisor through a specified vesting period and/or the achievement of certain performance goals.

- *Restricted Stock Units*. The Compensation Committees may award restricted stock units to any participant. These units are ultimately payable in the form of shares of common stock, cash, or a combination of both and may be subject to such conditions and restrictions as the Compensation Committees may determine. As with restricted stock, these conditions and restrictions may include continued employment with TripAdvisor through a specified vesting period and/or the achievement of certain performance goals.

- *Other Stock-Based Awards*. The Compensation Committees may grant awards of common stock or other awards that are valued in whole or in part by reference to or are otherwise based upon or settled in common stock, including without limitation unrestricted stock, performance units, dividend equivalents and convertible debentures. Dividend equivalents to participants which entitle the recipient to receive credits for dividends that would be paid if the recipient had held specified shares of common stock. Dividend equivalents granted as a component of another award subject to performance vesting may be paid only if the related award becomes vested.

- *Bonus Awards*. The Compensation Committees may grant bonuses under the 2018 Plan to participants. The bonuses may be payable in cash or common stock and may be subject to the achievement of certain performance goals.

Change in Control Provisions. The 2018 Plan provides that, unless otherwise specified in the applicable award agreement, upon a participant's termination of employment within three months prior or 12 months following a change in control of the Company, other than for "cause" or "disability," or by the participant for "good reason" (as all such terms are defined in the 2018 Plan), for participants serving in the position of Vice President or above, any and all restricted stock and restricted stock units held by such participant will automatically vest and any and all stock options and stock appreciation rights held by such participant will automatically become fully exercisable and will remain exercisable until the later of (i) the last day on which such option or stock appreciation right is exercisable as specified in the applicable award agreement or (ii) the earlier of the first anniversary of the change in control and the expiration of the term of the option or stock appreciation right. The restrictions and conditions on all other awards will automatically be deemed waived. For the remaining participants, under such circumstances, only 50% of such participant's equity awards shall accelerate. In addition, the 2018 Plan provides that upon a participant's death any and all restricted stock and restricted stock units held by such participant will automatically vest and any and all stock options and stock appreciation held by such participant will automatically become fully exercisable and will remain exercisable until the earlier of (i) the first anniversary of the date of such death and (ii) the expiration of the term of such award.

Adjustments for Stock Dividends, Stock Splits, Etc. The 2018 Plan requires the Compensation Committees to make appropriate adjustments to the number of shares of common stock that are subject to the 2018 Plan, to certain limits in the 2018 Plan, and to any outstanding awards to reflect stock dividends, stock splits, extraordinary cash dividends and similar events.

Tax Withholding. Participants in the 2018 Plan are responsible for the payment of any federal, state or local taxes that TripAdvisor is required by law to withhold upon the exercise of options or stock appreciation rights or vesting of other awards. Subject to approval by the Compensation Committees, participants may elect to have the minimum tax withholding obligations satisfied by authorizing TripAdvisor to withhold shares of common stock to be issued pursuant to the exercise or vesting or by an arrangement whereby a certain number of shares of stock issued pursuant to an award are immediately sold and proceeds from such sale are remitted to TripAdvisor in an amount that would satisfy the withholding amount due. The Compensation Committees may also require awards to be subject to mandatory share withholding up to the required withholding amount.

Amendments and Termination. The Board of Directors may at any time amend, alter or discontinue the 2018 Plan and the Compensation Committees may unilaterally amend the terms of any award, prospectively or retroactively. However, no such action may materially impair rights of a participant with respect to a previously granted award without the participant's consent, except for such an amendment made to comply with applicable law (including without limitation Section 409A of the Code), stock exchange rules or accounting rules. In addition, no such amendment shall be made without stockholder approval to the extent such approval is required by applicable law or the listing standards of NASDAQ.

New Plan Benefits

Because the grant of awards under the 2018 Plan is within the discretion of the Compensation Committees, the Company cannot determine the dollar value or number of shares of common stock that will in the future be received by or allocated to any participant pursuant to the 2018 Plan. Accordingly, in lieu of providing information regarding benefits that will be received under the 2018 Plan, the following table provides information concerning the benefits that were received by the following persons and groups during 2017: each named executive officer; all current executive officers, as a group; all current directors who are not executive officers, as a group; and all current employees who are not executive officers, as a group.

	Options			Stock Awards		
Name and Position	**Average Exercise Price ($)**		**Number of Shares Subject to Awards**	**Dollar Value ($)(1)**		**Number of Shares or RSUs**
Stephen Kaufer, President and Chief Executive Officer	34.71		780,000	28,578,210		852,000
Ernst Teunissen, Senior Vice President, Chief Financial Officer and Treasurer	42.81		144,227	4,499,973		105,115
Seth Kalvert, Senior Vice President, General Counsel and Secretary	42.81		123,100	2,124,960		49,637
Dermot Halpin, President, Vacation Rentals and Attractions	42.81		98,920	6,299,893		138,993
All current executive officers, as a group	37.30	(2)	1,146,247	41,453,027	(3)	1,145,745
All current directors who are not executive officers, as a group	—	(2)	—	1,749,762	(3)	48,958
All current employees who are not executive officers, as a group	42.66	(2)	1,187,114	171,950,183	(3)	3,847,457

(1) The valuation of stock awards is based on the grant date fair value computed in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 718. We have disclosed the assumptions made in the valuation of the stock awards in "Note 4 - Stock Based Awards and Other Equity Based Instruments" in the notes to our consolidated financial statements in Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2017 (the "2017 Annual Report").

(2) Represents the weighted-average exercise price for the group.

(3) Represents the aggregate grant date fair value for the group.

Tax Aspects Under the Code

The following is a summary of the principal federal income tax consequences of certain transactions under the 2018 Plan. It does not describe all federal tax consequences under the 2018 Plan, nor does it describe state or local tax consequences.

Incentive Options. No taxable income is generally realized by the optionee upon the grant or exercise of an incentive option. If shares of common stock issued to an optionee pursuant to the exercise of an incentive option are sold or transferred after two years from the date of grant and after one year from the date of exercise, then (i) upon sale of such shares, any amount realized in excess of the option price (the amount paid for the shares) will be taxed to the optionee as a long-term capital gain, and any loss sustained will be a long-term capital loss, and (ii) the Company will not be entitled to any deduction for federal income tax purposes. The exercise of an incentive option will give rise to an item of tax preference that may result in alternative minimum tax liability for the optionee.

If shares of common stock acquired upon the exercise of an incentive option are disposed of prior to the expiration of the two-year and one-year holding periods described above (a "disqualifying disposition"), generally (i) the optionee will realize ordinary income in the year of disposition in an amount equal to the excess (if any) of the fair market value of the shares of common stock at exercise (or, if less, the amount realized on a sale of such shares of common stock) over the option price thereof, and (ii) we will be entitled to deduct such amount. Special rules will apply where all or a portion of the exercise price of the incentive option is paid by tendering shares of common stock.

If an incentive option is exercised at a time when it no longer qualifies for the tax treatment described above, the option is treated as a non-qualified option. Generally, an incentive option will not be eligible for the tax treatment described above if it is exercised more than three months following termination of employment (or one year in the case of termination of employment by reason of disability). In the case of termination of employment by reason of death, the three-month rule does not apply.

Non-Qualified Options. No income is realized by the optionee at the time the option is granted. Generally (i) at exercise, ordinary income is realized by the optionee in an amount equal to the difference between the option price and the fair market value of the shares of common stock on the date of exercise, and we receive a tax deduction for the same amount; and (ii) at disposition, appreciation or depreciation after the date of exercise is treated as either short-term or long-term capital gain or loss depending on how long the shares of common stock have been held. Special rules will apply where all or a portion of the exercise price of the non-qualified option is paid by tendering shares of common stock. Upon exercise, the optionee will also be subject to Social Security taxes on the excess of the fair market value over the exercise price of the option.

Other Awards. The Company generally will be entitled to a tax deduction in connection with an award under the 2018 Plan in an amount equal to the ordinary income realized by the participant at the time the participant recognizes such income. Participants typically are subject to income tax and recognize such tax at the time that an award is exercised, vests or becomes non-forfeitable, unless the award provides for a further deferral.

Parachute Payments. The vesting of any portion of an option or other award that is accelerated due to the occurrence of a change in control may cause a portion of the payments with respect to such accelerated awards to be treated as "parachute payments" as defined in the Code. Any such parachute payments may be non-deductible to the Company, in whole or in part, and may subject the recipient to a non-deductible 20% federal excise tax on all or a portion of such payment (in addition to other taxes ordinarily payable).

Limitation on Deductions. Under Section 162(m) of the Code, the Company's deduction for awards under the 2018 Plan may be limited to the extent that any "covered employee" (as defined in Section 162(m) of the Code) receives compensation in excess of $1 million a year.

Required Vote

We ask our stockholders to approve the TripAdvisor, Inc. 2018 Stock and Annual Incentive Plan. This proposal requires the affirmative vote of a majority of the voting power of the shares of TripAdvisor capital stock, present in person or represented by proxy, and entitled to vote thereon, voting together as a single class.

With respect to approval of the 2018 Plan, you may vote "FOR", "AGAINST" or "ABSTAIN". Abstentions will only be counted toward the tabulations of voting power present and entitled to vote on the 2018 Plan proposal and will have the same effect as votes against the proposal. Brokers do not have discretion to vote on the proposal to approve the 2018 Plan and broker non-votes will have no effect on the proposal.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" APPROVAL OF THE TRIPADVISOR, INC. 2018 STOCK AND ANNUAL INCENTIVE PLAN.

PROPOSAL 4:
ADVISORY VOTE ON COMPENSATION OF NAMED EXECUTIVE OFFICERS

Overview

We are required to provide our stockholders with an opportunity to approve, on an advisory basis, the compensation of our named executive officers, or NEOs. In recognition of the preference of our stockholders expressed at our 2012 annual meeting of stockholders, the Board holds "say on pay" advisory votes every three years. Consistent with this practice and SEC rules, we are asking our stockholders to approve, on an advisory basis, the compensation of our NEOs as disclosed in this Proxy Statement.

Our Board of Directors, with the Compensation Committees and senior management, is committed to designing an effective compensation program and recognizes that our stockholders have an interest in our executive compensation policies and practices. Our executive compensation program is designed to attract, retain and motivate highly skilled executives with the experience and acumen that management and the Compensation Committees believe are necessary to achieve our long-term business objectives. In addition, the executive compensation program is designed to reward short-term and long-term performance and to align the financial interests of executive officers with the interests of our stockholders by tying a significant portion of their compensation to our performance, thereby rewarding our executive officers for the creation of stockholder value.

Our last advisory vote on the compensation of our NEOs was held at our 2015 annual meeting of stockholders. At that meeting, stockholders representing approximately 86% of the votes cast on the NEO compensation proposal approved, on an advisory basis, the compensation of our NEOs as disclosed in our proxy statement for that meeting. Since then, our Compensation Committees have made modifications to our executive compensation program specifically to address concerns raised by our stockholders, the recommendations of major proxy advisory firms, the practices of companies in our peer group and the views of our compensation consultant. We have adopted features and policies that we believe ensure promotion of stockholders' interests and strong corporate governance, including, but not limited to, the following:

- Greater portions of compensation that are incentive based, or "at-risk", as described in more detail in the section entitled "Compensation Discussion and Analysis";
- Increased focus on structuring annual bonus and equity awards so that payouts are tied to the achievement of financial targets and strategic objectives;
- Equity awards are subject to a "clawback" policy;
- Robust executive stock ownership guidelines;
- Amendment of our stock plan to prohibit acceleration of equity awards upon a "single trigger" and to provide for "double trigger" arrangements in our change in control provisions and severance arrangements;
- A policy that prohibits hedging, or hedging against losses, of TripAdvisor securities; and
- Provisions in our equity plans that prohibit repricing of stock options without stockholder approval.

We will continue to evaluate ways to ensure that our executive compensation programs compensate our NEOs for performance that furthers our business strategy and initiatives, competitive performance, sound corporate governance principles and stockholder value and return. We will continue to seek to align our

NEOs' incentive compensation opportunities to the achievement of short-term and long-term performance objectives that are directly aligned with the interest of our stockholders.

Required Vote

We are asking for stockholder approval, on an advisory basis, of the compensation of our NEOs as disclosed in this Proxy Statement, which include the disclosures in the "Executive Compensation" and "Compensation Discussion and Analysis" sections, the compensation tables and the narrative discussion following the compensation tables. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our NEOs and the policies and practices described in this Proxy Statement.

Generally, approval of any matter presented to stockholders requires the affirmative vote of a majority of the voting power of the shares of our capital stock, present in person or represented by proxy, and entitled to vote thereon, voting together as a single class. This vote is advisory and therefore not binding on TripAdvisor, the Compensation Committees, or the Board of Directors. However, the Board and the Compensation Committees value the opinions TripAdvisor's stockholders express in their votes and will review the voting results and take them into consideration as they deem appropriate when making future decisions regarding our executive compensation program.

With respect to the advisory vote on the compensation of our NEOs, you may vote "FOR", "AGAINST" or "ABSTAIN". Abstentions will be counted toward the tabulations of voting power present and entitled to vote on this proposal and will have the same effect as votes against the proposal. Brokers do not have discretion to vote on the proposal regarding TripAdvisor's executive compensation and broker non-votes will have no effect on the proposal.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" APPROVAL OF THE COMPENSATION OF TRIPADVISOR, INC.'S NAMED EXECUTIVE OFFICERS AS DISCLOSED IN THIS PROXY STATEMENT.

PROPOSAL 5:
ADVISORY VOTE ON THE FREQUENCY OF FUTURE ADVISORY RESOLUTIONS TO APPROVE THE COMPENSATION OF TRIPADVISOR'S NAMED EXECUTIVE OFFICERS

Overview

Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, this proposal, commonly known as a "say on frequency" proposal, enables our stockholders to vote, on an advisory or non-binding basis, on how frequently they would like to vote on future advisory resolutions to approve the compensation of our NEOs. By voting on this proposal, stockholders may indicate whether they would prefer an advisory vote on NEO compensation every one, two or three years. At the 2012 annual meeting of stockholders, our stockholders determined to hold a vote, on an advisory basis, to approve the compensation of our NEOs every three years; however, the SEC rules require that stockholders vote on this proposal no less frequently than every six years. In light of our stockholders' prior stated preference, as expressed in the 2012 vote, our Board of Directors recommends that stockholders vote for a three-year interval for future advisory votes on the compensation of our NEOs.

In formulating its recommendation, our Board considered that a triennial vote on an advisory resolution to approve the compensation of our NEOs is a reasonable frequency, as it is more in line with the long-term nature of our equity compensation horizon and because it would allow for an appropriate interval between the vote and an opportunity to evaluate our consideration of the results of the prior vote, thereby enabling our stockholders to assess the impact of our NEO compensation policies and decisions.

Required Vote

We ask our stockholders to vote for, on an advisory basis, a 3-year interval for future advisory resolutions to approve the compensation of our NEOs. Generally, approval of any matter presented to stockholders requires the affirmative vote of a majority of the voting power of the shares of our capital stock, present in person or represented by proxy, and entitled to vote thereon, voting together as a single class. Although this vote will not be binding on TripAdvisor or the Board of Directors, the Board of Directors will take into account the outcome of this vote in making a determination on the frequency at which we will include future advisory resolutions to approve the compensation of our NEOs in future proxy statements.

With respect to the interval for future advisory resolutions, you may vote for "1 YEAR", "2 YEARS", "3 YEARS" or "ABSTAIN". Abstentions will be counted toward the tabulations of voting power present and entitled to vote at the meeting but will have the effect of a vote not cast on the specific proposal. Brokers do not have discretion to vote on the proposal regarding the frequency of our NEO compensation proposal and broker non-votes will have no effect on the proposal.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE TO HOLD FUTURE ADVISORY VOTES TO APPROVE THE COMPENSATION OF TRIPADVISOR, INC.'S NAMED EXECUTIVE OFFICERS EVERY "THREE YEARS."

Overview

This Compensation Discussion and Analysis describes TripAdvisor's executive compensation program as it relates to the following NEOs for fiscal 2017.

Name	Position
Stephen Kaufer	President and Chief Executive Officer
Ernst Teunissen	Senior Vice President, Chief Financial Officer and Treasurer
Seth J. Kalvert	Senior Vice President, General Counsel and Secretary
Dermot M. Halpin	President, Vacation Rentals and Attractions

The Board of Directors has a Compensation Committee and a Section 16 Committee that together have primary responsibility for establishing the compensation of our named executive officers.

Executive Summary and 2017 Business Highlights

We have a pay for performance philosophy that guides all aspects of our compensation decisions. For example:

- annual salary increases are tied to individual performance and business performance over the previous fiscal year;
- annual incentive compensation is structured so that payouts are tied to the achievement of financial targets and require year-over-year improvement in revenue or share price;
- long-term incentive compensation is structured so that target equity award values are linked to individual and business performance, while realized values are tied to our share price; and
- the interests of our named executive officers are aligned with those of our stockholders through the granting of a substantial portion of compensation in equity awards with multi-year vesting requirements.

In fiscal 2017, we took important steps to position our company for long-term growth by investing in areas such as content, product development, supply growth and online and offline marketing. We also continued to diversify our consumer product offering by strengthening our leadership positions in Attractions and Restaurants. In 2017, the Company was able to achieve the following:

- 600 million user-generated reviews and opinions, or 29% growth year-over-year at December 31, 2017, covering approximately 1.2 million hotels, inns, B&Bs and specialty lodging, 750,000 vacation rentals, 4.6 million restaurants and 915,000 attractions, including tours and activities;
- Average monthly unique visitors on TripAdvisor-branded websites and applications grew 17% in Q4 2017 and grew to 455 million during the third quarter of 2017, the Company's seasonal peak;
- Average monthly unique hotel shopper growth of 7% year-over-year, according to internal log files;
- Launched a refreshed brand and hotel shopping user experience as well as a new brand advertising campaign focused on helping users find and book the best hotel prices;

- Full year 2017 consolidated revenue of approximately $1.6 billion, or 5% growth compared to 2016; Hotel segment revenue of approximately $1.2 billion, or 1% growth compared to 2016; Non-Hotel segment revenue of $360 million, or 24% growth compared to 2016; and

- Full year 2017 Non-Hotel segment adjusted EBITDA* of $45 million, and full year 2017 Non-Hotel segment adjusted EBITDA margin of 13%, up from negative $28 million, or negative 10% adjusted EBTIDA margin, in 2016.

**Adjusted EBITDA is a non-GAAP financial measure. Please refer to our 2017 Annual Report for a reconciliation of Adjusted EBITDA to Net Income, the most directly comparable financial measure calculated and presented in accordance with U.S. Generally Accepted Accounting Principles.*

In addition to strong content, community and supply growth, senior management continued to focus on product enhancements and improving the traveler experience throughout the travel journey. We believe these enhancements will continue to position the Company for long-term growth.

Compensation Program Objectives

Our compensation program is designed to attract, motivate and retain highly skilled employees with the business experience and acumen that management and the Compensation Committees believe are necessary for achievement of our long-term business objectives and to ensure that the compensation provided to these employees remains competitive with the compensation paid to similarly situated employees at comparable companies. The compensation program is also designed so that it does not encourage our named executive officers to take unreasonable risks relating to our business. In addition, the compensation program is designed to reward both short-term and long-term performance and to align the financial interests of our named executive officers with the interests of our stockholders.

Management and the Compensation Committees evaluate both performance and compensation levels to ensure that we maintain our ability to attract and retain outstanding employees. To that end, management and the Compensation Committees believe the executive compensation packages provided by TripAdvisor to our named executive officers should include both cash and equity-based compensation.

Roles and Responsibilities

Role of the Compensation and Section 16 Committees

The Compensation Committee is appointed by the Board of Directors and consists entirely of directors who are “outside directors” for purposes of Section 162(m) of the Code. The Compensation Committee currently consists of Ms. Singh Cassidy and Messrs. Maffei, Hoag and Nishar, with Ms. Singh Cassidy acting as Chairperson of the Compensation Committee. The Compensation Committee is responsible for (i) designing and overseeing our compensation with respect to our executive officers, including salary matters, bonus plans and stock compensation plans; and (ii) approving all grants of equity awards, but excluding matters governed by Rule 16b-3 under the Exchange Act (for which the Section 16 Committee has responsibility as described below). Notwithstanding the foregoing, the Compensation Committee has delegated to the Chief Executive Officer of the Company authority to grant certain types of equity awards, subject to certain limitations, to employees other than executive officers.

The Section 16 Committee is also appointed by the Board of Directors and consists entirely of directors who are “non-employee directors” for purposes of Rule 16b-3 under the Exchange Act. The Section 16 Committee currently consists of Ms. Singh Cassidy and Messrs. Hoag and Nishar. The Section 16 Committee is responsible for administering and overseeing matters governed by Rule 16b-3 under the Exchange Act, including approving grants of equity awards to our named executive officers. Ms. Singh Cassidy is also the Chairperson of the Section 16 Committee.

Role of Executive Officers

Management participates in reviewing and refining our executive compensation program. Mr. Kaufer, our President and Chief Executive Officer, annually reviews the performance of TripAdvisor and each named executive officer other than himself with the Compensation Committees and makes recommendations with respect to the appropriate base salary, annual bonus and grants of equity awards for each named executive officer, other than in connection with compensation for himself. Based in part on these recommendations and the other factors discussed below, the Compensation Committees review and approve the annual compensation package of each named executive officer.

Role of Compensation Consultant

Pursuant to the Compensation Committee and Section 16 Committee Charter, the Compensation Committees may retain compensation consultants for the purpose of assisting the Compensation Committees in their evaluation of the compensation for our named executive officers. In 2017, the Compensation Committees retained Compensia, Inc. ("Compensia"), a management consulting firm providing executive compensation advisory services to compensation committees and senior management, to assist in an evaluation of TripAdvisor's compensation peer group, to use the compensation peer group to compile and analyze competitive compensation market data for our named executive officers, to advise on matters related to our long-term incentive compensation structure and to evaluate equity compensation programs generally. The compensation consultant also consults with the Compensation Committees about director compensation. The Compensation Committees consider input from their compensation consultant as one factor in making decisions with respect to compensation matters, along with information and analysis they receive from management and their own judgment and experience.

Based on consideration of the factors set forth in the rules of the SEC and NASDAQ, the Compensation Committees have determined that their relationship with Compensia and the work performed by Compensia on behalf of the Compensation Committees have not raised any conflict of interest. In addition, in compliance with the Compensation Committee and Section 16 Committee Charter, the Compensation Committees approved the fees paid to Compensia for work performed in 2017, which fees amounted to approximately $179,000.

Role of Stockholders

TripAdvisor provides its stockholders with the opportunity to cast an advisory vote to approve the compensation of our named executive officers every three years. In evaluating our 2017 executive compensation program, the Compensation Committees considered the result of the stockholder advisory vote on our executive compensation (the "say-on-pay vote") held at our Annual Meeting of Stockholders on June 18, 2015, which was approved by approximately 85% of the votes cast. Although stockholders expressed strong support for our executive compensation program in the last say-on-pay vote, since then, our Board of Directors has made modifications to our executive compensation program specifically to address concerns raised by some of our stockholders as well as based on the recommendations of major proxy advisory firms, the practices of companies in our peer group and the views of our compensation consultant. The Compensation Committees will continue to consider the outcome of the say-on-pay vote when making future compensation decisions for our named executive officers.

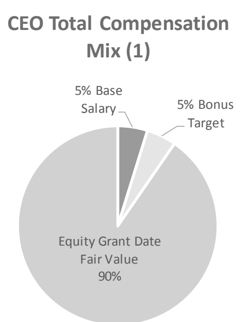
We have historically held a say-on-pay vote every three years. At the Annual Meeting, stockholders will consider and vote upon the frequency of future say-on-pay votes. Although such vote is advisory and non-binding on TripAdvisor and our Board of Directors, the Board will take into account the outcome of this vote in making a determination on the frequency of future say-on-pay votes.

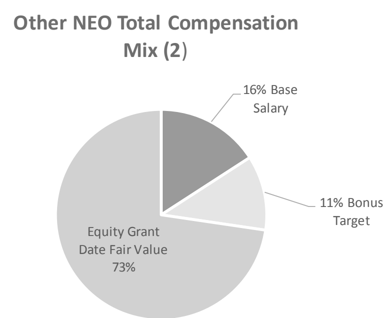
Compensation Program Elements

General

The primary elements of our executive compensation program are base salary, an annual cash bonus and long-term incentive compensation in the form of equity awards. Generally, the Compensation Committees review these elements in the first quarter of each year in light of business and individual performance, recommendations from management and other relevant information, including prior compensation history and outstanding long-term incentive compensation arrangements. Management and the Compensation Committees believe that there are multiple, dynamic factors that contribute to success at an individual and business level. Management and the Compensation Committees have, therefore, refrained from adopting strict formulas and have relied primarily on a discretionary approach that allows the Compensation Committees to set executive compensation levels on a case-by-case basis, taking into account all relevant factors.

The following chart illustrates the composition of the target total direct compensation for the Chief Executive Officer and for the other current named executive officers between base salary, short term and long-term compensation. All elements of compensation are considered to be performance-based, or “at-risk”, with the exception of base salary.

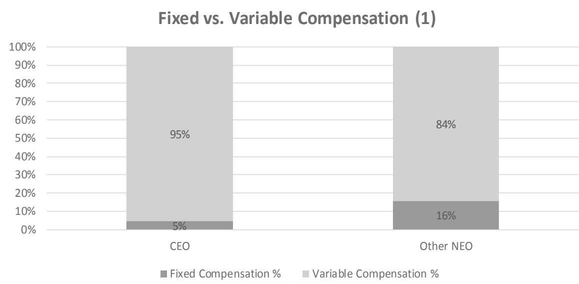


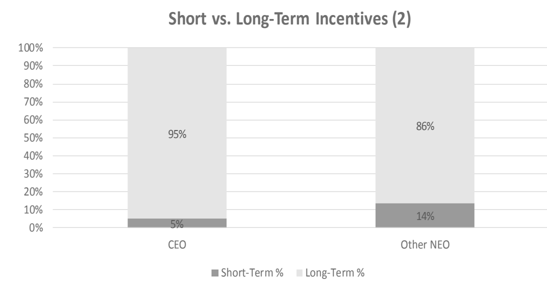


(1) CEO Total Compensation consists of 2017 annualized base salary, 2017 annual bonus target, the grant date fair-value of his 2013 and 2017 equity grants prorated for the portion of service period attributed to 2017 and the incremental expense associated with the modification in 2017 of a stock option originally granted in 2013.

(2) Other NEO Total Compensation is defined as 2017 annualized base salary, 2017 annual bonus target, and the 2017 grant date value of annual equity awards as disclosed in the Summary Compensation Table. The Other NEO Total Compensation Mix chart reflects the average Total Compensation of Messrs. Teunissen, Kalvert and Halpin.

One of the primary objectives of our compensation philosophy is to design pay opportunities that align with our performance and result in strong long-term value creation for our stockholders. The significant weighting of long-term incentive compensation ensures that our named executive officers' primary focus is sustained long-term performance, while our short-term incentive compensation motivates consistent annual achievement. The following chart illustrates the percentage of compensation which is fixed versus variable and the allocation between short and long-term compensation.





(1) For our CEO and Other NEOs, Fixed Compensation consists solely of 2017 annualized base salary. For our CEO, Variable Compensation consists of 2017 annual bonus target and the grant date fair-value of the CEO's 2013 and 2017 equity grants prorated for the portion of service period attributed to 2017 and the incremental expense associated with the modification of the option granted in 2013. For Other NEOs, Variable Compensation consists of 2017 annual bonus target and the 2017 grant date value of annual equity awards as disclosed in the Summary Compensation Table. Other NEO compensation also reflects the compensation averages for Messrs. Teunissen, Kalvert, and Halpin.

(2) For our CEO and Other NEOs, short-term incentive compensation consists of 2017 annual bonus. For our CEO, long-term incentive compensation consists of grant date fair-value of the CEO's 2013 and 2017 equity grants prorated for the portion of service period attributed to 2017. For Other NEOs, long-term incentive compensation is defined as grant date value of annual equity awards as disclosed in the Summary Compensation Table. Other NEO compensation reflects the compensation averages for Messrs. Teunissen, Kalvert, and Halpin.

Following recommendations from management or based on other considerations, the Compensation Committees may also adjust compensation for specific individuals at other times during the year when there are significant changes in responsibilities or under other circumstances that the Compensation Committees consider appropriate.

Base Salary

Base salary represents the fixed portion of a named executive officer's compensation and is intended to provide compensation for expected day-to-day performance. A named executive officer's base salary is initially determined upon hire or promotion based on a number of factors including, but not limited to, his or her responsibilities, prior experience, and salary levels of other executives within TripAdvisor. Base salary is typically reviewed annually, at which time management makes recommendations to the Compensation Committees based on consideration of a variety of factors including, but not limited to, the following:

- the named executive officer's total compensation relative to other executives in similarly situated positions;
- his or her individual performance relative to performance goals established between our President and Chief Executive Officer and the named executive officer;
- his or her responsibilities, prior experience, and individual compensation history, including any non-standard compensation;
- the terms of his or her employment agreement, if any;
- competitive compensation market data, when available;
- general economic conditions; and
- the recommendations of the President and Chief Executive Officer (other than in connection with his own compensation).

After careful consideration of the factors discussed above with respect to each of the named executive officers, the Compensation Committees approved 2017 salary changes for our named executive officers. The table below describes, for each named executive officer, the 2016 base salary, the base salary increase and the 2017 base salary.

Name		2016 (1)		Annual Salary (Increase / Decrease)		2017 (2)
Stephen Kaufer	$	700,000	$	—	$	700,000
Ernst Teunissen	$	425,000	$	14,875	$	439,875
Seth Kalvert	$	425,000	$	14,875	$	439,875
Dermot M. Halpin	$	400,000	$	30,000	$	430,000

(1) Reflects the base salary of the executive effective as of December 31, 2016.

(2) Reflects the base salary of the executive effective December 31, 2017. For Mr. Teunissen and Mr. Kalvert, reflects pay changes effective February 27, 2017. For Mr. Halpin, reflects pay changes of $14,000 effective February 27, 2017 and $16,000 effective May 9, 2017.

Adjustments were made to the annual base salaries of the named executive officers, primarily in acknowledgement of the extent to which they had achieved their individual performance goals and in response to the analysis provided by Compensia on competitive compensation market data for executive officers within our peer group in comparable positions.

Annual Bonuses

Annual bonuses are awarded to recognize and reward each named executive officer's annual contribution to Company performance. Unless otherwise provided by the provisions of his or her employment agreement, the target annual bonus opportunities for our named executive officers are generally established by the Compensation Committees, based on competitive market data and recommendations by the President and Chief Executive Officer (other than in connection with his own compensation).

In February 2018, management recommended bonuses with respect to calendar year 2017 for each of our named executive officers after taking into account a variety of factors including, but not limited to, the following:

- TripAdvisor's business and financial performance, including year-over-year performance;
- TripAdvisor's performance against strategic initiatives;
- the named executive officer's target bonus opportunity, if any;
- his or her individual performance;
- the overall funding of the bonus pool;
- the amount of bonus relative to other TripAdvisor employees;
- general economic conditions; and
- the recommendations of the President and Chief Executive Officer (other than in connection with his own compensation).

Annual incentive bonuses awarded to our named executive officers for 2017 were subject to the achievement of performance goals relating either to stock price performance or revenue, one of which was satisfied. These performance goals were designed to permit TripAdvisor to deduct all named executive officer compensation for 2017 in accordance with Section 162(m) of the Code. Specifically, the bonuses awarded to our named executive officers in 2017 were subject to the satisfaction of one of the following performance goals:

- The revenues of TripAdvisor in fiscal 2017 must be greater than revenues in fiscal 2016, excluding the benefit of any acquisitions by TripAdvisor during this period; or

- The closing price per share of TripAdvisor common stock as reported on NASDAQ shall be at least 5% higher than the closing price of TripAdvisor's common stock on February 3, 2017, which was $51.96 per share, on any 30 trading days during the period beginning February 3, 2017 and ending December 31, 2017 (such days not necessarily consecutive), taking into account any Share Change or Corporate Transaction (each as defined in the 2011 Plan).

In general, these performance goals reflect the minimally acceptable Company performance that must be achieved for bonuses to be awarded to our named executive officers, but with respect to which there is substantial uncertainty when established. The Compensation Committees may exercise negative discretion in making the annual bonus awards. As a result, while performance targets were used in setting compensation under this plan, ultimately the levels of those targets and the Compensation Committees' use of negative discretion typically result in the award of compensation as if the annual incentive plan were operating as a discretionary plan.

After consideration of the factors discussed above (including confirmation of satisfaction of the revenue performance goal established for the Company (and described above) and individual performance goals established between our President and Chief Executive Officer and the named executive officers), the Compensation Committees awarded 2017 bonuses to our NEOs. The table below describes, for each named executive officer, the target bonus for 2017, the actual bonus paid and percentage of bonus paid relative to target.

Name	Target Bonus as % of Base Salary	Target Bonus	Bonus Award	Percentage of Award to Target
Stephen Kaufer	100%	$ 700,000	$ 350,000	50%
Ernst Teunissen	75%	$ 329,906	$ 286,670	87%
Seth Kalvert	67%	$ 294,716	$ 254,619	86%
Dermot M. Halpin	75%	$ 322,500	$ 600,000	186%

After consideration of the views of our stockholders, the practices of other companies in our peer group and the recommendation of our compensation consultant, the Compensation Committees have determined that in 2018, annual incentive bonuses awarded to our named executive officers for 2018 will be subject primarily to the achievement of performance goals relating to a combination of revenue and Adjusted EBITDA for the entire company or for specific business units, as appropriate.

Equity Awards

The Compensation Committees use equity awards to align executive compensation with our long-term performance. Equity awards link compensation to financial performance because their value depends on TripAdvisor's share price. Equity awards are also an important retention tool because they generally vest over a multi-year period, subject to continued service by the award recipient.

Equity awards are typically granted to our named executive officers upon hire or promotion and annually thereafter. Management generally recommends annual equity awards in the first quarter of each year when the Compensation Committees meet to make determinations regarding annual bonuses for the last completed fiscal year and to set compensation levels for the current fiscal year. The practice of the Compensation Committees is to generally grant equity awards to our named executive officers only in open trading windows.

Typically, equity awards have been in the form of awards of RSUs and/or options to purchase shares of TripAdvisor common stock or some combination of the two. Stock options have an exercise price equal to the market price of TripAdvisor common stock on the date of grant, and, therefore, provide value to our named executive officers only if our stock price increases. Stock options generally vest over a period of four years. We believe stock options incentivize our named executive officers to sustain increases in stockholder value over extended periods of time. RSUs are a promise to issue shares of our common stock in the future provided that the named executive officer remains employed with us through the award's vesting period. RSUs generally vest over a period of four years. RSUs provide the opportunity for capital accumulation and long-term incentive value and are intended to assist in satisfying our retention objectives.

The Compensation Committees review various factors considered by management when they establish TripAdvisor's equity award grant pool including, but not limited to, the following:

- TripAdvisor's business and financial performance, including year-over-year performance;
- dilution rates, taking into account projected headcount growth and employee turnover;
- equity compensation utilization by peer companies;
- general economic conditions; and
- competitive compensation market data regarding award values.

For specific awards to our named executive officers, management makes recommendations to the Section 16 Committee based on a variety of factors including, but not limited to, the following:

- TripAdvisor's business and financial performance, including year-over-year performance;
- individual performance and future potential of the executive;
- the overall size of the equity award pool;
- award value relative to other TripAdvisor employees;
- the value of previous awards and amount of outstanding unvested equity awards;
- competitive compensation market data, to the degree that the available data is comparable; and
- the recommendations of the President and Chief Executive Officer (other than in connection with his own compensation).

After review and consideration of the recommendations of management and the President and Chief Executive Officer (other than with respect to awards for himself), the Section 16 Committee decides whether to grant equity awards to our named executive officers. After consideration of the factors discussed above, in February 2017 the Section 16 Committee granted the equity awards described below to our NEOs other than Mr. Kaufer in connection with our annual equity awards program.

Name	Grant Date Fair Value	Number of Stock Options	Number of RSUs
Ernst Teunissen	$ 1,999,998	—	46,718
Seth Kalvert	$ 1,499,725	43,776	17,519
Dermot M. Halpin	$ 2,499,527	72,960	29,198

Each of the equity awards described above vests in four equal annual installments commencing on February 15, 2018. The stock options are exercisable at a price of $42.81 per share, the closing price of our common stock on the date of grant.

While we typically make annual equity grants for long-term incentive compensation to our executive officers in February of each year, Mr. Kaufer has not historically received annual grants and, instead, received a significant equity grant for long-term incentive compensation in August 2013, referred to as the 2013 CEO Award, and another in November 2017, referred to as the 2017 CEO Award. The table below reflects the equity grant made in November 2017. The Section 16 Committee has indicated that it does not currently contemplate that Mr. Kaufer would be eligible for another equity grant for long-term incentive compensation until August 2021.

In addition, in February 2017, after consultation with our compensation consultant and evaluation of the equity holdings of executive officers of other companies in our peer group, the Section 16 Committee determined it was appropriate to authorize a special engagement grant to certain of our senior leaders in order to ensure their continued retention and engagement. The engagement grant was designed to place recipients within approximately the 50th percentile of the holdings of similarly situated employees in our peer group. Moreover, in May 2017, after Mr. Halpin agreed to assume responsibility for our Attractions business unit, the Section 16 Committee determined it was appropriate to authorize a promotion grant to Mr. Halpin. As a result, in 2017, the Section 16 Committee granted the equity awards described below to Messrs. Kaufer, Teunissen, Kalvert and Halpin, not in connection with our long-term incentive program, but as special, one-time engagement grants and, in the case of Mr. Halpin, an additional promotion grant.

Name	Grant Date Fair Value	Number of Stock Options	Number of RSUs
Stephen Kaufer	$ 42,097,482	780,000	852,000
Ernst Teunissen	$ 4,998,936	144,227	58,397
Seth Kalvert	$ 2,749,385	79,324	32,118
Dermot M. Halpin	$ 5,499,725	25,960	109,795

The 2017 CEO Award granted to Mr. Kaufer was a combination of time-based restricted stock units, time-based stock options and performance-based restricted stock units and is described in more detail in the “Executive Compensation – Grants of Plan-Based Awards” section below. The engagement awards to Messrs. Teunissen, Kalvert and Halpin vest in four equal annual installments commencing on June 15, 2018. The promotion award to Mr. Halpin vests in three equal annual installments commencing on December 31, 2017. The vesting terms are described in more detail in the “Executive Compensation – Grants of Plan Based Awards” section below.

Employee Benefits

In addition to the primary elements of compensation described above, our named executive officers also participate in employee benefits programs available to our employees generally, including the TripAdvisor Retirement Savings Plan. Under this plan, TripAdvisor matches 50% of each dollar contributed by a participant, up to the first 6% of eligible compensation, subject to tax limits. Prior to his relocation from the United Kingdom to the United States, Mr. Halpin participated in our UK pension scheme, pursuant to which we match 100% of participant contributions, up to the first 5% of eligible compensation. Following his relocation to the United Stated, Mr. Halpin was eligible for the benefits described above with respect to the TripAdvisor Retirement Savings Plan.

In addition, we provide other benefits to our named executive officers on the same basis as all of our domestic employees generally. These benefits include group health (medical, dental, and vision) insurance, group disability insurance, and group life insurance.

In situations where a named executive officer is required to relocate, TripAdvisor also provides relocation benefits, including reimbursement of moving expenses, temporary housing and other relocation expenses as well as a tax gross-up payment on the relocation benefits. In 2015, Mr. Halpin relocated from the United Kingdom to our corporate headquarters in Needham, Massachusetts and received such relocation support as disclosed in the Summary Compensation Table. In connection with Mr. Halpin's relocation to the United States, the Company and Mr. Halpin entered into a new employment arrangement providing for, among other things, the payment of Mr. Halpin's compensation in U.S. Dollars. Pursuant to that new employment arrangement, the Company also agreed to reimburse Mr. Halpin for fees and expenses associated with the preparation of his 2016 and 2017 tax returns and a personal travel allowance of $20,000 per year as well as a tax gross-up payment on the personal travel benefits.

TripAdvisor sponsors a Global Personal Travel Reimbursement program generally available to all employees, including our named executive officers, that provides for reimbursement of up to $750 per year for qualifying leisure travel and also provides all employees, including our NEOs, an annual holiday bonus in 2015 and 2016 in the form of a gift card as well as a tax gross-up payment on the value of the gift card.

Compensation-Related Policies

Executive Compensation Recovery, or "Clawback", Provisions

TripAdvisor has an executive compensation recovery, or clawback, provision in our form of award agreements providing for recoupment of equity compensation. Each of TripAdvisor's equity award documents provides that in the event an employee is terminated for Cause (as defined in the 2011 Plan and below) or resigns within two years after any event or circumstance that would have been grounds for termination of employment for Cause, then the employee agrees that certain equity securities issued to such employee (whether or not vested) may be forfeited and cancelled in their entirety upon such termination of employment. In such event, TripAdvisor may cause the employee to either (i) return the equity securities or shares of common stock issued upon exercise or vesting of such securities, or (ii) pay to TripAdvisor an amount equal to the aggregate amount, if any, that the employee had previously realized in respect of any and all shares of common stock acquired upon exercise or vesting of such equity awards.

We intend to adopt a general clawback policy covering our annual and long-term incentive award plans and arrangements or amend our existing documents once the SEC adopts final rules implementing the requirement of Section 954 of the Dodd-Frank Act.

Insider Trading and Hedging Policy

TripAdvisor has adopted an Insider Trading Policy covering our directors, officers, employees and consultants that is designed to ensure compliance with relevant SEC regulations, including insider trading rules. TripAdvisor's Insider Trading Policy also prohibits directors, officers, employees and consultants from engaging in various types of transactions in which they may profit from short-term speculative swings in the value of TripAdvisor securities. These transactions include "short sales" (or selling borrowed securities which the sellers hopes can be purchased at a lower price in the future), "put" and "call" options (or publicly available rights to sell or buy securities within a certain period of time at a specified price or the like) and hedging transactions, such as zero-cost collars and forward sale contracts. The policy also prohibits the pledge or use of company securities as collateral in a margin account or collateral for a loan.

Stock Ownership Guidelines

In October 2015, the Board of Directors adopted guidelines which require that our named executive officers and members of our Board own shares of our common stock to further align their interests with those of our stockholders. These guidelines require that our named executive officers and directors must directly hold securities having market or intrinsic value which is equal to or greater than a specified multiple of his or her base salary or cash retainer, as set forth below:

- For our President and Chief Executive Officer, four times his annual base salary;
- For all other named executive officers, two times his or her annual base salary; and
- For each non-employee director, three times his or her annual cash retainer.

For purpose of these calculations, 100% of shares of common stock and 50% of vested "in-the-money" stock options are counted. Individuals subject to these guidelines are required to achieve the relevant ownership threshold on or before the later of December 31, 2020 or five years after commencing service.

These stock ownership guidelines were established after consideration of the Compensation Committees' review of market practices of other companies in the Company's peer group with respect to stock ownership guidelines and in an effort to enhance risk mitigation and to more closely align the interests of the Company's executive officers and Board members with those of the Company's stockholders.

Code of Business Conduct and Ethics

In April 2018, our Board of Directors adopted an amended and restated Code of Business Conduct and Ethics applicable to all of our directors, officers, employees, consultants and independent contractors. A copy of the Code of Business Conduct and Ethics is posted on our website at http://ir.tripadvisor.com/index.cfm.

Role of Competitive Compensation Market Data

Management considers multiple data sources when reviewing compensation information to ensure that the data reflects compensation practices of relevant companies in terms of size, industry and geographic location. Among other factors, management considers the following information in connection with its recommendations to the Compensation Committees regarding compensation for our named executive officers:

- Data from salary and equity compensation surveys that include companies of a similar size, based on market capitalization, revenues and other factors; and
- Data regarding compensation for certain executive officer positions from recent proxy statements and other SEC filings of peer companies, which include: (i) direct industry competitors, and (ii) non-industry companies with which TripAdvisor commonly competes for talent (including both regional and national competitors).

The Compensation Committees retained Compensia to periodically review the compensation peer group and to recommend possible changes. Our business model is specialized in that we use our innovative technology systems and software to attract users and then facilitate transactions between our business partners and those users. Accordingly, Compensia identified comparable companies focusing on publicly-traded companies in the business to consumer ("B2C") and software industries.

In November 2016, based on input from Compensia, the Compensation Committees approved the peer group for purposes of reviewing our executive officers' 2017 base salaries, 2017 annual bonus targets and 2017 equity awards. In November 2017, based on input from Compensia, the Compensation Committees approved the peer group for purposes of reviewing and considering our executive officers' 2018 base salaries, 2018 annual bonus targets, and 2018 equity awards. The newly-approved peer group differed from the prior peer group in that we eliminated two companies (LinkedIn and NetSuite) that were acquired and are no longer public companies and added two companies (GrubHub and Zynga) to more closely align with TripAdvisor's revenues while also positioning TripAdvisor near the 50th percentile of market capitalization.

Following is a list of the companies currently constituting our peer group:

B2C Internet Companies	Software Companies
Booking Holdings, Inc.	Akamai Technologies, Inc.
Expedia, Inc.	ANSYS, Inc.
Groupon, Inc.	Citrix Systems, Inc.
GrubHub	RedHat, Inc.
IAC/InterActiveCorp.	Splunk, Inc.
Match Group	VeriSign, Inc.
Pandora Media, Inc.	
Shutterfly, Inc.	
Twitter, Inc.	
Wayfair, Inc.	
Yelp, Inc.	
Zillow Group	
Zynga	

When available, management and the Compensation Committees consider competitive market compensation paid by peer group companies but do not attempt to maintain a certain target percentile within the compensation peer group or otherwise rely solely on such data when making recommendations to the Compensation Committees regarding compensation for our named executive officers. Management and the Compensation Committees strive to incorporate flexibility into our executive compensation program and the assessment process to respond to and adjust for the evolving business environment and the value delivered by our named executive officers.

Post-Employment Compensation

The Company has entered into employment agreements with each of Messrs. Kaufer, Kalvert and Teunissen and an offer letter with Mr. Halpin. In November 2017, the Company entered into an amendment to each of Mr. Kaufer's and Mr. Teunissen's employment agreements and in February 2018 the Company entered into an amendment to Mr. Kalvert's employment agreement. Pursuant to these agreements, each of our named executive officers is eligible to receive certain severance payments and benefits in the event of a qualifying termination of employment. The material terms of these employment agreements are described below under the heading "Potential Payments Upon Termination or Change in Control."

We believe that a strong, experienced management team is essential and in the best interests of our company and our stockholders. In addition, we recognize that the possibility of a change in control could arise and that such an event could result in the departure of our senior leaders to the detriment of the company and our stockholders. As a result, in 2017 we adopted a severance plan applicable to certain senior leaders (the "Severance Plan"). The Severance Plan formalizes and standardizes our severance practices for certain of our senior leaders. Adoption of the Severance Plan was approved by the Compensation Committees. The Severance Plan applies to all named executive officers, including Mr. Kaufer, as well as certain other senior leaders. While the benefits are generally consistent with the severance benefits provided for in individual employment agreements, there are some differences. The Severance Plan includes a provision that in the event of any conflict or inconsistency between the terms of any employment agreement and the Severance Plan, the terms more beneficial to the executive shall prevail. For a description and quantification of change in control payments and benefits for our named executive officers, please see the section below entitled "Potential Payments Upon Termination or Change in Control."

Our 2011 Plan originally provided that equity awards granted to certain executive officers would be entitled to accelerated vesting of certain of their outstanding and unvested equity awards in the event of a Change in Control of TripAdvisor (i.e. a “single trigger” acceleration provision). In August 2013, after further evaluation of the “single trigger” acceleration provisions, the Compensation Committees determined that future equity awards made under the 2011 Plan would not be entitled to “single trigger” acceleration and, instead, the award agreements with respect to such equity awards would generally provide that any acceleration of vesting of the equity awards would be subject to “double trigger” rather than “single trigger” acceleration. This means that accelerated vesting of outstanding and unvested equity awards granted on or after August 28, 2013, would generally only occur upon both a qualified termination of employment following a Change in Control. In June 2016, our stockholders approved our amended and restated 2011 Plan which, among other matters, provided for acceleration of all equity awards upon the death of a participant.

The proposed 2018 Plan provides only for “double trigger” acceleration (i.e., acceleration upon termination by the Company other than for Cause or disability or resignation for Good Reason, in each case within three months prior to and 12 months following a change in control). The proposed 2018 Plan also provides for acceleration of all equity awards upon the death of a participant.

Tax Considerations

Section 162(m) of the Code generally precludes a tax deduction by any publicly-held company for compensation paid to any “covered employee” to the extent the compensation paid to such covered employee exceeds $1 million during any taxable year of the company. The 2017 Tax Act included changes to Section 162(m) effective for years after 2017. Prior to 2018, “covered employees” included the Chief Executive Officer of the company and the three other highest paid officers of the company (other than the Chief Financial Officer). For 2018 and later years, “covered employees” will include the Chief Executive Officer of the company, the Chief Financial Officer of the company, the three highest paid officers of the company (other than the Chief Executive Officer and the Chief Financial Officer) and any employee who qualified as a “covered employee” for any tax year beginning after 2016. For years beginning prior to January 1, 2018, the $1 million deduction limit did not apply to “qualified performance-based compensation” that was based on the attainment of pre-established, objective performance goals established under a stockholder-approved plan. Effective for the years beginning on or after January 1, 2018, there is no exception for “qualified performance-based compensation”; but a transition rule provides that the “qualified performance-based compensation” exemption will continue to apply to grandfathered arrangements made pursuant to a binding contract in effect on or before November 2, 2017 that is not materially modified thereafter. We believe that it is important to preserve flexibility in administering compensation programs to promote various corporate goals. Accordingly, we have not adopted a policy that all compensation must qualify as deductible under Section 162(m). Amounts paid under our compensation programs may not be deductible as the result of Section 162(m). While our policy is generally been to preserve corporate tax deductions by qualifying compensation over $1 million paid to executive officers as performance-based, the Compensation Committees have, from time to time, concluded that compensation arrangements are in our best interests and the best interests of our stockholders despite the fact that such arrangements might not, in whole or part, qualify for tax deductibility. Going forward, we intend to continue to design our executive compensation arrangements to be consistent with our best interests and those of our stockholders; accordingly, the Compensation Committees, while considering the tax deductibility as a factor in determining executive compensation, may not limit such compensation to those levels that will be deductible, particularly in light of the elimination of the expansion of the covered employee group and the elimination of the exception for performance-based compensation.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee consists of Ms. Singh Cassidy and Messrs. Maffei, Hoag and Nishar and the Section 16 Committee consists of Ms. Singh Cassidy and Messrs. Hoag and Nishar. None of Ms. Singh Cassidy or Messrs. Maffei, Hoag or Nishar was an officer or employee of TripAdvisor, formerly an officer of TripAdvisor, or an executive officer of an entity for which an executive officer of TripAdvisor served as a member of the compensation committee or as a director during the one-year period ended December 31, 2017.

During the last fiscal year, none of our executive officers served as: (1) a member of the compensation committee (or other committee of the board of directors performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity, one of whose executive officers served on our Compensation Committee; (2) a director of another entity, one of whose executive officers served on our Compensation Committee; or (3) a member of the compensation committee (or other committee of the board of directors performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity, one of whose executive officers served on our Board.

Compensation Committees Report

This report is provided by the Compensation Committee and the Section 16 Committee, or the Compensation Committees, of the Board of Directors. The Compensation Committees have reviewed the Compensation Discussion and Analysis and discussed that analysis with management. Based on this review and discussions with management, the Compensation Committees recommended to the Board of Directors that the Compensation Discussion and Analysis be included in TripAdvisor's 2018 Proxy Statement.

No portion of this Compensation Committees Report shall be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, through any general statement incorporating by reference in its entirety the Proxy Statement in which this report appears, except to the extent that TripAdvisor specifically incorporates this report or a portion of it by reference. In addition, this report shall not be deemed to be "soliciting material" or "filed" under either the Securities Act or the Exchange Act.

Members of the Compensation Committee:	*Sukhinder Singh Cassidy (Chairperson)* *Jay C. Hoag* *Gregory B. Maffei* *Dipchand (Deep) Nishar*
Members of the Section 16 Committee:	*Sukhinder Singh Cassidy (Chairperson)* *Jay C. Hoag* *Dipchand (Deep) Nishar*

CEO PAY RATIO

Overview

In August 2015, the SEC adopted a rule requiring annual disclosure of the ratio of the annual total compensation of a company's principal executive officer to such company's median employee's total annual compensation, excluding the principal executive officer for purposes of this calculation. The purpose of this new disclosure is to provide a measure of the equitability of pay within the organization.

The 2017 annual total compensation of our median employee, excluding Mr. Kaufer, our President and CEO, was $99,643. The 2017 annual total compensation of our President and CEO, as reported in our Summary Compensation Table, was $47,933,462. The ratio of the annual total compensation of our President and CEO to that of our median employee was 481 to 1. We believe this pay ratio is a reasonable estimate calculated in a manner consistent with SEC rules.

Please note the following information to provide important context related to our employee population and to describe the methodology and the material assumptions, adjustments, and estimates that we used to calculate this ratio.

- A substantial portion of our President and CEO's total annual compensation for 2017 was the equity awards he received pursuant to the 2017 CEO Award, which had a grant date fair value of approximately $42 million. While we typically make long-term incentive compensation equity grants to our executive officers in February of each year, as described above, Mr. Kaufer received a significant equity grant in August 2013 and then received another significant award in November 2017. The Section 16 Committee has indicated that it does not currently contemplate that Mr. Kaufer would be eligible for another equity grant in respect of long-term incentive compensation until August 2021. Mr. Kaufer's 2017 total annual compensation also includes an additional $4,772,880 attributed to the modification of the option granted in connection with the 2013 CEO Award. If the grant date fair market value of the 2017 CEO Award was amortized over the vesting periods and we did not include the value of the modification of the 2013 CEO Award, the ratio of our CEO's 2017 annual total compensation to that of our median employee 2017 would be 107 to 1.

- TripAdvisor is a global company, with complex operations worldwide and many of our employees are located outside of the United States. As of December 31, 2017, our workforce consisted of 3,228 full-time and part-time employees, including hourly employees. Approximately 51% of these employees are located in the United States, and the remaining 49% are located in Europe and throughout the rest of the world.

- We selected December 31, 2017, as the date upon which we would identify the "median employee," because it enabled us to make such identification in a reasonably efficient and economical manner.

- We included all of our full-time, part-time, and temporary employees globally, but excluded our President and CEO. We annualized the compensation of approximately 600 full-time and part-time employees who were hired in 2017 but did not work for us for the entire fiscal year. Earnings of our employees outside the U.S. were converted to U.S. dollars using the currency exchange rates used for organizational planning purposes, which consider historic and forecasted rates as well as other factors. We did not make any cost of living adjustments.

- The consistently applied compensation of measure used to identify our median employee was annualized base salary, short-term bonus at target and annual long-term equity incentive at target.

- We identified employees within $100 of the median 2017 annual total compensation and removed those employees who had anomalous compensation characteristics.

Because the SEC rules for identifying the median employee and calculating the pay ratio based on that employee's annual total compensation allow companies to adopt a variety of methodologies, to apply certain exclusions, and to make reasonable estimates and assumptions that reflect their employee populations and compensation practices, the pay ratio reported by other companies may not be comparable to our pay ratio, as other companies have offices in different countries, have different employee populations and compensation practices and may utilize different methodologies, exclusions, estimates and assumptions in calculating their pay ratios.

Summary Compensation

The following table sets forth certain information regarding the compensation earned by each of our named executive officers for services rendered in 2017, 2016 and 2015.

Name and Principal Position	Year	Salary ($)	Bonus ($) (1)	Stock Awards ($)(2)	Option Awards ($)(2)(3)	All Other Compensation ($)(4)	Total ($)
Stephen Kaufer (5)	2017	700,000	350,000	28,578,210	18,292,152	13,100	47,933,462
President and Chief Executive Officer	2016	700,000	525,000	—	—	8,110	1,233,110
	2015	700,000	770,000	—	—	8,110	1,478,110
Ernst Teunissen (6)	2017	437,014	286,670	4,499,973	2,498,960	8,100	7,730,717
Senior Vice President, Chief Financial Officer,	2016	425,000	255,000	999,978	—	8,110	1,688,088
and Treasurer	2015	61,712	53,125	1,999,940	4,999,156	5,508	7,119,441
Seth J. Kalvert	2017	437,014	254,619	2,124,960	2,124,150	13,100	4,953,843
Senior Vice President, General Counsel	2016	420,817	227,800	849,965	849,834	13,110	2,361,526
and Secretary	2015	398,475	236,694	799,934	799,906	13,110	2,248,119
Dermot M. Halpin (7)	2017	421,092	600,000	6,299,893	1,699,359	21,550	9,041,894
President, Vacation Rentals and Attractions	2016	398,423	180,000	1,249,957	1,249,778	58,346	3,136,504
	2015	433,177	211,336	374,986	374,948	274,020	1,668,467

(1) The amounts reported in this column represent bonuses (cash and non-cash) paid to all NEOs in 2018, 2017 and 2016 for annual performance in 2017, 2016 and 2015.

(2) The amounts reported represent the aggregate grant date fair value of stock and option awards granted in the year indicated, calculated in accordance with FASB ASC Topic 718. We have disclosed the assumptions made in the valuation of the awards in "Note 4 - Stock Based Awards and Other Equity Based Instruments" in the notes to our consolidated financial statements in our 2017 Annual Report. For performance-based RSUs granted to Mr. Kaufer in 2017, the value reported reflects the value of the awards at the grant date based upon the probable outcome of the performance conditions. The value of Mr. Kaufer's 2017 performance-based RSUs at the grant date, assuming the highest level of the performance conditions was achieved, is $17,239,688. These equity awards are described in more detail in the tables below. For Stephen Kaufer, the 2017 amounts for stock awards and option awards represent the value of the 2017 CEO Award and include the modification expense described below. For Messrs. Teunissen, Kalvert and Halpin, the 2017 amounts for stock awards and option awards include the value of engagement grants granted to the NEOs in February 2017 and a promotion grant to Mr. Halpin in May 2017. If the Company were to annualize the value of the 2017 CEO Award to Mr. Kaufer over the terms of the award and not include the expense related to the modification of the 2013 CEO Award, Mr. Kaufer's total compensation for 2017 would be $10,705,394. If the Company were to deduct the special grants to Messrs. Teunissen, Kalvert and Halpin, the NEOs' total compensation for 2017 would be $2,731,781, $2,204,458 and $3,542,169, respectively.

(3) On June 5, 2017, the Section 16 Committee approved a modification to the nonqualified stock option award granted on August 28, 2013 to Mr. Kaufer. The modification provides that the option will expire on the tenth anniversary, instead of the seventh anniversary, of the grant date. As a result of the modification, incremental fair value of $4,772,880 will be recognized to stock-based compensation expense over the remaining vesting term and is reflected in stock awards for 2017.

(4) See table below for information regarding the 2017 amounts reported.

(5) In consideration for services rendered in fiscal 2016 and fiscal 2015, the Compensation Committees determined to pay Mr. Kaufer's annual bonus in the form of cash and non-cash and the amounts reported above represent the cash and non-cash forms of annual bonus. For 2015, Mr. Kaufer's bonus was paid $630,000 in cash and $140,000 in equity. For 2016, Mr. Kaufer's bonus was paid $175,000 in cash, $175,000 in the form of a stock option award and $175,000 in the form of RSUs.

(6) Mr. Teunissen's employment commenced on November 9, 2015 and the base salary in 2015 reflects only salary earned after his employment commenced. The bonus amount in 2015 was pro-rated for the term of service in that year.

(7) Mr. Halpin's base salary was paid in GBP until October 1, 2015, after which Mr. Halpin relocated to the United States and his base salary began to be paid in USD. The portion of Mr. Halpin's compensation paid in GBP has been converted from GBP to USD at an exchange rate of 1.48 USD:1 GBP for 2015 (which was the exchange rate on December 31, 2015).

2017 All Other Compensation

Name	Matching Charitable Donation ($)(a)	Employer Retirement Contributions ($)(b)	Other ($)(c)	Total ($)
Stephen Kaufer	5,000	8,100	—	13,100
Ernst Teunissen	—	8,100	—	8,100
Seth J. Kalvert	5,000	8,100	—	13,100
Dermot M. Halpin	—	8,100	13,450	21,550

(a) Represents matching charitable contributions made by The TripAdvisor Charitable Foundation on behalf of the named executive officers.

(b) Represents matching contributions under the TripAdvisor Retirement Savings Plan as in effect through December 31, 2017, pursuant to which TripAdvisor matches $0.50 for each dollar a participant contributes, up to the first 6% of eligible compensation, subject to certain limits.

(c) Represents amount for personal tax services.

Grants of Plan-Based Awards

The table below provides information regarding the plan-based awards granted to our CEO in 2017, all of which were made pursuant to the 2011 Plan.

Name	Grant Date	Estimated Future Payouts Under Equity Incentive Plan Awards (1)			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Shares of Stock or Units (#)	Exercise or Base Price of Option Awards ($/Share)	Grant Date Fair Value of Stock and Option Awards ($) (2)
		Threshold (#)	Target (#)	Maximum (#)				
Stephen Kaufer								
Stock Options	8/28/13 (3)					1,100,000	72.52	4,772,878
	2/27/2017	—	—	—	—	13,759	42.81	174,921
	11/28/2017	—	—	—	—	780,000	34.71	13,519,272
RSUs	2/27/2017	—	—	—	4,087	—	—	174,964
	11/28/2017	—	—	—	426,000	—	—	14,786,460
	11/28/2017	—	213,000	266,250	—	—	—	6,398,520
	11/28/2017	106,500	213,000	266,250	—	—	—	7,393,230

(1) Certain of the awards described below are based on the achievement of specific performance metrics: (i) total stockholder return over the performance period January 1, 2018 through December 31, 2020; and (ii) financial and strategic metrics to be established each year for the fiscal years ended December 31, 2018, December 31, 2019, December 31, 2020,and December 31, 2021. The amounts shown above represent the minimum number of shares of RSUs to be issued if the minimum performance conditions are met, the target number of RSUs to be issued if the targets for the performance conditions are met and the maximum number of RSUs to be issued if the maximum of the performance conditions are met.

(2) The amounts reported represent the aggregate grant date fair value computed in accordance with GAAP, and may not correspond to the actual value that will be realized by the executive. See footnote (2) in the Summary Compensation Table above for more information regarding the determination of the grant date fair value of these awards.

(3) Effective June 5, 2017, the Compensation Committees agreed to extend the exercise period of the options granted to Mr. Kaufer in August 2013, although the vesting schedule remains the same. The amount reported in the Grant Date Fair Value of Stock and Option Awards column represents the incremental fair value of the award, computed as of the modification date.

The table below provides information regarding the plan-based awards granted in 2017 to our NEOs excluding our CEO, all of which were granted pursuant to the 2011 Plan.

Name	Grant Date	All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise Price or Base Price of Option Awards ($/Share)	Grant Date Fair Value of Stock and Option Awards ($)(1)
Ernst Teunissen					
Stock Options	2/27/2017	—	144,227	42.81	2,498,960
RSUs	2/27/2017	58,397	—	—	2,499,976
	2/27/2017	46,718	—	—	1,999,998
Seth J. Kalvert					
Stock Options	2/27/2017	—	79,324	42.81	1,374,413
	2/27/2017	—	43,776	42.81	749,737
RSUs	2/27/2017	32118	—	—	1,374,972
	2/27/2017	17,519	—	—	749,988
Dermot M. Halpin					
Stock Options	2/27/2017	—	25,960	42.81	449,798
	2/27/2017	—	72,960	42.81	1,249,561
RSUs	2/27/2017	24,526	—	—	1,049,958
	2/27/2017	29,198	—	—	1,249,966
	5/9/2017	85,269	—	—	3,999,969

(1) The amounts reported represent the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 and may not correspond to the actual value that will be realized by the executive. See footnote (2) in the Summary Compensation Table above for more information regarding the determination of the grant date fair value of these awards.

Outstanding Equity Awards at Fiscal Year-End

The following table provides information regarding the holdings of stock options and RSUs by our named executive officers as of December 31, 2017. The market value of the RSUs is based on the closing price of TripAdvisor common stock on The NASDAQ Stock Market on December 29, 2017, the last trading day of the year, which was $34.46 per share.

		Option Awards				Stock Awards			
Name	Grant Date	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(9)
Stephen Kaufer	3/1/2011	70,785	—	20.87	3/1/2018	—	—	—	—
	11/30/2011	235,950	—	29.48	11/30/2018	—	—	—	—
	5/4/2012	250,000	—	40.20	5/4/2022	—	—	—	—
	8/28/2013(1)	550,000	550,000	72.52	8/28/2023	—	—	—	—
	2/22/2016(2)	1,439	4,317	63.11	2/22/2026	—	—	—	—
	2/27/2017	13,759	—	42.81	2/27/2027	—	—	—	—
	11/28/2017(3)	—	780,000	34.71	11/28/2027	—	—	—	—
	11/28/2017(3)	—	—	—	—	426,000	14,679,960	—	—
	11/28/2017(4)	—	—	—	—	213,000	7,339,980	213,000	7,339,980
	11/28/2017(5)	—	—	—	—	213,000	7,339,980	213,000	7,339,980
Ernst Teunissen	12/1/2015(6)	—	141,424	82.93	12/1/2025	—	—	—	—
	2/22/2016(2)	—	—	—	—	11,883	409,488	—	—
	2/27/2017(2)	—	—	—	—	46,718	1,609,902	—	—
	2/27/2017(7)	—	144,227	42.81	2/27/2027	—	—	—	—
	2/27/2017(7)	—	—	—	—	58,397	2,012,361	—	—
Seth J. Kalvert	5/4/2012	50,000	—	40.20	5/4/2022	—	—	—	—
	2/28/2013	50,473	—	45.54	2/28/2023	—	—	—	—
	2/21/2014(2)	18,395	6,131	96.92	2/21/2024	—	—	—	—
	2/21/2014(2)	—	—	—	—	991	34,150	—	—
	2/26/2015(2)	11,301	11,300	89.86	2/26/2025	—	—	—	—
	2/26/2015(2)	—	—	—	—	4,450	153,347	—	—
	2/22/2016(2)	8,738	26,212	63.11	2/22/2026	—	—	—	—
	2/22/2016(2)	—	—	—	—	10,101	348,080	—	—
	2/27/2017(2)	—	43,776	42.81	2/22/2027	—	—	—	—
	2/27/2017(2)	—	—	—	—	17,519	603,705	—	—
	2/27/2017(7)	—	79,324	42.81	2/22/2027	—	—	—	—
	2/27/2017(7)	—	—	—	—	32,118	1,106,786	—	—
Dermot M. Halpin	2/27/2013	9,213	—	45.27	2/27/2023	—	—	—	—
	2/27/2013	40,200		45.27	2/27/2020	—	—	—	—
	2/21/2014(2)	5,980	1,993	96.92	2/21/2024	—	—	—	—
	2/21/2014(2)	—	—	—	—	967	33,323	—	—
	2/26/2015(2)	5,298	5,296	89.86	2/26/2025	—	—	—	—
	2/26/2015(2)	—	—	—	—	2,086	71,884	—	—
	2/22/2016(2)	12,850	38,548	63.11	2/22/2026	—	—	—	—
	2/22/2016(2)	—	—	—	—	14,854	511,867	—	—
	2/27/2017(2)	—	72,960	42.81	2/27/2027	—	—	—	—
	2/27/2017(2)	—	—	—	—	29,198	1,006,163	—	—
	2/27/2017(7)	—	25,960	42.81	2/27/2027	—	—	—	—
	2/27/2017(7)	—	—	—	—	24,526	845,166	—	—
	5/9/2017(8)	—	—	—	—	56,846	1,958,913	—	—

(1) Vests on August 28, 2018.

(2) Vests in four equal annual installments commencing on February 15th of the first year following the date of grant.

(3) Vests in two equal installments on each of August 1, 2021 and August 1, 2022.

(4) Represents the target number of shares to be issued assuming that, for the period from January 1, 2018 through December 31, 2020 the Company's total shareholder return, or TSR, is 110% of the TSR of the NASDAQ Composite Total Return. Award vests December 31, 2020 and will settle shortly following certification of achievement of performance criteria.

(5) Represents the target number of shares to be issued assuming target achievement of financial and strategic performance metrics for 2018, 2019, 2020 and 2021. One quarter of the award to vest on December 31st of the relevant year of performance and settle shortly following certification of achievement of the performance criteria for the year.

(6) Vests in two equal installments on each of November 9, 2018 and November 9, 2019.

(7) Vests in four equal installments on June 15th in each of the four years following the date of grant.

(8) Vests in three equal installments on each of December 31, 2017, December 31, 208 and December 31, 2019.

(9) The amounts reported in this column represent the market value of shares or units of stock that have not vested calculated by multiplying the number of RSUs that have not vested by $34.46, the closing price of TripAdvisor common stock on The NASDAQ Stock Market as of December 29, 2017, the last trading day in 2017.

Option Exercises and Stock Vested

The following table sets forth all stock option awards exercised and the taxable income realized upon exercise and all other stock awards vested and the taxable income realized upon vesting by the named executive officers during 2017.

		Option Awards		Stock Awards	
Name	Exercise or Vest Date	Number of Shares Acquired on Exercise (1)	Value Realized on Exercise ($)(2)	Number of Shares Acquired on Vesting (3)	Value Realized on Vesting ($)(4)
Stephen Kaufer	2/17/2017	54,113	1,254,880	—	—
	2/27/2017	—	—	4,087	174,964
Ernst Teunissen	2/15/2017	—	—	3,962	206,777
	11/9/2017	—	—	12,058	381,756
Seth Kalvert	2/15/2017	—	—	6,585	343,671
	9/12/2017	31,855	550,384	—	—
Dermot Halpin	2/15/2017	—	—	8,033	419,242
	8/18/2017	6,595	62,982	—	—
	12/29/2017	—	—	28,423	980,594

(1) The amounts reported in this column represent the gross number of shares acquired upon exercise of vested options without taking into account any shares that may have been withheld to cover option exercise price or applicable tax obligations.

(2) The amounts reported in this column represent the taxable income recognized upon exercise of vested stock options calculated by multiplying (i) the number of shares of TripAdvisor's common stock acquired upon exercise by (ii) the difference between the market price of TripAdvisor's common stock at exercise and the exercise price of the options.

(3) The amounts reported in this column represent the gross number of shares acquired upon the vesting of RSUs without taking into account any shares that may have been withheld to satisfy applicable tax obligations.

(4) The amounts reported in this column represent the taxable income recognized upon the vesting of RSUs calculated by multiplying the gross number of RSUs vested by the closing price of TripAdvisor common stock on The NASDAQ Stock Market on the vesting date or, if the vesting occurred on a day on which The NASDAQ Stock Market was closed for trading, the next trading day.

Non-Qualified Deferred Compensation

We do not currently have any other defined contribution or other plan that provides for deferred compensation on a basis that is not tax-qualified for our employees.

Potential Payments Upon Termination or Change in Control

We have entered into employment agreements with each of Messrs. Kaufer, Kalvert and Teunissen and an offer letter with Mr. Halpin. Pursuant to these agreements, each of our named executive officers is eligible to receive certain severance payments and benefits in the event of a qualifying termination of employment. The material terms of these employment agreements are described below under the heading "Potential Payments Upon Termination or Change in Control."

We believe that a strong, experienced management team is essential and in the best interests of our company and our stockholders. In addition, we recognize that the possibility of a change in control could arise and that such an event could result in the departure of our senior leaders to the detriment of the company and our stockholders. As a result, we adopted the Severance Plan applicable to certain senior leaders. The plan formalizes and standardizes our severance practices for our most senior leaders officers. Adoption of the Severance Plan was approved by the Compensation Committees. Please refer to the section entitled "Potential Payments Upon Termination or Change in Control" for specific details regarding post-termination compensation and benefits for our named executive officers.

The Severance Plan applies to all named executive officers, including Mr. Kaufer. While the benefits are generally consistent with the severance benefits provided for in individual employment agreements, there are some differences. In addition, the Severance Plan includes a provision that in the event of any conflict or inconsistency between the terms of any employment agreement and the Severance Plan, the terms more beneficial to the officer shall prevail. For a description and quantification of change in control payments and benefits for our named executive officers, please see the section below entitled "Potential Payments Upon Termination or Change in Control."

Change of Control Provisions in TripAdvisor's 2011 Plan

The 2011 Plan provides that, unless otherwise specified in the applicable award agreement, upon a participant's termination of employment by the Company during the two-year period following a Change in Control other than for "Cause" or "Disability," or by the participant for "Good Reason," as each term is defined in the 2011 Plan, during such period, stock options and stock appreciation rights held by such participant will automatically become fully exercisable and will remain exercisable until the later of (i) the last day on which such option or stock appreciation right is exercisable as specified in the applicable award agreement or (ii) the earlier of the first anniversary of the change in control and the expiration of the term of the option or stock appreciation right, and the restrictions and conditions on all other awards will automatically be deemed waived.

Stephen Kaufer Employment Agreement

In March 2014, TripAdvisor, LLC entered into an employment agreement with Mr. Kaufer. The agreement had an original term of five years. Pursuant to the employment agreement, in the event that Mr. Kaufer's employment terminates by reason of his death or disability, then:

- TripAdvisor will pay Mr. Kaufer (or his estate) his base salary through the end of the month in which the termination occurs;
- Any outstanding unvested equity awards that vest less frequently than annually shall be treated as though such awards vested annually; and
- Any unvested stock options held by Mr. Kaufer at the time of termination shall remain exercisable through the earlier of 18 months following termination or the scheduled expiration of such options.

Pursuant to the employment agreement, in the event that Mr. Kaufer terminates his employment for Good Reason or is terminated by TripAdvisor without Cause and such termination occurs during the period commencing three months immediately prior to a Change in Control and ending 24 months immediately following the Change in Control (in each case as such terms are defined in the employment agreement and below), then:

- TripAdvisor will pay Mr. Kaufer cash severance in an amount equal to 24 months of his base salary;
- TripAdvisor will pay Mr. Kaufer in cash an amount equal to the premiums charged by TripAdvisor to maintain COBRA health insurance coverage for him and his eligible dependents for each month between the date of termination and 18 months thereafter;
- TripAdvisor will pay to Mr. Kaufer a lump sum in cash equal to his annual target bonus, without pro-ration or adjustment;
- All equity awards held by Mr. Kaufer that are outstanding and unvested shall immediately vest in full; and
- Mr. Kaufer will have 18 months following such date of termination of employment to exercise any vested stock options (including stock options accelerated pursuant to the terms of his employment agreement) or, if earlier, through the scheduled expiration date of the options.

Pursuant to the employment agreement, in the event that Mr. Kaufer terminates his employment for Good Reason or is terminated by TripAdvisor without Cause and such termination is not in connection with a Change in Control, then:

- TripAdvisor will continue to pay Mr. Kaufer's base salary through 12 months following the date of termination;
- TripAdvisor will consider in good faith the payment of an annual bonus on a pro rata basis based on actual performance during the year of termination;
- TripAdvisor will pay COBRA health insurance coverage for Mr. Kaufer and his eligible dependents for 12 months following termination;
- All equity awards held by Mr. Kaufer that otherwise would have vested during the 12-month period following termination of employment, will accelerate and become fully vested and exercisable (provided that awards that vest less frequently than annually will be treated as though such awards vested annually);
- Any equity awards that do not vest in connection with a termination of employment shall remain outstanding for three months following termination, provided that there will be no additional vesting with respect to such awards unless a Change in Control occurs within such three-month period; and
- Mr. Kaufer will have 18 months following such date of termination to exercise any vested stock options (including stock options accelerated pursuant to the terms of his employment agreement) or, if earlier, through the scheduled expiration date of the options.

Receipt of the severance payments and benefits set forth above is contingent upon Mr. Kaufer executing and not revoking a separation and release in favor of TripAdvisor. Each of the payments set forth above shall be offset by the amount of any cash compensation earned by Mr. Kaufer from another employer during the 12 months following his termination of employment.

With respect to Mr. Kaufer's equity awards granted in August 2013 and thereafter, either Mr. Kaufer agreed to waive the single trigger acceleration right upon a Change in Control or the award was issued pursuant to the 2011 Plan which did not include this benefit. As a result, Mr. Kaufer's awards will only accelerate upon a "double trigger."

Mr. Kaufer has also agreed to be restricted from competing with TripAdvisor or any of its subsidiaries or affiliates or soliciting their employees, consultants, independent contractors, customers, suppliers or business partners, among others, during the term of his employment and through the period ending 18 months after the termination of employment.

Effective November 28, 2017, the company entered into an amendment to employment agreement to, among other things, provide that:

- Mr. Kaufer's annual base salary would be increased from $700,000 to $800,000, effective January 1, 2018;
- The term of Mr. Kaufer's employment would be extended to March 31, 2023; and
- A non-renewal of the employment agreement or expiration of the term will be treated as a termination of employment without Cause or resignation for Good Reason not in connection with a Change in Control, entitling Mr. Kaufer to benefits under his employment agreement.

Ernst Teunissen Employment Agreement

On October 6, 2015, the Company entered into an agreement with Mr. Teunissen, effective November 9. 2015. Such employment agreement commenced on November 9, 2015 and was to expire on March 31, 2018, unless sooner terminated in accordance with its terms. Pursuant to the employment agreement with Mr. Teunissen, in the event that his employment terminates by reason of his death or disability, he will be entitled to continued payment of base salary through the end of the month in which the termination occurs. In the event that he terminates his employment for Good Reason or is terminated by TripAdvisor without Cause (in each case, as such terms are defined in the employment agreement and below), then:

- TripAdvisor will continue to pay his base salary through the longer of the end of the term of the employment agreement and 12 months following termination (provided that such payments will be offset by any amount earned from another employer during such time period);
- TripAdvisor will consider in good faith the payment of bonuses on a pro rata basis based on actual performance for the year in which termination of employment occurs;
- TripAdvisor will pay COBRA health insurance coverage for Mr. Teunissen and his eligible dependents through the longer of the end of the term of his employment agreement and 12 months following termination;
- All equity awards held by Mr. Teunissen that otherwise would have vested during the 12-month period following termination of employment, will accelerate and become fully vested and exercisable (provided that equity awards that vest less frequently than annually shall be treated as though such awards vested annually); and
- Mr. Teunissen will have 18 months following such date of termination or employment to exercise any vested stock options (including stock options accelerated pursuant to the terms of his employment agreement) or, if earlier, through the scheduled expiration date of the options.

Receipt of the severance payments and benefits set forth above is contingent upon Mr. Teunissen executing and not revoking a separation and release in favor of TripAdvisor. In addition, Mr. Teunissen agreed to be restricted from competing with TripAdvisor or any of its subsidiaries or affiliates or soliciting their employees, consultants, independent contractors, customers, suppliers or business partners, among others, through the longer of (i) the completion of the term of the employment agreement and (ii) 12 months after the termination of employment.

Effective November 28, 2017, the Company entered into an amendment to the employment agreement, to, among other things, provide that:

- The term of Mr. Teunissen's employment will be extended to March 31, 2021;

- Upon a termination of employment without Cause or resignation for Good Reason not in connection with a Change in Control, the Company will continue to pay Mr. Teunissen's base salary through the longer of (x) 12 months following such termination date, and (y) the remaining term of the employment agreement up to a maximum of 18 months; and

- A non-renewal of the employment agreement or expiration of the term will be treated as a termination of employment without Cause or resignation for Good Reason not in connection with a Change of Control, entitling Mr. Teunissen to benefits under his employment agreement.

Seth J. Kalvert Employment Agreement

Effective May 19, 2016, the Company entered into an employment agreement with Mr. Kalvert, for a two-year term. Pursuant to the employment agreement with Mr. Kalvert, in the event that his employment terminates by reason of his death or disability, he will be entitled to continued payment of base salary through the end of the month in which the termination occurs. In the event that he terminates his employment for Good Reason or is terminated by TripAdvisor without Cause (in each case as such terms are defined in the employment agreement and below), then:

- TripAdvisor will continue to pay his base salary through the longer of the end of the term of the employment agreement and 12 months following termination (provided that such payments will be offset by any amount earned from another employer during such time period);

- TripAdvisor will consider in good faith the payment of bonuses on a pro rata basis based on actual performance for the year in which termination of employment occurs;

- TripAdvisor will pay COBRA health insurance coverage for Mr. Kalvert and his eligible dependents through the longer of the end of the term of his employment agreement and 12 months following termination;

- All equity awards held by Mr. Kalvert that otherwise would have vested during the 12-month period following termination of employment, will accelerate and become fully vested and exercisable (provided that equity awards that vest less frequently than annually shall be treated as though such awards vested annually); and

- Mr. Kalvert will have 18 months following such date of termination or employment to exercise any vested stock options (including stock options accelerated pursuant to the terms of his employment agreement) or, if earlier, through the scheduled expiration date of the options.

Receipt of the severance payments and benefits set forth above is contingent upon Mr. Kalvert executing and not revoking a separation and release in favor of TripAdvisor. In addition, Mr. Kalvert agreed to be restricted from competing with TripAdvisor or any of its subsidiaries or affiliates or soliciting their employees, consultants, independent contractors, customers, suppliers or business partners, among others, through the longer of (i) the completion of the term of the employment agreement and (ii) 12 months after the termination of employment.

Effective February 19, 2018, the Company entered into an amendment to the employment agreement to, among other things, provide that:

- The term of Mr. Kalvert’s employment will be extended to March 31, 2021;
- Upon a termination of employment without Cause or resignation for Good Reason not in connection with a Change in Control, the Company will continue to pay Mr. Kalvert’s base salary through the longer of (x) 12 months following such termination date, and (y) the remaining term of the employment agreement up to a maximum of 18 months; and
- A non-renewal of the employment agreement or expiration of the term will be treated as a termination of employment without Cause or resignation for Good Reason not in connection with a Change of Control, entitling Mr. Kalvert to benefits under his employment agreement.

Dermot M. Halpin Offer Letter

On May 9, 2017, the Company entered into a new offer letter with Dermot Halpin. Pursuant to the offer letter, in the event that the offer letter is terminated whether by Mr. Halpin for Good Reason, by TripAdvisor without Cause, or as a result of death or Disability (in each case, as such terms are defined in the offer letter and below) then:

- TripAdvisor will continue to pay Mr. Halpin his base salary for a period of 12 months following termination;
- TripAdvisor will pay COBRA health insurance coverage for Mr. Halpin and his eligible dependents until the earlier of 12 months following termination and the date Mr. Halpin becomes re-employed;
- TripAdvisor will consider, in good faith, the payment of an annual bonus on a pro rata basis for the year in which the termination of employment occurs;
- All equity awards held by Mr. Halpin that otherwise would have vested during the 12-month period following termination of employment will accelerate and become fully vested and exercisable (provided that equity awards that vest less frequently than annually shall be treated as though such awards vested annually); and
- Mr. Halpin will have 18 months following such date of termination of employment to exercise any vested stock options (including stock options accelerated pursuant to the terms of his employment agreement) or, if earlier, through the scheduled expiration date of the options.

Simultaneously with entering into the new offer letter, Mr. Halpin entered into a Non-Disclosure, Developments and Non-Competition Agreement, pursuant to which Mr. Halpin agreed to be restricted from competing with TripAdvisor or any of its subsidiaries or affiliates or soliciting their employees, consultants, independent contractors, customers, suppliers or business partners, among others, through the longer of (i) the completion of the term of the employment agreement and (ii) one year after the termination of employment.

Definitions

Under the employment agreements and offer letter, Cause means: (i) the plea of guilty or nolo contendere to, or conviction for, a felony offense by the executive; provided, however, that after indictment, TripAdvisor may suspend the executive from rendition of services but without limiting or modifying in any other way TripAdvisor's obligations under the applicable employment agreement, (ii) a material breach by the executive of a fiduciary duty owed to TripAdvisor or its subsidiaries, (iii) material breach by the executive of certain covenants of the applicable employment agreement, (iv) the willful or gross neglect by the executive of the material duties required by the applicable employment agreement or (v) a knowing and material violation by the executive of any TripAdvisor policy pertaining to ethics, legal compliance, wrongdoing or conflicts of interest that, in the cases of the conduct described in clauses (iv) and (v) above, if curable, is not cured by the executive within 30 days after the executive is provided with written notice thereof.

Under the employment agreements and offer letter as well as under the 2011 Plan, Change in Control shall mean any of the following events:

(i) The acquisition by any individual entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act), other than Liberty TripAdvisor Holdings, Inc. and its affiliates (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of equity securities of the Company representing more than 50% of the voting power of the then outstanding equity securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change in Control: (A) any acquisition by the Company, (B) any acquisition directly from the Company, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (D) any acquisition pursuant to a transaction which complies with clauses (A), (B) and (C) of subsection (iii); or

(ii) Individuals who, as of the Effective Date, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the Effective Date, whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or the purchase of assets or stock of another entity (a "Business Combination"), in each case, unless immediately following such Business Combination, (A) all or substantially all of the individuals and entities who were the beneficial owners of the Outstanding Company Voting Securities immediately prior to such Business Combination will beneficially own, directly or indirectly, more than 50% of the then outstanding combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors (or equivalent governing body, if applicable) of the entity resulting from such Business Combination (including, without limitation, an entity which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Voting Securities, (B) no Person (excluding Liberty TripAdvisor Holdings, Inc. and its respective affiliates, any employee benefit plan (or related trust) of the Company or such entity resulting from such Business Combination) will beneficially own, directly or indirectly, more than a majority of the combined voting power of the then outstanding voting securities of such entity except to the extent that such ownership of the Company existed prior to the Business Combination and (C) at least a majority of the members of the board of directors (or equivalent governing body, if applicable) of the entity resulting from such Business Combination will have been members of the Incumbent Board at the time of the initial agreement, or action of the Board, providing for such Business Combination; or

(iv) Approval by our stockholders of a complete liquidation or dissolution of the Company.

Under the employment agreements and offer letter, Good Reason means the occurrence of any of the following without the executive's prior written consent: (A) TripAdvisor's material breach of any material provision of the applicable employment agreement, (B) the material reduction in the executive's title, duties, reporting responsibilities or level of responsibilities in such executive's position at TripAdvisor, (C) the material reduction in the executive's base salary or the executive's total annual compensation opportunity, or (D) the relocation of the executive's principal place of employment more than 20 miles outside of their location of employment; provided that in no event shall the executive's resignation be for Good Reason unless (x) an event or circumstance set forth in clauses (A) through (D) shall have occurred and the executive provides TripAdvisor with written notice thereof within 30 days after the executive has knowledge of the occurrence or existence of such event or circumstance, which notice specifically identifies the event or circumstance that the executive believes constitutes Good Reason, (y) TripAdvisor fails to correct the event or circumstance so identified within 30 days after receipt of such notice, and (z) the executive resigns within 90 days after the date of delivery of the notice referred to in clause (x) above.

Notwithstanding the terms of the NEO employment agreements and offer letter described above, the Severance Plan includes a provision that in the event of any conflict or inconsistency between the terms of any employment agreement and the Severance Plan, the terms more beneficial to the employee shall prevail. For a description and quantification of the estimated potential payments in the event of a termination without Cause, resignation for Good Reason, Change in Control and termination without Cause or resignation for Good Reason in connection with a Change in Control, please see the section below entitled "Potential Payments Upon Termination or Change in Control." The amounts reflected in this table reflect the "better of" the terms between the employment arrangements, the 2011 Plan and the Severance Plan.

Severance Plan

Effective August 7, 2017, the Company adopted the Severance Plan applicable to certain senior leaders of the Company. The Severance Plan formalizes and standardizes the Company's severance practices for certain designated employees. Employees covered by the Severance Plan generally will be eligible to receive severance benefits in the event of a termination by the Company without Cause or, under certain circumstances, resignation by the employee for Good Reason. The severance benefits differ if there is a termination of employment in connection with a Change in Control. The severance benefits provided pursuant to the Severance Plan are determined based on the job classification of the employees and, in certain cases, his or her years of service with the Company.

Under the Severance Plan, in the event of a termination by the Company without Cause more than three months prior to a Change in Control or more than 12 months following a Change in Control, the severance benefits for the employee generally shall consist of the following:

- continued payment of base salary for a period of six to 18 months following the date of such employee's termination of employment (in such case, based on the employee's classification within the organization and years of service); and

- continuation of coverage under the Company's health insurance plan through the Company's payment of COBRA premiums for a period of six to 18 months following the date of such employee's termination of employment (in such case, based on the employee's classification within the organization and years of service).

Under the Severance Plan, in the event of a termination by the Company without Cause or by the employee for Good Reason, in each case within three months prior to or 12 months following a Change in Control, the severance benefits for the participant shall consist of the following:

- payment of a lump sum amount equal to (i) a minimum of 12 and up to 24 months of the participant's base salary, plus (ii) the participant's target bonus multiplied by 1, 1.5 or 2 (in each case, based on employee's classification within the organization and years of service); and

- payment of a lump sum amount equal to the premiums required to continue the participant's medical coverage under the Company's health insurance plan for a period of 12 to 24 months (in such case, based on employee's classification within the organization and years of service).

The foregoing summary is qualified in its entirety by reference to the Severance Plan incorporated herein by reference to Exhibit 10.22 to the Company's 2017 Annual Report.

Estimated Potential Incremental Payments

The table below reflects the estimated amount of incremental compensation payable to each of our named executive officers upon termination of his or her employment in the following circumstances: (i) a termination of employment by TripAdvisor without Cause not in connection with a Change in Control, (ii) resignation by him or her for Good Reason not in connection with a Change in Control, (iii) a Change in Control or (iv) a termination of employment by TripAdvisor without Cause or by him or her for Good Reason in connection with a Change in Control.

The amounts shown in the table (i) assume that the triggering event was effective as of December 29, 2017, the last business day of 2017; (ii) are based on the terms of the employment agreements in effect as of December 29, 2017 and do not reflect any subsequent amendments to the employment agreement; and (iii) are based on the "better of" such employment agreements or the terms of the Severance Plan, as specifically provided for in the Severance Plan. The price of TripAdvisor common stock on which certain of the calculations are based was $34.46 per share, the closing price of TripAdvisor's common stock on The NASDAQ Stock Market on December 29, 2017. These amounts are estimates of the incremental amounts that would be paid out to each named executive officer upon such triggering event. The actual amounts to be paid out can only be determined at the time of the triggering event, if any.

Name and Benefit	Termination Without Cause ($)	Resignation for Good Reason ($)	Change in Control ($)		Termination w/o Cause or for Good Reason in connection with Change in Control ($)	
Stephen Kaufer						
Salary	1,050,000	1,050,000	—		1,400,000	
Bonus (1)	350,000	350,000	—		1,400,000	
Equity Awards (vesting accelerated)	6,386,532	6,386,532	2,044,572	(3)	29,359,920	(4)
Health & Benefits (2)	33,642	33,642	—		44,856	
Total estimated value	7,820,174	7,820,174	2,044,572		32,204,776	
Ernst Teunissen						
Salary	659,813	659,813	—		659,813	
Bonus (1)	286,670	286,670	—		494,859	
Equity Awards (vesting accelerated)	1,042,105	1,042,105	—		4,031,751	
Health & Benefits (2)	30,744	30,744	—		30,744	
Total estimated value	2,019,332	2,019,332	—		5,217,167	
Seth J. Kalvert						
Salary	439,875	439,875	—		659,813	
Bonus (1)	254,619	254,619	—		442,074	
Equity Awards (vesting accelerated)	654,499	654,499			2,246,068	
Health & Benefits (2)	22,428	22,428	—		33,642	
Total estimated value	1,371,421	1,371,421			3,381,597	
Dermot M. Halpin						
Salary	430,000	430,000	—		645,000	
Bonus (1)	600,000	600,000	—		483,750	
Equity Awards (vesting accelerated)	1,682,234	1,682,234	—		4,427,317	
Health & Benefits (2)	22,512	22,512	—		33,768	
Total estimated value	2,734,746	2,734,746	—		5,589,835	

(1) Represents actual bonus amount for 2017, the payment of which the Company must consider in good faith, in both cases pursuant to the terms of the employment agreement.

(2) Assumes extension of benefits or payment of the cost of benefits for a period of time following termination, pursuant to the terms of the employment agreement.

(3) In the event of a Change in Control, the time-based stock option and RSUs granted in connection with the 2017 CEO Award will be treated as though they vested annually pro-rata over the vesting period and become exercisable as of the effective date of the Change in Control and the remaining unvested tranches are due to vest pro-rata on each anniversary of the August 1, 2017 vesting commencement date.

(4) Pursuant to the terms of Mr. Kaufer's employment agreement, any equity awards that are outstanding and unvested at the time of such termination shall immediately vest in full as of the date of such termination of employment.

Equity Compensation Plan Information

The following table provides information as of December 31, 2017 regarding shares of common stock that may be issued under TripAdvisor's equity compensation plans consisting of the 2011 Plan, the Viator Inc. 2010 Stock Incentive Plan, and the Non-Employee Director Deferred Compensation Plan.

	Equity Compensation Plan Information		
Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted Average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plan (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	12,871,194 (1)	$ 52.78 (2)	9,527,557
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	12,871,194	—	9,527,557

(1) Includes (i) 6,852,974 shares of common stock issuable upon the exercise of outstanding options, of which 13,659 shares were granted pursuant to options under the Viator, Inc. 2010 Stock Incentive Plan, (ii) 6,014,884 shares of common stock issuable upon the vesting of RSUs, and (iii) 3,336 shares reserved for issuance of common stock issuable upon exercise of options granted pursuant to the Non-Employee Director Deferred Compensation Plan.

(2) Since RSUs do not have an exercise price, such units are not included in the weighted average exercise price calculation.

DIRECTOR COMPENSATION

Overview

The Board of Directors sets non-employee director compensation which is designed to provide competitive compensation necessary to attract and retain high quality non-employee directors and to encourage ownership of TripAdvisor common stock to further align their interests with those of our stockholders. Each non-employee director of TripAdvisor is eligible to receive the following compensation:

- An annual cash retainer of $50,000, paid in equal quarterly installments;
- An RSU award with a value of $250,000 (based on the closing price of TripAdvisor's common stock on the NASDAQ Stock Market on the date of grant), upon such director's election to office, subject to vesting in full on the first anniversary of the grant date and, in the event of a Change in Control (as defined in the 2011 Plan and above), full acceleration of vesting;
- An annual cash retainer of $20,000 for each member of the Audit Committee (including the Chairman) and $15,000 for each member of the Compensation Committees (including the Chairperson); and
- An additional annual cash retainer of $10,000 for each of the Chairman of the Audit Committee and the Chairperson of the Compensation Committees.

We also pay reasonable travel and accommodation expenses of the non-employee directors in connection with their participation in meetings of the Board of Directors.

TripAdvisor employees do not receive compensation for serving as directors. Accordingly, Mr. Kaufer does not receive any compensation for his service as a director.

Non-Employee Director Deferred Compensation Plan

Under TripAdvisor's Non-Employee Director Deferred Compensation Plan, the non-employee directors may defer all or a portion of their directors' fees. Eligible directors who defer their directors' fees may elect to have such deferred fees (i) applied to the purchase of share units representing the number of shares of TripAdvisor common stock that could have been purchased on the date such fees would otherwise be payable or (ii) credited to a cash fund. If any dividends are paid on TripAdvisor common stock, dividend equivalents will be credited on the share units. The cash fund will be credited with deemed interest at an annual rate equal to the average "bank prime loan" rate for such year identified in the U.S. Federal Reserve Statistical Release. Upon termination of service as a director of TripAdvisor, a director will receive (1) with respect to share units, such number of shares of TripAdvisor common stock as the share units represent and (2) with respect to the cash fund, a cash payment. Payments upon termination will be made in either one lump sum or up to five installments, as elected by the eligible director at the time of the deferral election.

2017 Non-Employee Director Compensation Table

The following table shows the compensation information for the non-employee directors of TripAdvisor for the year ended December 31, 2017:

Name	Fees Earned or Paid in Cash ($)(1)	Stock Awards ($)(2)(3)	Total ($)
Gregory B. Maffei	65,000	249,966	314,966
Dipchand (Deep) Nishar	65,000	249,966	314,966
Jeremy Philips	70,000	249,966	319,966
Spencer M. Rascoff	70,000	249,966	319,966
Albert Rosenthaler	50,000	249,966	299,966
Sukhinder Singh Cassidy	75,000	249,966	324,966
Robert S. Wiesenthal	80,000	249,966	329,966

(1) The amounts reported in this column represent the annual cash retainer amounts for services in 2017, including fees with respect to which directors elected to defer and credit towards the purchase of share units representing shares of the Company common stock pursuant to the Company's Non-Employee Director Deferred Compensation Plan.

(2) The amounts reported in this column represent the aggregate grant date fair value of RSU awards computed in accordance with FASB ASC Topic 718. These amounts reflect an estimate of the grant date fair value and may not correspond to the actual value that will be recognized by the non-employee directors from their awards.

(3) As of December 31, 2017, Messrs. Maffei, Nishar, Philips, Rascoff, and Wiesenthal and Ms. Singh Cassidy each held 6,994 unvested RSUs. As of December 31, 2017, Mr. Rosenthaler held 8,188 unvested RSU's.

Beneficial Ownership Table

The following table presents information as of April 23, 2018, relating to the beneficial ownership of TripAdvisor's capital stock by (i) each person or entity known to TripAdvisor to own beneficially more than 5% of the outstanding shares of TripAdvisor's common stock or Class B common stock, (ii) each director and director nominee of TripAdvisor, (iii) the named executive officers and (iv) our executive officers and directors, as a group. In each case, except as otherwise indicated in the footnotes to the table, the shares are owned directly by the named owners, with sole voting and dispositive power. Unless otherwise indicated, beneficial owners listed in the table may be contacted at TripAdvisor's corporate headquarters at 400 1st Avenue, Needham, Massachusetts, 02494.

Shares of TripAdvisor Class B common stock may, at the option of the holder, be converted on a one-for-one basis into shares of TripAdvisor common stock; therefore, the common stock column below includes shares of Class B common stock held by each such listed person, entity or group, and the beneficial ownership percentage of each such listed person assumes the conversion of all Class B common stock into common stock. For each listed person, entity or group, the number of shares of TripAdvisor common stock and Class B common stock and the percentage of each such class listed also include shares of common stock and Class B common stock that may be acquired by such person, entity or group on the conversion or exercise of equity securities, such as stock options, which can be converted or exercised, and RSUs that have or will have vested, within 60 days of April 23, 2018, but do not assume the conversion or exercise of any equity securities (other than the conversion of the Class B common stock) owned by any other person, entity or group.

The percentage of votes for all classes of TripAdvisor's capital stock is based on one vote for each share of common stock and ten votes for each share of Class B common stock. There were 125,819,936 shares of common stock and 12,799,999 shares of Class B common stock outstanding on April 23, 2018.

	Common Stock			Class B Common Stock		Percent (%) of Votes (All Classes)
Beneficial Owner	Shares		%	Shares	%	
5% Beneficial Owners						
Liberty TripAdvisor Holdings, Inc. 12300 Liberty Boulevard Englewood, CO 80112	30,959,751	(1)	22.3	12,799,999 (1)	100	57.6
Eagle Capital Management, LLC 499 Park Avenue, 17th Floor, New York, NY 10022	11,007,891	(2)	7.9	0	0	4.3
The Vanguard Group 100 Vanguard Blvd Malvern, PA 19355	10,654,008	(3)	7.7	0	0	4.2
BlackRock, Inc. 55 East 52nd Street, New York, NY 10022	10,284,829	(4)	7.4	0	0	4.1
Jackson Square Partners, LLC 101 California Street, Suite 3750, San Francisco, CA 94111	9,966,688	(5)	7.2	0	0	3.9
Named Executive Officers and Directors						
Gregory B. Maffei	20,018	(6)	*	0	0	*
Stephen Kaufer	1,516,601	(7)	1.1	0	0	*
Jay C. Hoag	2,281,000	(8)	1.7	0	0	*
Dipchand (Deep) Nishar	16,365	(9)	*	0	0	*
Jeremy Philips	23,723	(9)	*	0	0	*
Spencer M. Rascoff	16,711	(9)	*	0	0	*
Albert Rosenthaler	13,172	(9)	*	0	0	*
Sukhinder Singh Cassidy	19,723	(9)	*	0	0	*
Robert S. Wiesenthal	23,723	(9)	*	0	0	*
Ernst Teunissen	60,115	(10)	*	0	0	*
Seth J. Kalvert	179,075	(11)	*	0	0	*
Dermot M. Halpin	121,894	(12)	*	0	0	*
			*	0	0	*
All executive officers, directors and director nominees as a group (12 persons)	4,292,120	(13)	3.1	0	0	1.7

* The percentage of shares beneficially owned does not exceed 1% of the class.

(1) Based on information contained in a Schedule 13D/A filed with the SEC on July 1, 2016, by LTRIP. Consists of 18,159,752 shares of common stock and 12,799,999 shares of Class B Common Stock owned by LTRIP. Excludes shares beneficially owned by the executive officers and directors of LTRIP, as to which LTRIP disclaims beneficial ownership.

(2) Based solely on information contained in a Schedule 13G/A filed with the SEC on February 14, 2018, by Eagle Management, LLC ("Eagle"). According to the Schedule 13G/A, Eagle beneficially owns and has sole dispositive power with respect to 11,007,891 shares of common stock and has sole voting power with respect to 9,214,507 shares.

(3) Based solely on information contained in a Schedule 13G/A filed with the SEC on February 9, 2018, by The Vanguard Group ("Vanguard"). According to the Schedule 13G/A, Vanguard beneficially owns 10,654,008 shares of common stock and has sole voting power with respect to 150,086 shares, shared voting power with respect to 19,734 shares, sole dispositive power with respect to 10,483,089 shares and shared dispositive power with respect to 170,919 shares.

(4) Based solely on information contained in a Schedule 13G/A filed with the SEC on January 23, 2018, by BlackRock, Inc. According to the Schedule 13G, BlackRock beneficially owns and has sole dispositive power with respect to 10,284,829 shares of common stock but only has sole voting power with respect to 9,302,253 shares.

(5) Based solely on information contained in a Schedule 13G filed with the SEC on February 13, 2018, by Jackson Square Partners, LLC ("Jackson"). According to the Schedule 13G, Jackson beneficially owns and has sole dispositive power with respect to 9,966,688 shares of common stock, has sole voting power with respect to 3,658,021 shares and shared voting power with respect to 2,257,806 shares.

(6) Includes 1,938 shares of common stock that are held by the Maffei Foundation. Mr. Maffei and his wife, as the two directors of the Maffei Foundation, have shared voting and investment power with respect to any shares held by the Maffei Foundation. Also includes 6,994 RSUs that will vest and settle within 60 days of April 23, 2018.

(7) Includes options to purchase 1,052,587 shares of common stock that are currently exercisable or will be exercisable within 60 days of April 23, 2018.

(8) These shares are held directly by an investment fund. Jay C.Hoag is a Class A Member of Technology Crossover Management IX, Ltd. ("Management IX") and a limited partner of Technology Crossover Management IX, L.P. ("TCM IX"). Management IX is the sole general partner of TCM IX, which in turn is the sole general partner of TCV IX, L.P., which in turn is the sole member of TCV IX TUMI GP, LLC, which in turn is the sole general partner of the investment fund. Mr. Hoag may be deemed to beneficially own the shares held by TCV TUMI, but disclaims beneficial ownership of such shares except to the extent of his pecuniary interest therein.

(9) Also includes 6,994 RSUs that will vest and settle within 60 days of April 23, 2018.

(10) Includes options to purchase 36,057 shares of common stock that are currently exercisable or will be exercisable within 60 days of April 23, 2018 and 14,600 RSUs that will vest and settle within 60 days of April 23, 2018.

(11) Includes options to purchase 170,370 shares of common stock that are currently exercisable or will be exercisable within 60 days of April 23, 2018 and 8,030 RSUs that will vest and settle within 60 days of April 23, 2018.

(12) Represents options to purchase 115,762 shares of common stock that are currently exercisable or will be exercisable within 60 days of April 23, 2018 and 6,132 RSUs that will vest and settle within 60 days of April 23, 2018.

(13) Includes options to purchase 1,374,776 shares of common stock that are currently exercisable or will be exercisable within 60 days of April 23, 2018 and 77,720 RSUs that will vest and settle within 60 days of April 23, 2018.

Section 16(a) Beneficial Ownership Reporting Compliance

Pursuant to Section 16(a) of the Exchange Act, TripAdvisor officers and directors and persons who beneficially own more than 10% of a registered class of TripAdvisor's equity securities are required to file initial statements of beneficial ownership (Form 3) and statements of changes in beneficial ownership (Forms 4 and 5) with the SEC. Such persons are required by the rules of the SEC to furnish TripAdvisor with copies of all such forms they file. Based solely on a review of the copies of such forms furnished to TripAdvisor and/or written representations that no additional forms were required, TripAdvisor believes that all of its directors and officers complied with all the reporting requirements applicable to them with respect to transactions during 2017, with the exception of the Form 4 for Sukhinder Singh-Cassidy filed February 10, 2017, which was filed late.

Changes in Control

We know of no arrangements, including any pledge by any person of our securities, the operation of which may at a subsequent date result in a change in control of our company.

Review and Approval or Ratification of Related Person Transactions

In general, we will enter into or ratify a "related person transaction" only when it has been approved by the Audit Committee of the Board of Directors, in accordance with its written charter. Related persons include our executive officers, directors, 5% or more beneficial owners of our common stock or immediate family members of these persons and entities in which one of these persons has a direct or indirect material interest. Related person transactions are transactions that meet the minimum threshold for disclosure in the proxy statement under the relevant SEC rules (generally, transactions involving amounts exceeding $120,000 in which a related person or entity has a direct or indirect material interest). When a potential related person transaction is identified, management presents it to the Audit Committee to determine whether to approve or ratify. When determining whether to approve, ratify, disapprove or reject any related person transaction, the Audit Committee considers all relevant factors, including the extent of the related person's interest in the transaction, whether the terms are commercially reasonable and whether the related person transaction is consistent with the best interests of TripAdvisor and our stockholders.

The legal and accounting departments work with business units throughout TripAdvisor to identify potential related person transactions prior to execution. In addition, we take the following steps with regard to related person transactions:

- On an annual basis, each director, director nominee and executive officer of TripAdvisor completes a Director and Officer Questionnaire that requires disclosure of any transaction, arrangement or relationship with us during the last fiscal year in which the director or executive officer, or any member of his or her immediate family, had a direct or indirect material interest.

- Each director, director nominee and executive officer is expected to promptly notify our legal department of any direct or indirect interest that such person or an immediate family member of such person had, has or may have in a transaction in which we participate.

- TripAdvisor monitors its accounts payable, accounts receivable and other databases to identify any other potential related person transactions that may require disclosure.

- Any reported transaction that our legal department determines may qualify as a related person transaction is referred to the Audit Committee.

If any related person transaction is not approved, the Audit Committee may take such action as it may deem necessary or desirable in the best interests of TripAdvisor and our stockholders.

Related Person Transactions

Relationship between Expedia and TripAdvisor

Upon consummation of the Spin-Off, Expedia was considered a related party under GAAP based on a number of factors, including, among others, common ownership of our shares and those of Expedia. However, we no longer consider Expedia a related party. For purposes of governing certain of the ongoing relationships between us and Expedia at and after the Spin-Off, and to provide for an orderly transition, we and Expedia entered into various agreements at the time of the Spin-Off, under which TripAdvisor has satisfied its obligations. However, TripAdvisor continues to be subject to certain post-spin obligations under the Tax Sharing Agreement between TripAdvisor and Expedia.

Under the Tax Sharing Agreement, we are generally required to indemnify Expedia for any taxes resulting from the Spin-Off (and any related interest, penalties, legal and professional fees, and all costs and damages associated with related stockholder litigation or controversies) to the extent such amounts resulted from (i) any act or failure to act by us described in the covenants in the Tax Sharing Agreement, (ii) any acquisition of our equity securities or assets or those of a member of our group, or (iii) any failure of the representations with respect to us or any member of our group to be true or any breach by us or any member of our group of any covenant, in each case, which is contained in the separation documents or in the documents relating to the IRS private letter ruling and/or the opinion of counsel. Refer to "Note 10 – Income Taxes" in the Company's 2017 Annual Report for information regarding the status of completed and ongoing IRS audits of our consolidated income tax returns with Expedia.

Relationship among Liberty, LTRIP and TripAdvisor

On August 27, 2014, the entire beneficial ownership of our common stock and Class B common stock held by Liberty was transferred to LTRIP. Simultaneously, Liberty, LTRIP's former parent company, distributed, by means of a dividend, to the holders of its Liberty Ventures common stock, Liberty's entire equity interest in LTRIP. As a result of the Liberty Spin-Off, effective August 27, 2014, LTRIP became a separate, publicly traded company and 100% of Liberty's interest in TripAdvisor was held by LTRIP.

As a result of these transactions, as of the record date, LTRIP beneficially owned 18,159,752 shares of our common stock and 12,799,999 shares of our Class B common stock, which shares constitute 14.4% of the outstanding shares of common stock and 100% of the outstanding shares of Class B common stock. Assuming the conversion of all of LTRIP's shares of Class B common stock into common stock, LTRIP would beneficially own 22.3% of the outstanding common stock (calculated in accordance with Rule 13d-3). Because each share of Class B common stock is generally entitled to ten votes per share and each share of common stock is entitled to one vote per share, LTRIP may be deemed to beneficially own equity securities representing approximately 57.6% of our voting power. As a result, LTRIP is effectively able to control the outcome of all matters submitted to a vote or for the consent of TripAdvisor's stockholders (other than with respect to the election by the holders of TripAdvisor common stock of 25% of the members of TripAdvisor's Board of Directors and matters as to which Delaware law requires a separate class vote).

WHERE YOU CAN FIND MORE INFORMATION AND INCORPORATION BY REFERENCE

TripAdvisor files annual, quarterly and current reports, proxy statements and other information with the SEC. TripAdvisor's filings are available to the public over the Internet at the SEC's website at http://www.sec.gov. You may also read and copy any document that TripAdvisor files with the SEC at its public reference room in Washington, D.C. located at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facilities. You can also obtain copies of those documents at prescribed rates by writing to the Public Reference Section of the SEC at that address. TripAdvisor's SEC filings are also available to the public from commercial retrieval services.

The SEC allows TripAdvisor to "incorporate by reference" the information that TripAdvisor's files with the SEC, which means that TripAdvisor can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this proxy statement. TripAdvisor incorporates by reference its 2017 Annual Report.

ANNUAL REPORTS

TripAdvisor's Annual Report to Stockholders for 2018, which includes our 2017 Annual Report (not including exhibits), is available at http://ir.tripadvisor.com/annual-proxy.cfm. Upon written request to TripAdvisor, Inc., 400 1st Avenue, Needham, Massachusetts 02494, Attention: Secretary, TripAdvisor will provide, without charge, an additional copy of TripAdvisor's 2016 Annual Report on Form 10-K. TripAdvisor will furnish any exhibit contained in the 2017 Annual Report upon payment of a reasonable fee. Stockholders may also review a copy of the 2017 Annual Report (including exhibits) by accessing TripAdvisor's corporate website at www.tripadvisor.com or the SEC's website at www.sec.gov.

PROPOSALS BY STOCKHOLDERS FOR PRESENTATION AT THE 2019 ANNUAL MEETING

Stockholders who wish to have a proposal considered for inclusion in TripAdvisor's proxy materials for presentation at the 2019 Annual Meeting of Stockholders must ensure that their proposal is received by TripAdvisor no later than December 27, 2018, at its principal executive offices at 400 1st Avenue, Needham, Massachusetts 02494, Attention: Secretary. The proposal must be made in accordance with the provisions of Rule 14a-8 of the Exchange Act. Stockholders who intend to present a proposal at the 2019 Annual Meeting of Stockholders without inclusion of the proposal in TripAdvisor's proxy materials are required to provide notice of such proposal to TripAdvisor at its principal executive offices no later than March 12, 2019. TripAdvisor reserves the right to reject, rule out of order or take other appropriate action with respect to any proposal that does not comply with these and other applicable requirements.

DELIVERY OF DOCUMENTS TO STOCKHOLDERS SHARING AN ADDRESS

If you share an address with any of our other stockholders, your household might receive only one copy of the Proxy Statement, 2017 Annual Report and Notice, as applicable. To request individual copies of any of these materials for each stockholder in your household, please contact TripAdvisor, Inc., 400 1st Avenue, Needham, Massachusetts 02494, Attention: Secretary, or call us at (781) 800-5000. We will deliver copies of the Proxy Statement, 2017 Annual Report and/or Notice promptly following your request. To ask that only one copy of any of these materials be mailed to your household, please contact your broker.

Needham, Massachusetts

April 27, 2018

TRIPADVISOR, INC.
2018 STOCK AND ANNUAL INCENTIVE PLAN

SECTION 1. PURPOSE

The purpose of this Plan is to give the Company a competitive advantage in attracting, retaining and motivating officers, employees, directors and/or consultants by providing the Company with a stock and long-term incentive plan providing incentives directly linked to stockholder value.

SECTION 2. DEFINITIONS

Certain terms used herein have definitions given to them in the first place in which they are used. In addition, for purposes of this Plan, the following terms are defined as set forth below:

"2011 Plan" means the TripAdvisor, Inc. Amended and Restated 2011 Stock and Annual Incentive Plan, as amended.

"Affiliate" means a corporation or other entity controlled by, controlling or under common control with, the Company.

"Applicable Exchange" means The NASDAQ Stock Market LLC, or such other securities exchange as may at the applicable time be the principal market for the Common Stock.

"Award" means an Option, SAR, Restricted Stock, RSU, Performance Award, other stock-based award or Bonus Award granted or assumed pursuant to the terms of this Plan.

"Award Agreement" means a written or electronic document or agreement setting forth the terms and conditions of a specific Award.

"Board" means the Board of Directors of the Company.

"Bonus Award" means a bonus award made pursuant to Section 11.

"Cause" means, unless otherwise provided in an Award Agreement, (i) "Cause" as defined in any Individual Agreement to which the applicable Participant is a party, or (ii) if there is no such Individual Agreement or if it does not define Cause: (A) the willful or gross neglect by a Participant of his employment duties; (B) the plea of guilty or nolo contendere to, or conviction for, the commission of a felony offense by a Participant; (C) a material breach by a Participant of a fiduciary duty owed to the Company or any of its subsidiaries; (D) a material breach by a Participant of any nondisclosure, non-solicitation or non-competition obligation owed to the Company or any of its Affiliates; or (E) before a Change in Control, such other events as shall be determined by the Committee and set forth in a Participant's Award Agreement. Notwithstanding the general rule of Section 3(a), following a Change in Control, any determination by the Committee as to whether "Cause" exists shall be subject to de novo review.

"Change in Control" has the meaning set forth in Section 13(a).

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto, the Treasury Regulations thereunder and other relevant interpretive guidance issued by the Internal Revenue Service or the Treasury Department. Reference to any specific section of the Code shall be deemed to include such regulations and guidance, as well as any successor provision of the Code.

"Committee" has the meaning set forth in Section 3(a).

"Common Stock" means common stock, par value $0.001 per share, of the Company.

"Company" means TripAdvisor, Inc., a Delaware corporation, or its successor.

"Corporate Transaction" has the meaning set forth in Section 4(d).

"Disability" means (i) "Disability" as defined in any Individual Agreement to which the Participant is a party, or (ii) if there is no such Individual Agreement or it does not define "Disability," (A) permanent and total disability as determined under the Company's long- term disability plan applicable to the Participant, or (B) if there is no such plan applicable to the Participant or the Committee determines otherwise in an applicable Award Agreement, "Disability" as determined by the Committee. Notwithstanding the above, with respect to an Incentive Stock Option, Disability shall mean Permanent and Total Disability as defined in Section 22(e)(3) of the Code and, with respect to all Awards, to the extent required by Section 409A of the Code, Disability shall mean "disability" within the meaning of Section 409A of the Code.

"Disaffiliation" means a Subsidiary's or Affiliate's ceasing to be a Subsidiary or Affiliate for any reason (including, without limitation, as a result of a public offering, or a spinoff or sale by the Company, of the stock of the Subsidiary or Affiliate) or a sale of a division of the Company and its Affiliates.

"Eligible Individuals" means directors, officers, employees and consultants of the Company or any of its Subsidiaries or Affiliates.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, and any successor thereto.

"Fair Market Value" means, unless otherwise determined by the Committee, the closing price of a share of Common Stock on the Applicable Exchange on the date of measurement, or if Shares were not traded on the Applicable Exchange on such measurement date, then on the next preceding date on which Shares were traded, all as reported by such source as the Committee may select. If the Common Stock is not listed on a national securities exchange, Fair Market Value shall be determined by the Committee in its good faith discretion, provided that such determination shall be made in a manner consistent with any applicable requirements of Section 409A of the Code.

"Free-Standing SAR" has the meaning set forth in Section 6(b).

"Good Reason" means (i) "Good Reason" as defined in any Individual Agreement or Award Agreement to which the applicable Participant is a party, or (ii) if there is no such Individual Agreement or if it does not define Good Reason, then, without the Participant's prior written consent: (A) a material reduction in the Participant's rate of annual base salary from the rate of annual base salary in effect for such Participant immediately prior to the Change in Control, (B) a relocation of the Participant's principal place of business more than 35 miles from the city in which such Participant's principal place of business was located immediately prior to the Change in Control or (C) a material and demonstrable adverse change in the nature and scope of the Participant's duties from those in effect immediately prior to the Change in Control. In order to invoke a Termination of Employment for Good Reason, a Participant shall provide written notice to the Company of the existence of one or more of the conditions described in clauses (A) through (C) within 90 days following the Participant's knowledge of the initial existence of such condition or conditions, and the Company shall have 30 days following receipt of such written notice (the "Cure Period") during which it may remedy the condition. In the event that the Company fails to remedy the condition constituting Good Reason during the Cure Period, the Participant must terminate employment, if at all, within 90 days following the Cure Period in order for such Termination of Employment to constitute a Termination of Employment for Good Reason.

"Grant Date" means (i) the date on which the Committee by resolution selects an Eligible Individual to receive a grant of an Award and determines the number of Shares to be subject to such Award or the formula for earning a number of shares or cash amount, or (ii) such later date as the Committee shall provide in such resolution.

"Incentive Stock Option" means any Option that is designated in the applicable Award Agreement as an "incentive stock option" within the meaning of Section 422 of the Code, and that in fact so qualifies.

"Individual Agreement" means an employment, consulting or similar agreement between a Participant and the Company or one of its Subsidiaries or Affiliates.

"Nonqualified Stock Option" means any Option that is not an Incentive Stock Option.

"Option" means an Award described under Section 6(a).

"Participant" means an Eligible Individual to whom an Award is or has been granted.

"Performance Award" means an Award granted under this Plan of Common Stock, rights based upon, payable in or otherwise related to Shares (including Restricted Stock, RSUs or cash), as the Committee may determine, at the end of a specified Performance Period based on the attainment of one or more Performance Goals.

"Performance Goals" means the performance goals established by the Committee in connection with the grant of Restricted Stock, RSUs or Bonus Awards or other stock-based awards. Such Performance Goals also may be based upon the attaining of specified levels of Company, Subsidiary, Affiliate, business unit or divisional performance under one or more of the measures including but not limited to, revenue, earnings per share, total shareholder return, earnings before interest, taxes, depreciation and amortization (EBITDA), adjusted EBITDA or return on capital). Performance goals established by the Committee may also include individual strategic goals.

"Performance Period" means with respect to a Performance Award the period established by the Committee or its designee at the time the Award is granted, or at any time thereafter, during which the performance of the Company, a Subsidiary, or any Affiliate is measured for the purpose of determining whether and to what extent the Performance Award's Performance Goal has been achieved.

"Plan" means this TripAdvisor, Inc. 2018 Stock and Annual Incentive Plan, as set forth herein and as hereafter amended from time to time.

"Plan Year" means the calendar year or, with respect to Bonus Awards, the Company's fiscal year if different.

"Restricted Stock" means an Award described under Section 7.

"Retirement" means retirement from active employment with the Company, a Subsidiary or Affiliate at or after the Participant's attainment of age 65.

"RS Restriction Period" has the meaning set forth in Section 7(b)(ii).

"RSU" means an Award described under Section 8.

"RSU Restriction Period" has the meaning set forth in Section 8(b)(ii).

"SAR" has the meaning set forth in Section 7(b).

"Securities Act" means the Securities Act of 1933, as amended from time to time, and any successor thereto.

"Share" means a share of Common Stock.

"Subsidiary" means any corporation, partnership, joint venture, limited liability company or other entity during any period in which at least a 50% voting or profits interest is owned, directly or indirectly, by the Company or any successor to the Company.

"Tandem SAR" has the meaning set forth in Section 6(b).

"Term" means the maximum period during which an Option or SAR may remain outstanding, subject to earlier termination upon Termination of Employment or otherwise, as specified in the applicable Award Agreement.

"Termination of Employment" means the termination of the applicable Participant's employment with, or performance of services for, the Company and any of its Subsidiaries or Affiliates. Unless otherwise determined by the Committee, if a Participant's employment with, or membership on a board of directors of, the Company and its Affiliates terminates but such Participant continues to provide services to the Company and its Affiliates in a non-employee director capacity or as an employee, as applicable, such change in status shall not be deemed a Termination of Employment. A Participant employed by, or performing services for, a Subsidiary or an Affiliate or a division of the Company and its Affiliates shall be deemed to incur a Termination of Employment if, as a result of a Disaffiliation, such Subsidiary, Affiliate, or division ceases to be a Subsidiary, Affiliate or division, as the case may be, and the Participant does not immediately thereafter become an employee of (or service provider for), or member of the board of directors of, the Company or another Subsidiary or Affiliate. Temporary absences from employment of 90 days or less because of illness, vacation or leave of absence and transfers among the Company and its Subsidiaries and Affiliates shall not be considered Termination of Employment. Notwithstanding the foregoing, with respect to any Award that constitutes "nonqualified deferred compensation" within the meaning of Section 409A of the Code, "Termination of Employment" shall mean a "separation from service" as defined under Section 409A of the Code.

SECTION 3. ADMINISTRATION

(a) Committee. The Plan shall be administered by the Compensation Committee of the Board or such other committee of the Board as the Board may from time to time designate (the "Committee"), which shall be composed of not less than two directors, and shall be appointed by and serve at the pleasure of the Board. The Committee shall have plenary authority to grant Awards pursuant to the terms of the Plan to Eligible Individuals. Among other things, the Committee shall have the authority, subject to the terms of the Plan:

(i) to select the Eligible Individuals to whom Awards may from time to time be granted;

(ii) to determine the number of Shares to be covered by each Award granted hereunder or the amount of any Bonus Award;

(iii) to determine the terms and conditions of each Award granted hereunder, based on such factors as the Committee shall determine;

(iv) subject to Section 16, to modify, amend or adjust the terms and conditions of any Award, at any time or from time to time;

(v) subject to Section 14, to accelerate the vesting or lapse of restrictions of any outstanding Award, based in each case on such considerations as the Committee in its sole discretion determines;

(vi) to interpret the terms and provisions of the Plan and any Award issued under the Plan (and any agreement relating thereto);

(vii) to establish any "blackout" period that the Committee in its sole discretion deems necessary or advisable;

(viii) to decide all other matters that must be determined in connection with an Award; and

(ix) to otherwise administer the Plan.

(b) Procedures.

(i) The Committee may act only by a majority of its members then in office, except that the Committee may, except to the extent prohibited by applicable law or the listing standards of the Applicable Exchange, allocate all or any portion of its responsibilities and powers to any one or more of its members and may delegate all or any part of its responsibilities and powers to any person or persons selected by it.

(ii) Subject to Section 3(d), any authority granted to the Committee may also be exercised by the full Board. To the extent that any permitted action taken by the Board conflicts with action taken by the Committee, the Board action shall control.

(c) Delegation of Authority. Subject to applicable law, the Committee may delegate any or all of its powers under the Plan to one or more other committees or officers of the Company (including persons other than members of the Committee) as it shall appoint with respect to the granting of Awards to individuals who are not (i) subject to the reporting and other provisions of Section 16 of the Exchange Act and (ii) members of the delegated committee or the delegated individual(s). Any such delegation by the Committee shall include limitations as to the amount of Common Stock underlying Awards that may be granted during specified periods and shall contain guidelines as to the determination of the exercise price. Any determination made by the Committee or by an appropriately delegated officer pursuant to delegated authority under the provisions of the Plan with respect to any Award shall be made in the sole discretion of the Committee or such delegate at the time of the grant of the Award or, unless in contravention of any express term of the Plan, at any time thereafter. All decisions made by the Committee or any appropriately delegated officer pursuant to the provisions of the Plan shall be final and binding on all persons, including the Company, Participants, and Eligible Individuals.

(d) Section 16(b) Compliance. The provisions of this Plan are intended to ensure that no transaction under the Plan is subject to (and all such transactions will be exempt from) the short-swing recovery rules of Section 16(b) of the Exchange Act ("Section 16(b)"). Accordingly, the composition of the Committee shall be subject to such limitations as the Board deems appropriate to permit transactions pursuant to this Plan to be exempt (pursuant to Rule 16b-3 promulgated under the Exchange Act) from Section 16(b), and no delegation of authority by the Committee shall be permitted if such delegation would cause any such transaction to be subject to (and not exempt from) Section 16(b).

(e) Award Agreements. The terms and conditions of each Award (other than any Bonus Award), as determined by the Committee, shall be set forth in an Award Agreement, which shall be delivered to the Participant receiving such Award upon, or as promptly as is reasonably practicable following, the grant of such Award. The effectiveness of an Award shall not be subject to the Award Agreement's being signed by the Company and/or the Participant receiving the Award unless specifically so provided in the Award Agreement. Award Agreements may be amended only in accordance with Section 14 hereof.

SECTION 4. COMMON STOCK SUBJECT TO PLAN

(a) Shares Available for Awards. The maximum number of Shares that may be delivered pursuant to Awards under the Plan shall be (i) 6,000,000, plus (ii) any Shares available for issuance under the 2011 Plan not issued or subject to outstanding Awards under such plan as of the Effective Date. For purposes of this limitation, Shares underlying any Awards that are forfeited, canceled, held back upon exercise of an Option or settlement of an Award to cover the exercise price or tax withholding, reacquired by the Company prior to vesting, satisfied without the issuance of Common Stock or otherwise terminated (other than by exercise) under the Plan or the 2011 Plan shall be added back to the Shares available for issuance under the Plan and, to the extent permitted under Section 422 of the Code and the regulations promulgated thereunder, the Shares that may be issued as Incentive Stock Options. The Shares available for delivery under this Plan may consist of authorized and unissued Shares, Shares held in treasury, Shares of Common Stock purchased or held by the Company for purposes of this Plan, or any combination thereof.

(b) Plan Maximums. The maximum number of Shares that may be granted pursuant to Options intended to be Incentive Stock Options shall be 6,000,000 Shares.

(c) Director Compensation Limit. During a calendar year, no non-employee director may be granted any compensation (including cash and an Award) with a fair value, as determined under accounting rules, as of the Grant Date, in excess of $1,000,000.

(d) Adjustment Provisions.

(i) In the event of a merger, consolidation, acquisition of property or shares, stock rights offering, liquidation, Disaffiliation, or similar event affecting the Company or any of its Subsidiaries (each, a “Corporate Transaction”), the Committee or the Board may in its discretion make such substitutions or adjustments as it deems appropriate and equitable to (A) the aggregate number and kind of Shares or other securities reserved for issuance and delivery under the Plan, (B) the various maximum limitations set forth in Sections 4(a) and 4(b) upon certain types of Awards and upon the grants to individuals of certain types of Awards, (C) the number and kind of Shares or other securities subject to outstanding Awards; and (D) the exercise price of outstanding Options and SARs.

(ii) In the event of a stock dividend, stock split, reverse stock split, separation, spinoff, reorganization, extraordinary dividend of cash or other property, share combination, or recapitalization or similar event affecting the capital structure of the Company (each, a “Share Change”), the Committee or the Board shall make such substitutions or adjustments as it deems appropriate and equitable to (A) the aggregate number and kind of Shares or other securities reserved for issuance and delivery under the Plan, (B) the maximum limitations set forth in Sections 4(a) and 4(b) upon certain types of Awards and upon the grants to individuals of certain types of Awards, the number and kind of Shares or other securities subject to outstanding Awards; and (C) the exercise price of outstanding Options and SARs.

(iii) In the case of Corporate Transactions, the adjustments contemplated by clause (i) of this paragraph (d) may include, without limitation, (A) the cancellation of outstanding Awards in exchange for payments of cash, property or a combination thereof having an aggregate value equal to the value of such Awards, as determined by the Committee or the Board in its sole discretion (it being understood that in the case of a Corporate Transaction with respect to which holders of Common Stock receive consideration other than publicly traded equity securities of the ultimate surviving entity, any such determination by the Committee that the value of an Option or SAR shall for this purpose be deemed to equal the excess, if any, of the value of the consideration being paid for each Share pursuant to such Corporate Transaction over the exercise price of such Option or SAR shall conclusively be deemed valid); (B) the substitution of other property (including, without limitation, cash or other securities of the Company and securities of entities other than the Company) for the Shares subject to outstanding Awards; and (C) in connection with any Disaffiliation, arranging for the assumption of Awards, or replacement of Awards with new awards based on other property or other securities (including, without limitation, other securities of the Company and securities of entities other than the Company), by the affected Subsidiary, Affiliate, or division or by the entity that controls such Subsidiary, Affiliate, or division following such Disaffiliation (as well as any corresponding adjustments to Awards that remain based upon Company securities).

(iv) Any adjustment under this Section 4(d) need not be the same for all Participants.

(v) Any adjustments made pursuant to this Section 4(d) to Awards that are considered "deferred compensation" within the meaning of Section 409A of the Code shall be made in compliance with the requirements of Section 409A of the Code. Any adjustments made pursuant to this Section 4(d) to Awards that are not considered "deferred compensation" subject to Section 409A of the Code shall be made in such a manner as to ensure that after such adjustment, the Awards either (A) continue not to be subject to Section 409A of the Code or (B) comply with the requirements of Section 409A of the Code. In any event, neither the Committee nor the Board shall have the authority to make any adjustments pursuant to this Section 4(d) to the extent the existence of such authority would cause an Award that is not intended to be subject to Section 409A of the Code at the Grant Date to be subject thereto.

SECTION 5. ELIGIBILITY

Awards may be granted under the Plan to Eligible Individuals; provided, however, that Incentive Stock Options may be granted only to employees of the Company and its subsidiaries or parent corporation (within the meaning of Section 424(f) of the Code).

SECTION 6. OPTIONS AND STOCK APPRECIATION RIGHTS

(a) Types of Options. Options may be of two types: Incentive Stock Options and Nonqualified Stock Options. The Award Agreement for an Option shall indicate whether the Option is intended to be an Incentive Stock Option or a Nonqualified Stock Option.

(b) Types and Nature of SARs. SARs may be "Tandem SARs," which are granted in conjunction with an Option, or "Free-Standing SARs," which are not granted in conjunction with an Option. Upon the exercise of an SAR, the Participant shall be entitled to receive an amount in cash, Shares, or both, in value equal to the product of (i) the excess of the Fair Market Value of one Share over the exercise price of the applicable SAR, multiplied by (ii) the number of Shares in respect of which the SAR has been exercised. The applicable Award Agreement shall specify whether such payment is to be made in cash or Common Stock or both, or shall reserve to the Committee or the Participant the right to make that determination prior to or upon the exercise of the SAR.

(c) Tandem SARs. A Tandem SAR may be granted at the Grant Date of the related Option. A Tandem SAR shall be exercisable only at such time or times and to the extent that the related Option is exercisable in accordance with the provisions of this Section 6, and shall have the same exercise price as the related Option. A Tandem SAR shall terminate or be forfeited upon the exercise or forfeiture of the related Option, and the related Option shall terminate or be forfeited upon the exercise or forfeiture of the Tandem SAR.

(d) Exercise Price. The exercise price per Share subject to an Option or Free- Standing SAR shall be determined by the Committee and set forth in the applicable Award Agreement, and shall not be less than the Fair Market Value of a share of the Common Stock on the applicable Grant Date. In no event may any Option or Free-Standing SAR granted under this Plan be amended, other than pursuant to Section 4(d), to decrease the exercise price thereof, be cancelled in conjunction with the grant of any new Option or Free-Standing SAR with a lower exercise price, be cancelled for cash or other Award or otherwise be subject to any action that would be treated, for accounting purposes, as a "repricing" of such Option or Free-Standing SAR, unless such amendment, cancellation, or action is approved by the Company's stockholders.

(e) Term. The Term of each Option and each Free-Standing SAR shall be fixed by the Committee, but shall not exceed ten years from the Grant Date. Notwithstanding the foregoing, if, by its terms, an Option, other than an Incentive Stock Option, would expire when trading in Shares is otherwise prohibited by law or by the Company's Insider Trading Policy, as such may be amended from time to time, then the term of the Option will be automatically extended until the close of trading on the 30th trading day following the expiration of such prohibition.

(f) Vesting and Exercisability. Except as otherwise provided herein, Options and Free-Standing SARs shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Committee. If the Committee provides that any Option or Free-Standing SAR will become exercisable only in installments, the Committee may at any time waive such installment exercise provisions, in whole or in part, based on such factors as the Committee may determine. In addition, the Committee may at any time accelerate the exercisability of any Option or Free-Standing SAR. In the event of a temporary absence exceeding 90 days, the Company shall have authority to suspend the vesting period for such period of time and on such terms as management of the Company shall deem appropriate.

(g) Method of Exercise. Subject to the provisions of this Section 6, Options and Free-Standing SARs may be exercised, in whole or in part, at any time during the applicable Term by giving written notice of exercise to the Company or through the procedures established with the Company's appointed third-party Option administrator specifying the number of Shares as to which the Option or Free-Standing SAR is being exercised; provided, however, that, unless otherwise permitted by the Committee, any such exercise must be with respect to a portion of the applicable Option or Free-Standing SAR relating to no less than the lesser of the number of Shares then subject to such Option or Free-Standing SAR or 100 Shares. In the case of the exercise of an Option, such notice shall be accompanied by payment in full of the purchase price (which shall equal the product of such number of Shares multiplied by the applicable exercise price) by certified or bank check or such other instrument as the Company may accept. If approved by the Committee, payment, in full or in part, may also be made as follows:

(i) Payments may be made in the form of unrestricted Shares which have been held for more than six months (by delivery of such Shares or by attestation) of the same class as the Common Stock subject to the Option already owned by the Participant (based on the Fair Market Value of the Common Stock on the date the Option is exercised); provided, however, that, in the case of an Incentive Stock Option, the right to make a payment in the form of already owned Shares of the same class as the Common Stock subject to the Option may be authorized only at the time the Option is granted.

(ii) To the extent permitted by applicable law, payment may be made by delivering a properly executed exercise notice to the Company, together with a copy of irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds necessary to pay the purchase price, and, if requested, the amount of any federal, state, local or foreign withholding taxes. To facilitate the foregoing, the Company may, to the extent permitted by applicable law, enter into agreements for coordinated procedures with one or more brokerage firms. To the extent permitted by applicable law, the Committee may also provide for Company loans to be made for purposes of the exercise of Options.

(iii) For Options that are not Incentive Stock Options, payment may be made by "net exercise" arrangement, pursuant to which a Participant instructs the Committee to withhold a whole number of Shares having a Fair Market Value (based on the Fair Market Value of the Common Stock on the date the applicable Option is exercised) equal to the product of (A) the exercise price multiplied by (B) the number of Shares in respect of which the Option shall have been exercised.

(h) Delivery; Rights of Stockholders. No Shares shall be delivered pursuant to the exercise of an Option until the exercise price therefor has been fully paid and applicable taxes have been withheld. The applicable Participant shall have all of the rights of a stockholder of the Company holding the class or series of Common Stock that is subject to the Option or SAR (including, if applicable, the right to vote the applicable Shares and the right to receive dividends), when the Participant (i) has given written notice of exercise, (ii) if requested, has given the representation described in Section 16(a), and (iii) in the case of an Option, has paid in full for such Shares.

(i) Nontransferability of Options and SARs. No Option or Free-Standing SAR shall be transferable by a Participant other than (i) by will or by the laws of descent and distribution, or (ii) in the case of a Nonqualified Stock Option or Free-Standing SAR, pursuant to a qualified domestic relations order or as otherwise expressly permitted by the Committee including, if so permitted, pursuant to a transfer to the Participant's family members or to a charitable organization, whether directly or indirectly or by means of a trust or partnership or otherwise. For purposes of this Plan, unless otherwise determined by the Committee, "family member" shall have the meaning given to such term in General Instructions A.1(a)(5) to Form S-8 under the Securities Act and any successor thereto. A Tandem SAR shall be transferable only with the related Option as permitted by the preceding sentence. Any Option or SAR shall be exercisable, subject to the terms of this Plan, only by the applicable Participant, the guardian or legal representative of such Participant, or any person to whom such Option or SAR is permissibly transferred pursuant to this Section 6(i), it being understood that the term "Participant" includes such guardian, legal representative and other transferee; provided, however, that the term "Termination of Employment" shall continue to refer to the Termination of Employment of the original Participant.

SECTION 7. RESTRICTED STOCK

(a) Nature of Awards and Certificates. Shares of Restricted Stock are actual Shares issued to a Participant, and shall be evidenced in such manner as the Committee may deem appropriate, including book-entry registration or issuance of one or more stock certificates. Any certificate issued in respect of Shares of Restricted Stock shall be registered in the name of the applicable Participant and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Award, substantially in the following form:

> "The transferability of this certificate and the shares of stock represented hereby are subject to the terms and conditions (including forfeiture) of the TripAdvisor, Inc. 2018 Stock and Annual Incentive Plan and an Award Agreement. Copies of such Plan and Agreement are on file at the offices of TripAdvisor, Inc."

The Committee may require that the certificates evidencing such shares be held in custody by the Company until the restrictions thereon shall have lapsed and that, as a condition of any Award of Restricted Stock, the applicable Participant shall have delivered a stock power, endorsed in blank, relating to the Common Stock covered by such Award.

(b) Terms and Conditions. Shares of Restricted Stock shall be subject to the following terms and conditions:

(i) The Committee shall, prior to or at the time of grant, condition the vesting or transferability of an Award of Restricted Stock upon the continued service of the applicable Participant or the attainment of Performance Goals, or the attainment of Performance Goals and the continued service of the applicable Participant. In the event that the Committee conditions the grant or vesting of an Award of Restricted Stock upon the attainment of Performance Goals or the attainment of Performance Goals and the continued service of the applicable Participant, the Committee may, prior to or at the time of grant, designate such an Award as a Performance Award. The conditions for grant, vesting, or transferability and the other provisions of Restricted Stock

Awards (including without limitation any Performance Goals) need not be the same with respect to each Participant.

(ii) Subject to the provisions of the Plan and the applicable Award Agreement, during the period, if any, set by the Committee, commencing with the date of such Restricted Stock Award for which such vesting restrictions apply and until the expiration of such vesting restrictions (the "RS Restriction Period"), the Participant shall not be permitted to sell, assign, transfer, pledge or otherwise encumber Shares of Restricted Stock.

(iii) Except as provided in this Section 7 and in the applicable Award Agreement, the applicable Participant shall have, with respect to the Shares of Restricted Stock, all of the rights of a stockholder of the Company holding the class or series of Common Stock that is the subject of the Restricted Stock, including, if applicable, the right to vote the Shares and the right to receive any cash dividends. If so determined by the Committee in the applicable Award Agreement and subject to Section 16(e), (A) cash dividends on the class or series of Common Stock that is the subject of the Restricted Stock Award shall be automatically reinvested in additional Restricted Stock, held subject to the vesting of the underlying Restricted Stock, and (B) subject to any adjustment pursuant to Section 4(d), dividends payable in Common Stock shall be paid in the form of Restricted Stock of the same class as the Common Stock with which such dividend was paid, held subject to the vesting of the underlying Restricted Stock.

(iv) Except as otherwise set forth in the applicable Award Agreement, upon a Participant's Termination of Employment for any reason (other than death) during the RS Restriction Period or before the applicable Performance Goals are satisfied, all Shares of Restricted Stock still subject to restriction shall be forfeited by such Participant; provided, however, the Committee shall have the discretion to waive, in whole or in part, any or all remaining restrictions with respect to any or all of such Participant's Shares of Restricted Stock. Upon a Participant's Termination of Employment by reason of death, during the RS Restriction Period or before the applicable Performance Goals are satisfied, all Shares of Restricted Stock shall immediately and automatically vest.

(v) If and when any applicable Performance Goals are satisfied and the RS Restriction Period expires without a prior forfeiture of the Shares of Restricted Stock for which legended certificates have been issued, unlegended certificates for such Shares shall be delivered to the Participant upon surrender of the legended certificates.

SECTION 8. RESTRICTED STOCK UNITS

(a) Nature of Awards. RSUs are Awards denominated in Shares that will be settled, subject to the terms and conditions of the RSUs, in an amount in cash, Shares or both, based upon the Fair Market Value of a specified number of Shares.

(b) Terms and Conditions. RSUs shall be subject to the following terms and conditions:

(i) The Committee shall, prior to or at the time of grant, condition the grant, vesting, or transferability of RSUs upon the continued service of the applicable Participant or the attainment of Performance Goals, or the attainment of Performance Goals and the continued service of the applicable Participant. In the event that the Committee conditions the grant or vesting of RSUs upon the attainment of Performance Goals or the attainment of Performance Goals and the continued service of the applicable Participant, the Committee may, prior to or at the time of grant, designate such Awards as Performance Awards. The conditions for grant, vesting or transferability and the other provisions of RSUs (including without limitation any Performance Goals) need not be the same with respect to each Participant. In the event of a temporary absence exceeding 90 days, the Company shall have authority to suspend the vesting of such RSUs for such period of time and on such terms as management of the Company shall deem appropriate.

(ii) Subject to the provisions of the Plan and the applicable Award Agreement, during the period, if any, set by the Committee, commencing with the date of such RSUs for which such vesting restrictions apply and until the expiration of such vesting restrictions (the "RSU Restriction Period"), the Participant shall not be permitted to sell, assign, transfer, pledge or otherwise encumber RSUs.

(iii) The Award Agreement for RSUs shall specify whether, to what extent and on what terms and conditions the applicable Participant shall be entitled to receive current or delayed payments of cash, Common Stock or other property corresponding to the dividends payable on the Common Stock (subject to Section 16(e) below).

(iv) Except as otherwise set forth in the applicable Award Agreement, upon a Participant's Termination of Employment for any reason during the RSU Restriction Period or before the applicable Performance Goals are satisfied, all RSUs still subject to restriction shall be forfeited by such Participant; provided, however, the Committee shall have the discretion to waive, in whole or in part, any or all remaining restrictions with respect to any or all of such Participant's RSUs; and; provided, further, upon a Participant's Termination of Employment by reason of death, during the RSU Restriction Period or before the applicable Performance Goals are satisfied, all RSUs shall immediately and automatically vest.

(v) Except to the extent otherwise provided in the applicable Award Agreement, an award of RSUs shall be settled as and when the RSUs vest (but in no event later than 60 days thereafter).

SECTION 9. PERFORMANCE AWARDS

(a) Generally. An Award under the Plan may be in the form of a Performance Award.

(b) Performance Goals. Each Performance Award shall be earned, vested and payable (as applicable) only upon the achievement of one or more Performance Goals, together with the satisfaction of any other conditions, such as continued employment, as the Committee may determine to be appropriate. Performance Goals applicable to the Performance Award will be established by the Committee.

(c) Other Restrictions. The Committee will determine any other terms and conditions applicable to any Performance Award, including any vesting conditions or restrictions on the delivery of Common Stock payable in connection with the Performance Award and restrictions that could result in the future forfeiture of all or part of any Common Stock earned. The Committee may provide that shares of Common Stock issued in connection with a Performance Award be held in escrow and/or legended.

(d) Measurement of Performance Against Performance Goals. The Committee will, as soon as practicable after the close of a Performance Period, determine:

- The extent to which the Performance Goals for such Performance Period have been achieved, and
- The percentage of the Performance Awards, if any, earned as a result.

All determinations of the Committee will be absolute and final as to the facts and conclusions therein made and are binding on all parties. As promptly as practicable after the Committee has made the foregoing determination, each Eligible Individual who has earned Performance Award will be notified thereof. Subject to Section 16(i), an Eligible Individual may not sell, transfer, pledge, exchange, hypothecate or otherwise dispose of all or any portion of a Performance Awards during the Performance Period.

SECTION 10. OTHER STOCK-BASED AWARDS

Other Awards of Common Stock and other Awards that are valued in whole or in part by reference to, or are otherwise based upon or settled in, Common Stock, including (without limitation), unrestricted stock, performance units, dividend equivalents, and convertible debentures, may be granted under the Plan.

SECTION 11. BONUS AWARDS

(a) Determination of Awards. The Committee shall determine the total amount of Bonus Awards for each Plan Year or such shorter performance period as the Committee may establish in its sole discretion. Bonus Awards that are Performance Awards shall be subject to the provisions of Section 9 of this Plan.

(b) Payment of Awards. Bonus Awards under the Plan shall be paid in cash or in Shares (valued at Fair Market Value as of the date of payment) as determined by the Committee, as soon as practicable following the close of the Plan Year or such shorter performance period as the Committee may establish. It is intended that a Bonus Award will be paid no later than the fifteenth (15th) day of the third month following the later of: (i) the end of the Participant's taxable year in which the requirements for such Bonus Award have been satisfied by the Participant or (ii) the end of the Company's fiscal year in which the requirements for such Bonus Award have been satisfied by the Participant. Subject to Section 16(k), the Committee may at its option establish procedures pursuant to which Participants are permitted to defer the receipt of Bonus Awards payable hereunder. The Bonus Award to any Participant for any Plan Year or such shorter performance period may be reduced or eliminated by the Committee in its discretion.

SECTION 12. TERMINATION OF EMPLOYMENT

(a) Generally. A Participant's Awards shall be forfeited upon such Participant's Termination of Employment, except as set forth below:

(i) Upon a Participant's Termination of Employment by reason of death, any Award that was unvested at the time of death shall automatically vest (including but not limited to Performance Awards, which shall vest at target) and all such Options or SARs held by the Participant may be exercised at any time until the earlier of (A) the first anniversary of the date of such death and (B) the expiration of the Term thereof;

(ii) Upon a Participant's Termination of Employment by reason of Disability or Retirement, any Option or SAR held by the Participant that was exercisable immediately before the Termination of Employment may be exercised at any time until the earlier of (A) the first anniversary of such Termination of Employment and the (B) expiration of the Term thereof;

(iii) Upon a Participant's Termination of Employment for Cause, any unvested Award held by the Participant shall be forfeited, effective as of such Termination of Employment;

(iv) Upon a Participant's Termination of Employment for any reason other than death, Disability, Retirement or for Cause, any Option or SAR held by the Participant that was exercisable immediately before the Termination of Employment may be exercised at any time until the earlier of (A) the 90^{th} day following such Termination of Employment and (B) expiration of the Term thereof; and

(v) Notwithstanding the above provisions of this Section 12(a), if a Participant dies after such Participant's Termination of Employment but while any Option or SAR remains exercisable as set forth above, such Option or SAR may be exercised at any time until the later of (A) the earlier of (1) the first anniversary of the date of such death and (2) expiration of the Term thereof and (B) the last date on which such Option or SAR would have been exercisable, absent this Section 12(a).

(b) Exception. Notwithstanding the foregoing, the Committee shall have the power, in its discretion, to apply different rules concerning the consequences of a Termination of Employment; provided, however, that if such rules are less favorable to the Participant than those set forth above, such rules are set forth in the applicable Award Agreement. If an Incentive Stock Option is exercised after the expiration of the exercise periods that apply for purposes of Section 422 of the Code, such Option will thereafter be treated as a Nonqualified Stock Option.

SECTION 13. CHANGE IN CONTROL PROVISIONS

(a) Definition of Change in Control. Except as otherwise may be provided in an applicable Award Agreement, for purposes of the Plan, a "Change in Control" shall mean any of the following events:

(i) The acquisition by any individual entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act), other than Liberty TripAdvisor Holdings, Inc., and its affiliates (a "Person"), of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of equity securities of the Company representing more than 50% of the voting power of the then outstanding equity securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change in Control: (A) any acquisition by the Company, (B) any acquisition directly from the Company, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (D) any acquisition pursuant to a transaction which complies with clauses (A), (B) and (C) of subsection (iii); or

(ii) Individuals who, as of the Effective Date, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the Effective Date, whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or the purchase of assets or stock of another entity (a "Business Combination"), in each case, unless immediately following such Business Combination, (A) all or substantially all of the individuals and entities who were the beneficial owners of the Outstanding Company Voting Securities immediately prior to such Business Combination will beneficially own, directly or indirectly, more than 50% of the then outstanding combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors (or equivalent governing body, if applicable) of the entity resulting from such Business Combination (including, without limitation, an entity which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Voting Securities, (B) no Person (excluding Liberty TripAdvisor Holdings, Inc., and its Affiliates, any employee benefit plan (or related trust) of the Company or such entity resulting from such Business Combination) will beneficially own, directly or indirectly, more than a majority of the combined voting power of the then outstanding voting securities of such entity except to the extent that such ownership of the Company existed prior to the Business Combination and (C) at least a majority of the members of the board of directors (or equivalent governing body, if applicable) of the entity resulting from such Business Combination will have been members of the Incumbent Board at the time of the initial agreement, or action of the Board, providing for such Business Combination; or

(iv) Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

(b) Impact of Event/Double Trigger on Vice Presidents and Above. Unless otherwise provided in the applicable Award Agreement and subject to Sections 4(d), 13(d) and 16(k), notwithstanding any other provision of this Plan to the contrary, upon the Termination of Employment, within three months prior to a Change in Control or within twelve months following a Change in Control, of a Participant who, as of the date of termination has a title of Vice President or above, by the Company other than for Cause or Disability or by the Participant for Good Reason, then:

(i) any Options and SARs outstanding as of such Termination of Employment which were outstanding as of the date of such Change in Control shall be fully exercisable and vested and shall remain exercisable until the later of (i) the last date on which such Option or SAR would be exercisable in the absence of this Section 13(b) and (ii) the earlier of (A) the first anniversary of such Change in Control and (B) expiration of the Term of such Option or SAR;

(ii) all Restricted Stock outstanding as of such Termination of Employment which were outstanding as of the date of such Change in Control shall become free of all restrictions and become fully vested and transferable;

(iii) all RSUs outstanding as of such Termination of Employment which were outstanding as of the date of such Change in Control shall be considered to be earned and payable in full, and any restrictions shall lapse and such RSUs shall be settled as promptly as is practicable (but in no event later than March 15 of the calendar year following the end of the calendar year in which the RSUs vest); and

(iv) all Performance Awards outstanding as of such Termination of Employment which were outstanding as of the date of such Change in Control shall be considered to be earned and payable in full, vesting shall accelerate assuming the Performance Goals have been met at target and any restrictions shall lapse and any such RSUs shall be settled as promptly as is practicable (but in no event later than March 15 of the calendar year following the end of the calendar year in which the RSUs vest).

(c) Impact of Event/Double Trigger on Other Participants. Unless otherwise provided in the applicable Award Agreement and subject to Sections 4(d), 13(d) and 16(k), notwithstanding any other provision of this Plan to the contrary, upon the Termination of Employment, within three months prior to a Change in Control or within twelve months following a Change in Control, of any other Participant, by the Company other than for Cause or Disability or by the Participant for Good Reason:

(i) Fifty percent (50%) of any Options and SARs outstanding as of such Termination of Employment which were outstanding as of the date of such Change in Control shall be fully exercisable and vested and shall remain exercisable until the later of (i) the last date on which such Option or SAR would be exercisable in the absence of this Section 13(b) and (ii) the earlier of (A) the first anniversary of such Change in Control and (B) expiration of the Term of such Option or SAR;

(ii) Fifty percent (50%) of all Restricted Stock outstanding as of such Termination of Employment which were outstanding as of the date of such Change in Control shall become free of all restrictions and become fully vested and transferable;

(iii) Fifty percent (50%) of all RSUs outstanding as of such Termination of Employment which were outstanding as of the date of such Change in Control shall be considered to be earned and payable in full, and any restrictions shall lapse and such RSUs shall be settled as promptly as is practicable (but in no event later than March 15 of the calendar year following the end of the calendar year in which the RSUs vest); and

(iv) Fifty percent (50%) of all Performance Awards outstanding as of such Termination of Employment which were outstanding as of the date of such Change in Control shall be considered to be earned and payable in full, vesting shall accelerate assuming the Performance Goals have been met at target and any restrictions shall lapse and any such RSUs shall be settled as promptly as is practicable (but in no event later than March 15 of the calendar year following the end of the calendar year in which the RSUs vest).

Notwithstanding the foregoing, the Committee will continue to have plenary authority and complete discretion to, among other things, accelerate the vesting of all or a greater percentage of Awards held by such Participant.

(d) Notwithstanding the foregoing, if any Award is subject to Section 409A of the Code, this Section 13 shall be applicable only to the extent specifically provided in the Award Agreement or in the Individual Agreement.

SECTION 14. TERM, AMENDMENT AND TERMINATION

(a) Effectiveness. The Plan shall be effective as of June 21, 2018 (the "Effective Date"), subject to approval by the affirmative vote of a majority of the outstanding shares of Common Stock present by person or by proxy at the Company's 2018 Annual Meeting that are entitled to vote on a proposal to approve the adoption of the Plan.

(b) Termination. The Plan will terminate on the tenth anniversary of the Effective Date. Awards outstanding as of such date shall not be affected or impaired by the termination of the Plan.

(c) Amendment of Plan. The Board may amend, alter, or discontinue the Plan, but no amendment, alteration or discontinuation shall be made which would materially impair the rights of the Participant with respect to a previously granted Award without such Participant's consent, except such an amendment made to comply with applicable law (including without limitation Section 409A of the Code), stock exchange rules or accounting rules. In addition, no such amendment shall be made without the approval of the Company's stockholders to the extent such approval is required by applicable law or the listing standards of the Applicable Exchange or to the extent determined by the Committee to be required by the Code to ensure that Incentive Stock Options granted under the Plan are qualified under Section 422 of the Code.

(d) Amendment of Awards. Subject to Section 6(d), the Committee may unilaterally amend the terms of any Award theretofore granted, prospectively or retroactively, but no such amendment shall, without the Participant's consent, materially impair the rights of any Participant with respect to an Award, except such an amendment made to cause the Plan or Award to comply with applicable law, stock exchange rules or accounting rules.

SECTION 15. UNFUNDED STATUS OF PLAN

It is presently intended that the Plan constitute an "unfunded" plan. Solely to the extent permitted under Section 409A, the Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Common Stock or make payments; provided, however, that the existence of such trusts or other arrangements is consistent with the "unfunded" status of the Plan. Notwithstanding any other provision of this Plan to the contrary, with respect to any Award that constitutes a “nonqualified deferred compensation plan” within the meaning of Section 409A of the Code, no trust shall be funded with respect to any such Award if such funding would result in taxable income to the Participant by reason of Section 409A(b) of the Code and in no event shall any such trust assets at any time be located or transferred outside of the United States, within the meaning of Section 409A(b) of the Code.

SECTION 16.GENERAL PROVISIONS

(a) Conditions for Issuance. The Committee may require each person purchasing or receiving Shares pursuant to an Award to represent to and agree with the Company in writing that such person is acquiring the Shares without a view to the distribution thereof. The certificates for such Shares may include any legend which the Committee deems appropriate to reflect any restrictions on transfer. Notwithstanding any other provision of the Plan or agreements made pursuant thereto, the Company shall not be required to issue or deliver any certificate or certificates for Shares under the Plan prior to fulfillment of all of the following conditions: (i) listing or approval for listing upon notice of issuance, of such Shares on the Applicable Exchange; (ii) any registration or other qualification of such Shares of the Company under any state or federal law or regulation, or the maintaining in effect of any such registration or other qualification which the Committee shall, in its absolute discretion upon the advice of counsel, deem necessary or advisable; and (iii) obtaining any other consent, approval, or permit from any state or federal governmental agency which the Committee shall, in its absolute discretion after receiving the advice of counsel, determine to be necessary or advisable.

(b) Additional Compensation Arrangements. Nothing contained in the Plan shall prevent the Company or any Subsidiary or Affiliate from adopting other or additional compensation arrangements for its employees.

(c) No Contract of Employment. The Plan shall not constitute a contract of employment, and adoption of the Plan shall not confer upon any employee any right to continued employment, nor shall it interfere in any way with the right of the Company or any Subsidiary or Affiliate to terminate the employment of any employee at any time.

(d) Required Taxes. No later than the date as of which an amount first becomes includible in the gross income of a Participant for federal, state, local or foreign income or employment or other tax purposes with respect to any Award under the Plan, such Participant shall pay to the Company, or make arrangements satisfactory to the Company regarding the payment of, any federal, state, local or foreign taxes of any kind required by law to be withheld with respect to such amount. If determined by the Company, withholding obligations may be settled with Common Stock, including Common Stock that is part of the Award that gives rise to the withholding requirement; provided, however, that the amount withheld does not exceed the maximum statutory tax rate or such lesser amount as is necessary to avoid liability accounting treatment. The required tax withholding obligation may also be satisfied, in whole or in part, by an arrangement whereby a certain number of Shares issued pursuant to any Award are immediately sold and proceeds from such sale are remitted to the Company in an amount that would satisfy the withholding amount due. In addition, the Committee may require Awards to be subject to mandatory share withholding up to the required withholding amount. The obligations of the Company under the Plan shall be conditional on such payment or arrangements, and the Company and its Affiliates shall, to the extent permitted by law, have the right to deduct any such taxes from any payment otherwise due to such Participant. The Committee may establish such procedures as it deems appropriate, including making irrevocable elections, for the settlement of withholding obligations with Common Stock.

(e) Limitation on Dividend Reinvestment and Dividend Equivalents. Reinvestment of dividends in additional Restricted Stock at the time of any dividend payment, and the payment of Shares with respect to dividends to Participants holding Awards of RSUs, shall only be permissible if sufficient Shares are available under Section 4 for such reinvestment or payment (taking into account then outstanding Awards). In the event that sufficient Shares are not available for such reinvestment or payment, such reinvestment or payment shall be made in the form of a grant of RSUs equal in number to the Shares that would have been obtained by such payment or reinvestment, the terms of which RSUs shall provide for settlement in cash and for dividend equivalent reinvestment in further RSUs on the terms contemplated by this Section 16(e).

(f) Designation of Death Beneficiary. The Committee shall establish such procedures as it deems appropriate for a Participant to designate a beneficiary to whom any amounts payable in the event of such Participant's death are to be paid or by whom any rights of such eligible Individual, after such Participant's death, may be exercised.

(g) Subsidiary Employees. In the case of a grant of an Award to any employee of a Subsidiary of the Company, the Company may, if the Committee so directs, issue or transfer the Shares, if any, covered by the Award to the Subsidiary, for such lawful consideration as the Committee may specify, upon the condition or understanding that the Subsidiary will transfer the Shares to the employee in accordance with the terms of the Award specified by the Committee pursuant to the provisions of the Plan. All Shares underlying Awards that are forfeited or canceled should revert to the Company.

(h) Governing Law and Interpretation. The Plan and all Awards made and actions taken thereunder shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to principles of conflict of laws. The captions of this Plan are not part of the provisions hereof and shall have no force or effect.

(i) Non-Transferability. Except as otherwise provided in Section 6(i) or by the Committee, Awards under the Plan are not transferable except by will or by laws of descent and distribution.

(j) Foreign Employees and Foreign Law Considerations. The Committee may grant Awards to Eligible Individuals who are foreign nationals, who are located outside the United States or who are not compensated from a payroll maintained in the United States, or who are otherwise subject to (or could cause the Company to be subject to) legal or regulatory provisions of countries or jurisdictions outside the United States, on such terms and conditions different from those specified in the Plan as may, in the judgment of the Committee, be necessary or desirable to foster and promote achievement of the purposes of the Plan, and, in furtherance of such purposes, the Committee may make such modifications, amendments, procedures, or subplans as may be necessary or advisable to comply with such legal or regulatory provisions.

(k) Section 409A of the Code. It is the intention of the Company that no Award shall be "deferred compensation" subject to Section 409A of the Code, unless and to the extent that the Committee specifically determines otherwise as provided in this Section 16(k), and the Plan and the terms and conditions of all Awards shall be interpreted accordingly. The terms and conditions governing any Awards that the Committee determines will be subject to Section 409A of the Code, including any rules for elective or mandatory deferral of the delivery of cash or Shares pursuant thereto and any rules regarding treatment of such Awards in the event of a Change in Control, shall be set forth in the applicable Award Agreement, and shall comply in all respects with Section 409A of the Code. Notwithstanding any other provision of the Plan to the contrary, with respect to any Award that constitutes a "nonqualified deferred compensation plan" subject to Section 409A of the Code, if the Participant is a "specified employee" within the meaning of Section 409A of the Code, any payments (whether in cash, Shares or other property) to be made with respect to the Award upon the Participant's Termination of Employment shall be delayed until the earlier of (A) the first day of the seventh month following the Participant's Termination of Employment and (B) the Participant's death. Each payment under any Award shall be treated as a separate payment for purposes of Section 409A of the Code. In no event may a Participant, directly or indirectly, designate the calendar year of any payment to be made under any Award.

(l) Indemnification. Each person who is or will have been a member of the Board or of the Committee and any designee of the Board or Committee will be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed on or reasonably incurred by him in connection with or resulting from any claim, action, suit, or proceeding to which he may be made party or in which he may be involved by reason of any determination, interpretation, action taken or failure to act under the Plan and against and from any and all amounts paid by him in settlement thereof, with the Company's approval, or paid by him in satisfaction of any judgment in any such action, suit or proceeding against him, provided he will give the Company an opportunity, at its own expense, to handle and defend the same before he undertakes to handle and defend it on his own behalf. The foregoing right of indemnification will not be exclusive and will be independent of any other rights of indemnification to which such persons may be entitled under the Company's Articles of Incorporation, By-laws, by contract, as a matter of law, or otherwise.

(m) Compensation Recoupment or "Clawback" Policy. Awards may be made subject to any compensation recoupment policy adopted by the Board or the Committee at any time prior to or after the Effective Date, and as such policy may be amended from time to time after its adoption. The compensation recoupment policy will be applied to any Award that constitutes the deferral of compensation subject to Section 409A of the Code in a manner that complies with the requirements of Section 409A of the Code.

tripadvisor®

2017 Annual Report on Form 10-K

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

Form 10-K

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

For the fiscal year ended December 31, 2017

OR

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

For the transition period from to

Commission file number: 001-35362

TRIPADVISOR, INC.
(Exact name of registrant as specified in its charter)

Delaware	**80-0743202**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

400 1st Avenue
Needham, MA 02494
(Address of principal executive office) (Zip Code)

Registrant's telephone number, including area code:
(781) 800-5000

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

Title of each class:	Name of each exchange on which registered:
Common Stock, $0.001 par value	**The NASDAQ Stock Market LLC**

Securities registered pursuant to Section 12(g) of the Act: None

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

Large accelerated filer	☒		Accelerated filer	☐
Non-accelerated filer	☐	(Do not check if a smaller reporting company)	Smaller reporting company	☐
Emerging growth company	☐			

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

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

The aggregate market value of the common stock of the registrant held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter was $4,096,061,843 based on the closing price on The NASDAQ Global Select Market on such date. For the purpose of the foregoing calculation only, all directors and executive officers of the registrant are assumed to be affiliates of the registrant.

Class	Outstanding Shares at February 9, 2018
Common Stock, $0.001 par value per share	126,183,939 shares
Class B common stock, $0.001 par value per share	12,799,999 shares

Documents Incorporated by Reference

The registrant intends to file a proxy statement pursuant to Regulation 14A not later than 120 days after the close of the fiscal year ended December 31, 2017. Portions of such proxy statement are incorporated by reference into Part III of this Annual Report on Form 10-K.

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We refer to TripAdvisor, Inc. and our wholly-owned subsidiaries as “TripAdvisor,” “the Company,” “us,” “we” and “our” in this Annual Report on Form 10-K.

Cautionary Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K contains “forward-looking statements” that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. The statements contained in this Annual Report that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. The following words, when used, are intended to identify forward-looking statements: “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “might,” “plan,” “project,” “result” “should,” “will,” and similar expressions which do not relate solely to historical matters. We caution investors that any forward-looking statements in this report, or which management may make orally or in writing from time to time, are based on management’s beliefs and on assumptions made by, and information currently available to, management. Such statements are subject to risks, uncertainties and assumptions and are not guarantees of future performance, which may be affected by known and unknown risks, trends, uncertainties and factors that are beyond our control. Some of the risks and uncertainties that may cause our actual results, performance or achievements to differ materially from those expressed or implied by forward-looking statements are more fully described in Part I. Item 1A. "Risk Factors". Moreover, we operate in a rapidly changing environment. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We caution you that, while forward-looking statements reflect our good faith beliefs when we make them, they are not guarantees of future performance and are impacted by actual events when they occur after we make such statements. We expressly disclaim any responsibility to update our forward-looking statements, whether as a result of new information, future events or otherwise.

Investors should also refer to our quarterly reports on Form 10-Q for future periods and current reports on Form 8-K as we file them with the U.S. Securities and Exchange Commission, or the SEC, and to other materials we may furnish to the public from time to time through Current Reports on Form 8-K or otherwise.

PART I

Item 1. Business

Overview

TripAdvisor is an online travel company and our mission is to help people around the world to plan, book and experience the perfect trip. We seek to achieve our mission by providing users and travel partners a global platform about destinations, accommodations, activities and attractions, and restaurants that includes rich user-generated content, price comparison tools and online reservation and related services.

TripAdvisor, Inc., by and through its subsidiaries, owns and operates a portfolio of leading online travel brands. Our flagship brand, TripAdvisor, is the world's largest travel site based on monthly unique visitors, with 455 million average monthly unique visitors in our seasonal peak during the year ended December 31, 2017, according to our internal log files.

Our TripAdvisor-branded websites include tripadvisor.com in the United States and localized versions of the TripAdvisor website in 48 markets and 28 languages worldwide. TripAdvisor features approximately 600 million reviews and opinions on approximately 7.5 million places to stay, places to eat and things to do – including approximately 1.2 million hotels, inns, B&Bs and specialty lodging, 750,000 vacation rentals, 4.6 million restaurants and 915,000 activities and attractions worldwide. We also enable users to compare prices and/or book a number of these travel experiences on either a TripAdvisor site or mobile app, or on the site or app of one of our travel partners.

In addition to the flagship TripAdvisor brand, we manage and operate the following 20 other travel media brands, connected by the common goal of providing users the most comprehensive travel-planning and trip-taking resources in the travel industry: www.airfarewatchdog.com, www.bookingbuddy.com, www.citymaps.com, www.cruisecritic.com, www.familyvacationcritic.com, www.flipkey.com, www.thefork.com (including www.lafourchette.com, www.eltenedor.com, www.iens.nl, and www.dimmi.com.au), www.gateguru.com, www.holidaylettings.co.uk, www.holidaywatchdog.com, www.housetrip.com, www.jetsetter.com, www.niumba.com, www.onetime.com, www.oyster.com, www.seatguru.com, www.smartertravel.com, www.tingo.com, www.vacationhomerentals.com, and www.viator.com.

Our Industry and Market Opportunity

We operate in the global travel industry, focusing exclusively on online travel activity and the online advertising market.

According to Phocuswright, an independent travel, tourism and hospitality research firm, global travel spending is expected to be greater than $1.6 trillion in 2018. Online penetration of global travel bookings currently is estimated to be less than 50%, however, travel bookings continue to move online as consumers around the world gain access to the internet, including broadband; more users continue to access the internet via mobile devices; and global tourism activity continues to increase, driven by middle class and economic growth in some parts of the world. In addition, the internet provides greater access to travel research and booking capabilities than offline methods. Given the ongoing consumer trends around online travel media consumption and online travel commerce, we believe travel partners will continue to allocate greater percentages of their marketing budgets to online channels, as they seek to grow their businesses.

Our Business Model

Our businesses help to match demand – users who seek to discover, research, price compare and book the best travel experiences – with supply – our travel partners who provide travel accommodations, travel experiences and travel services, worldwide.

Users

We serve users through our websites and apps and focus on content, selection, price, and convenience. TripAdvisor features approximately 600 million user-generated reviews and opinions across a broad base of global travel-related businesses, including approximately 1.2 million hotels, inns, B&Bs and specialty lodging, 750,000 vacation rentals, 4.6 million restaurants and 915,000 activities and attractions worldwide. Our content – and the strong global brand we have created since our founding in 2000 – are primary drivers of not only attracting the world's largest travel audience of 455 million unique monthly visitors but also influencing a significant amount of travel commerce. We are focused on creating the best online experience in travel planning and booking, making it easier for users to research destinations and experiences, to read and contribute user-generated content, compare destinations and businesses based on quality, price and availability, and to complete bookings powered by our travel partners.

Travel Partners

We strive to give users more choice and to help users find the best experiences and the best deals possible and we design our websites to enable our travel partners to be discovered, to advertise and to sell their services. We facilitate transactions between users and travel partners in a number of ways, including by sending referrals to our partners websites, facilitating bookings on behalf of our partners, by serving as the merchant of record – as is often the case in our attractions and vacation rentals businesses – and by offering advertising placements on our websites and mobile apps.

Segments and Products

We manage our business in two reportable segments: Hotel and Non-Hotel. We continue to derive a significant majority of our revenue from our Hotel segment, which accounted for 77%, 80%, and 85%, of our consolidated revenue in the years ended December 31, 2017, 2016 and 2015, respectively. The Hotel segment includes revenue generated from the following sources:

- ***TripAdvisor-branded Click-based and Transaction Revenue.*** Our largest source of Hotel segment revenue is generated from click-based advertising on TripAdvisor-branded websites, which is primarily comprised of contextually-relevant booking links to our travel partners' sites. Our click-based advertising travel partners are predominantly online travel agencies, or OTAs, and direct suppliers in the hotel product category. Click-based advertising is generally priced on a cost-per-click, or "CPC", basis, with payments from advertisers determined by the number of users who click on a link multiplied by the price that partner is willing to pay for that click, or hotel shopper lead. CPC rates are determined in a dynamic, competitive auction process, or metasearch auction, that enables our partners to use our proprietary, automated bidding system to submit CPC bids to have their hotel rates and availability listed on our site. Transaction revenue is generated from our instant booking feature, which enables the merchant of record, generally an OTA or hotel partner, to pay a commission to TripAdvisor for a user that completes a hotel reservation via our website.
- ***TripAdvisor-branded Display-based Advertising and Subscription Revenue.*** Travel partners can promote their brands in a contextually-relevant manner through a variety of display-based advertising placements on our websites. Our display-based advertising clients are predominantly direct suppliers of hotels, airlines and cruises, as well as destination marketing organizations. We also sell display-based advertising to OTAs and other travel-related businesses, and to advertisers from non-travel categories. Display-based advertising is sold predominantly on a cost per thousand impressions, or CPM, basis. In addition, we offer subscription-based advertising to hotels, B&Bs and other specialty lodging properties. Subscription advertising is predominantly sold for a flat fee and enables subscribers to enhance their listing, for a contracted period of time, on our TripAdvisor-branded websites, including by posting special offers for travelers.
- ***Other Hotel Revenue.*** Our other hotel revenue primarily includes revenue from non-TripAdvisor branded websites, such as www.bookingbuddy.com, www.cruisecritic.com, and www.onetime.com, which includes click-based advertising revenue, display-based advertising revenue, hotel room reservations sold through the websites and advertising revenue from making cruise reservations available for price comparison and booking.

In recent years, a significant percentage of our user traffic as well as an increasing percentage of our consolidated revenue has come from Non-Hotel products – attractions, restaurants and vacation rentals. These businesses generate revenue in our Non-Hotel segment, which accounted for 23%, 20%, and 15% of our consolidated revenue in the years ended December 31, 2017, 2016 and 2015, respectively.

- **Attractions.** We provide information and services for users to research, book, and experience activities and attractions in popular travel destinations both through Viator, our dedicated Attractions business, and on our TripAdvisor website and applications. We primarily generate commissions for each transaction we facilitate through our online reservation systems. In addition to its consumer-direct business, Viator also powers activity and attractions booking capabilities for its affiliate partners, including some of the world's top airlines, hotel chains and online and offline travel agencies. We enable users to book approximately 83,000 activities and attractions, via third-party suppliers, which are available on Viator-branded websites and mobile applications and on TripAdvisor-branded websites and mobile applications.
- **Restaurants.** We provide information and services for users to research and book restaurants in popular travel destinations through our dedicated restaurant reservations business, TheFork, and on our TripAdvisor website and applications. TheFork is an online restaurant booking platform operating on a number of websites (including www.lafourchette.com, www.eltenedor.com, www.iens.nl and www.dimmi.com.au), with a network of restaurant partners located primarily across Europe and Australia. We generate reservation revenues that are paid by restaurants for diners seated through TheFork's online reservation systems, and generate subscription fees for our online booking and marketing analytics tools provided by TheFork and by TripAdvisor. We enable users to book approximately 46,000 restaurants, which are available on www.thefork.com and on TripAdvisor-branded websites and mobile applications.
- **Vacation Rentals.** We provide information and services for users to research and book vacation and short-term rental properties, including full home rentals, condominiums, villas, beach rentals, cabins and cottages. The Vacation Rentals business generates revenue primarily by offering individual property owners and property managers the ability to list their properties on our websites and mobile applications thereby connecting homeowners with travelers through a free-to-list, commission-based option and, to a lesser extent, by an annual subscription-based fee structure. These properties are listed on www.flipkey.com, www.holidaylettings.co.uk, www.housetrip.com, www.niumba.com, and www.vacationhomerentals.com, and on our TripAdvisor-branded websites and mobile applications.

Our Long-Term Growth Strategy

We seek to achieve our mission of helping people around the world plan, book and experience the perfect trip by: leveraging our user-generated content and global brand to attract users to our websites and applications; providing users with the best user experience throughout all phases of the travel journey; deepening our partnerships with travel partners, by providing them with a global platform of advertising opportunities to generate qualified leads and bookings; and investing in technology, product development, marketing, and other strategic areas that we believe can improve our long-term business prospects.

- ***Drive user engagement with our platform.*** Since our founding, the TripAdvisor brand has become a globally-recognized travel brand, one that is synonymous with travel reviews and research and increasingly finding the best prices and booking. We believe that our user-generated content and our brand have enabled us to build a large, highly engaged and loyal community of travelers who view TripAdvisor as a valuable resource to help them discover, plan and, book their travel experiences, and for millions of users, TripAdvisor gives them an interactive platform to share their travel experiences. We seek to amplify our global brand and raise user awareness for and engagement with our expanded product offerings as we aim to attract users to our websites and applications through various channels, including domain direct and various online and offline marketing channels, including search engines through search engine optimization and search engine marketing, and recently, through television brand advertising.

- ***Deliver the best user experience possible on our platform.*** We believe that giving users more value throughout their TripAdvisor experience is key to our future success. To accomplish this, we have made and will continue to make product improvements in order to provide a more enjoyable and engaging end-to-end user experience throughout all phases of the travel journey – from inspiration and discovery, to researching, price shopping and booking, to in-destination activities and places to eat, and, finally, to sharing the details of these travel experiences on TripAdvisor. These enhancements include having grown the number of hotels, inns, B&Bs and specialty lodging, vacation rentals, restaurants, activities and attractions listed on our platform to approximately 7.5 million worldwide as of December 31, 2017. In addition to listings and content, we have provided users more options to price compare and book their travel experiences. During 2017, we launched a more engaging hotel shopping experience that focused on helping hotel shoppers find the best prices on TripAdvisor websites and applications. In order to better serve travelers needs when they are in-destination, we have continued to rapidly expand our bookable supply in attractions and restaurants. We believe that our continued focus on delivering an increasingly more robust user experience will ultimately result in more repeat usage on our platform, more value for our partners, and greater monetization for our business. We seek to quickly identify what users need to conduct their travel research and booking and to deliver product enhancements quickly.
- ***Deepen relationships with our travel partners.*** We are a global platform consisting of listing and advertising opportunities that help generate impressions, brand awareness, qualified leads and bookings for travel partners. As of December 31, 2017, TripAdvisor had approximately 1.2 million hotels, inns, B&Bs and specialty lodging, 915,000 activities and attractions, 4.6 million restaurants, and 750,000 vacation rentals on its website. We believe that continuing to grow the number of listings and bookable supply, especially in our in-destination Attractions and Restaurants businesses, will enable TripAdvisor to not only delight users in more moments during more trips, but also help partners drive transactions for their business. We are also increasingly providing business-to-business services that are designed to help our partners grow their business. For example, TripAdvisor's Business Advantage and Premium for Restaurants offer hoteliers and restauranteurs, affordable marketing and business analytics tools, respectively, to help them attract customers and more effectively manage their business pages on TripAdvisor.
- ***Invest in technology, product, marketing and other strategic areas.*** Continuous product testing and speed to market are two of our most important priorities, as they enable us to create a richer user experience. We operate on a regular product release cycle, where releases contain new product features for our websites and mobile applications. For example, innovating and improving our mobile phone offerings are key priorities since mobile phone adoption continues to scale and consumers increasingly conduct more internet searches and commerce on these devices. During the year ended December 31, 2017, more than half of our average monthly unique visitors came from mobile phones, growing nearly 30% year-over-year, according to our internal log files. We anticipate that the growth rate in mobile phone monthly unique visitors will continue to exceed the growth rate of our overall monthly unique visitors, resulting in an increased proportion of users continuing to use their mobile phones to access the full range of services available on our websites and applications. We are investing significant resources to improve the features, functionality, engagement, and commercialization of our travel products on our mobile websites and applications.

Marketing

We seek to amplify our global brand and raise user awareness and engagement for our expanded product offerings as we aim to attract users to our websites and applications through various channels, including domain direct and various online and offline marketing channels, including search engines (primarily Google), social media, and in more recent years, through television brand advertising. Both our performance advertising expense and brand advertising expense have increased in recent years. During 2017, our total advertising expense was approximately $629 million, primarily related to the use of online search engines (primarily Google), social media, as well as offline marketing, primarily television advertising, as part of our ongoing initiative to attract users to our websites and applications when they are looking to find the best hotel deals before they are ready to book. We intend to continue a strategy of promoting brand awareness through both online and offline advertising efforts, including by expanding brand campaigns into additional markets.

Competition

We compete in rapidly evolving and competitive markets. We face competition for content, users, advertisers, online travel search and price comparison services also known in the industry as hotel metasearch, and online reservations. In the competition to attract users to our platform, we rely on our ability to acquire traffic through offline brand recognition and brand-direct efforts such as online search, email and television. These marketing strategies can be impacted by competitive site content, changes to our website architecture and page designs, changes to search engine ranking algorithms, updates in competitor advertising strategies, or changes to display ordering in search engine results such as preferred placement for internal products offered by search engines.

We compete with different types of companies in the various markets and geographies we participate in, including large and small companies in the travel space as well as broader service providers. More specifically:

- In our Hotel segment, we both partner with, and face competition from OTAs (including Expedia, Inc. and The Priceline Group, Inc. and many of their respective subsidiaries and operating companies); hotel metasearch providers (including trivago, a subsidiary of Expedia, Kayak, a subsidiary of Priceline, HotelsCombined and Ctrip.com International, Ltd); large online search, social media, and marketplace platforms and companies (including Google, Facebook, Microsoft's Bing, Yahoo, Baidu, Alibaba, and Amazon); traditional offline travel agencies; and global hotel chains seeking to promote direct bookings.
- In our Non-Hotel segment, our Attractions business competes with both traditional and online travel agencies, online travel service providers, wholesalers, and individual tour operators. Our Restaurants business competes with other online restaurant reservation services, such as Yelp and OpenTable (a subsidiary of Priceline), and local or regional providers. Our Vacation Rentals business competes with companies focused on alternative lodging and shared accommodations, including Airbnb and HomeAway (a subsidiary of Expedia) and booking.com (a subsidiary of Priceline).

As the industry continues to shift towards online travel services and the technology supporting it continues to evolve, we anticipate that the existing competitive landscape will continue to change, new competitors may emerge, and industry consolidation may continue.

Commercial Relationships

We have a number of commercial relationships that are important to the success of our business. Although these relationships are memorialized in agreements, many of these agreements are for limited terms or are terminable at will or on short notice. As a result, we work hard to ensure the mutual success of these relationships.

We have commercial relationships with the majority of the world's leading OTAs, as well as a variety of other travel partners pursuant to which these companies primarily purchase traveler leads from us, generally on a click-based advertising basis. For the year ended December 31, 2017, our two most significant travel partners were Expedia and Priceline, including certain of their respective brands. For the years ended December 31, 2017, 2016 and 2015, Expedia (and its subsidiaries) and Priceline (and its subsidiaries), each accounted for more than 10% of our consolidated revenue and together accounted for approximately 43%, 46% and 46% of our consolidated revenue, respectively. Nearly all of this concentration of revenue is recorded in our Hotel segment for these reporting periods.

Operations and Technology

We have assembled a team of highly skilled software engineers, computer scientists, data scientists, network engineers, and systems engineers whose expertise spans a broad range of technical areas, including a wide variety of open source operating systems, databases, languages, analytics, networking, scalable web architecture, operations, and warehousing technologies. We make significant investments in product and feature development, data management, personalization technologies, scalable infrastructures, networking, data warehousing, and search engine technologies.

Our systems infrastructure, web and database servers for TripAdvisor-branded websites are housed at two geographically separate facilities and have multiple communication links as well as continuous monitoring and engineering support. Each facility is fully self-sufficient and operational with its own hardware, networking, software, and content, and is structured in an active/passive, fully redundant configuration. Substantially all of our software components, data, and content are replicated in multiple datacenters and development centers, as well as being backed up at offsite locations. Our systems are monitored and protected though multiple layers of security. Several of our individual subsidiaries and businesses, including Viator, have their own data infrastructure and technology teams.

Intellectual Property

Our intellectual property, including patents, trademarks, copyrights, domain names, trade dress, proprietary technology and trade secrets, is an important component of our business. We rely on our intellectual property rights in our content, proprietary technology, software code, ratings indexes, databases of reviews and forum content. We have acquired some of our intellectual property rights through licenses and content agreements with third parties and these arrangements may place restrictions on the use of our intellectual property.

We protect our intellectual property by relying on our terms of use, confidentiality agreements and contractual provisions, as well as on international, national, state and common law rights. We protect our brands by pursuing the trademark registration of our core brands, as appropriate, maintaining our trademark portfolio, securing contractual trademark rights protection when appropriate, and relying on common law trademark rights when appropriate. We also register copyrights and domain names as deemed appropriate. Additionally, we protect our trademarks, domain names and copyrights with the use of intellectual property licenses and an enforcement program.

We have considered, and will continue to consider, the appropriateness of filing for patents to protect future inventions, as circumstances may warrant. However, many patents protect only specific inventions and there can be no assurance that others may not create new products or methods that achieve similar results without infringing upon patents owned by us.

Government Regulation

We are subject to a number of United States federal and state and foreign laws and regulations that affect companies conducting business on the internet, many of which are still evolving and being tested in courts, and could be interpreted in ways that could harm our business. These includes laws and regulations regarding user privacy, libel, rights of publicity, data protection, content, intellectual property, distribution, electronic contracts and other communications, consumer protection, taxation, online payment services, competition and protection of minors. In particular, we are subject to United States federal and state and foreign laws regarding privacy and protection of user data. Foreign data protection, privacy, and other laws and regulations are often more restrictive than those in the United States. United States federal and state and foreign laws and regulations are constantly evolving and can be subject to significant change. In addition, the application and interpretation of these laws and regulations is often uncertain, particularly in the new and rapidly-evolving industry in which we operate.

In addition, we provide advertising data and information and conduct marketing activities that are subject to United States federal and state consumer protection laws that regulate unfair and deceptive practices, domestically and internationally. The United States and European Union have begun to adopt legislation that regulates certain aspects of the internet, including online editorial and user-generated content, data privacy, behavioral targeting and online advertising, taxation, and liability for third-party activities. It is impossible to accurately predict whether new taxes or regulations will be imposed on our services, and whether or how we might be affected. Increased regulation of the internet could increase the cost of doing business or otherwise materially adversely affect our business, financial condition or operational results.

We are subject to laws that require protection of user privacy and user data. In our processing of reservations, we receive and store a large volume of personally identifiable data in the United States, Europe and Asia. This data is increasingly subject to laws and regulations in numerous jurisdictions around the world, including the European Union through the introduction of the General Data Protection Regulation, or GDPR. The enactment, interpretation and application of these laws is in a state of flux, and the interpretation and application of such laws may vary from country to country.

Corporate History, Equity Ownership and Voting Control

TripAdvisor was co-founded in February 2000 by Stephen Kaufer, our current Chief Executive Officer and President. In April 2004, TripAdvisor was acquired by IAC/InterActiveCorp, or IAC. In August 2005, IAC spun-off its portfolio of travel brands, including TripAdvisor, into a separate newly-formed Delaware corporation called Expedia, Inc., or Expedia. On December 20, 2011 Expedia completed a spin-off of TripAdvisor into a separate publicly-traded Delaware corporation. We refer to this second spin-off transaction as the "Spin-Off." Following the Spin-Off, on December 21, 2011, TripAdvisor began trading on The NASDAQ Global Select Market, or NASDAQ, as an independent public company under the trading symbol "TRIP."

On December 11, 2012, Liberty Interactive Corporation, or Liberty, purchased an aggregate of approximately 4.8 million shares of common stock of TripAdvisor from Barry Diller, our former Chairman of the Board of Directors and Senior Executive, and certain of his affiliates. As a result, Liberty beneficially owned approximately 18.2 million shares of our common stock and 12.8 million shares of our Class B common stock.

On August 27, 2014, the entire beneficial ownership of our common stock and Class B common stock held by Liberty was acquired by Liberty TripAdvisor Holdings, Inc., or LTRIP. Simultaneously, Liberty, LTRIP's former parent company, distributed, by means of a dividend, to the holders of its Liberty Ventures common stock, Liberty's entire equity interest in LTRIP. We refer to this transaction as the "Liberty Spin-Off". As a result of the Liberty Spin-Off, effective August 27, 2014, LTRIP became a separate, publicly traded company holding 100% of Liberty's interest in TripAdvisor.

As a result of these transactions, as of December 31, 2017, LTRIP beneficially owned approximately 18.2 million shares of our common stock and 12.8 million shares of our Class B common stock, which constitute 14.4% of the outstanding shares of common stock and 100% of the outstanding shares of Class B common stock. Assuming the conversion of all of LTRIP's shares of Class B common stock into common stock, LTRIP would beneficially own 22.3% of the outstanding common stock. Because each share of Class B common stock generally is entitled to ten votes per share and each share of common stock is entitled to one vote per share, LTRIP may be deemed to beneficially own equity securities representing 57.5% of our voting power.

Financial Information about Segments and Geographic Information

Our reporting structure includes two reportable segments: Hotel and Non-Hotel. Our Non-Hotel reportable segment consists of three operating segments, which includes our Attractions, Restaurants and Vacation Rentals businesses. The segments are determined based on how the chief operating decision maker regularly assesses information and evaluates performance for operating decision-making purposes, including allocation of resources. Financial information related to our two reportable segments and geographic information required herein is contained in "Note 17 — *Segment and Geographic Information*," in the notes to our consolidated financial statements in Item 8.

Employees

As of December 31, 2017, we had 3,228 employees. Of these employees, approximately 51% were based in the United States. We believe we have good relationships with our employees, including relationships with employees represented by international works councils or other similar organizations.

Seasonality

Traveler expenditures in the global travel market tend to follow a seasonal pattern. As such, expenditures by travel partners/advertisers to market to potential travelers and, thereby, our financial performance, or revenue and profits, tend to be seasonal as well. As a result, our financial performance tends to be seasonally highest in the second and third quarters of a year, as it is a key period for leisure travel research and trip-taking, which includes the seasonal peak in traveler hotel and vacation rental stays, and tours and attractions taken, compared to the first and fourth quarters which represent seasonal low points. Further significant shifts in our business mix or adverse economic conditions could result in future seasonal patterns that are different from historical trends.

Additional Information

We maintain a corporate website at ir.tripadvisor.com. Except as explicitly noted, the information on our website, as well as the websites of our various brands and businesses, is not incorporated by reference in this Annual Report on Form 10-K, or in any other filings with, or in any information furnished or submitted to, the SEC.

We make available, free of charge through the Investor Relations section of our website, the reports that we file or furnish with the SEC, press releases, public conference calls and certain webcasts. Investors and others should be aware that we use our investor relations website (http://ir.tripadvisor.com/investor-relations) to announce material financial information to our investors as well as communicate with the public about our company, our results of operations and other information.

We post our code of business conduct and ethics, which applies to all employees, including all executive officers, senior financial officers and directors, on our corporate website at www.tripadvisor.com. We intend to disclose any waivers of the code of ethics for our executive officers, senior financial officers or directors, on our corporate website.

Item 1A. Risk Factors

You should consider carefully the risks described below together with all of the other information included in this Annual Report as they may impact our business, results of operations and/or financial condition. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently believe are immaterial may also impair our business, results of operations or financial condition. If any of the following risks occur, our business, financial condition, operating results and cash flows could be materially adversely affected.

If we are unable to continue to increase visitors to our websites and mobile apps and to cost-effectively convert these visitors into revenue-generating users, our revenue, financial results and business could be harmed.

Our long term success depends on our continued ability to maintain and increase the overall number of visitors flowing through our platforms in a cost effective manner and to engage users throughout the travel planning, booking and trip-taking phases. The primary asset that we use to attract visitors to our websites and convert these visitors into engaged users and bookers is our ability to collect or create, organize and distribute high-quality, commercially valuable content and products that meet users' specific interests. Our traffic and user engagement could be adversely affected by a number of factors, including but not limited to increased competition, reduced consumer awareness of our brands, declines or inefficiencies in traffic acquisition, and macroeconomic conditions. Certain of our competitors have advertising campaigns expressly designed to drive consumer traffic directly to their websites, and these campaigns may negatively impact traffic to our site. There can be no assurances that we will continue to provide content and products in a manner that meets rapidly changing consumer demand that encourages users to book on our platform and that is cost-effective. Any failure to obtain and manage content and products in a cost-effective manner that will engage users, or any failure to provide content and products that are perceived as useful, reliable and trustworthy, could adversely affect user experiences and their repeat behavior, reduce traffic to our websites and negatively impact our business and financial performance.

We rely on internet search engines and application marketplaces to drive traffic to our platform, certain providers of which offer products and services that compete directly with our products. If links to our website and applications are not displayed prominently, traffic to our platform could decline and our business would be negatively affected.

We rely heavily on internet search engines, such as Google, to generate a significant amount of traffic to our websites, principally through the purchase of travel-related keywords (what is also known as search engine marketing, or SEM) as well as through free, or organic, search (what is also known as search engine optimization, or SEO). The number of users we attract from search engines to our platform is due in large part to how and where information from and links to our website are displayed on search engine results pages. The display, including rankings, of unpaid search results can be effected by a number of factors, many of which are not in our control and may change frequently. Search engines frequently update and change the logic that determines the placement and display of results of a user's search, such that the purchased or algorithmic placement of links to our websites can be negatively affected. In addition, a search engine could, for competitive or other purposes, alter its search algorithms or results causing our websites to place lower in organic search query results. If a major search engine changes its algorithms in a manner that negatively affects the search engine ranking of our websites or those of our partners, or if competitive dynamics impact the cost or effectiveness of SEO or SEM in a negative manner, our business and financial performance would be adversely affected. Furthermore, our failure to successfully manage our SEO and SEM strategies could result in a substantial decrease in traffic to our websites, as well as increased costs if we were to replace free traffic with paid traffic.

In addition, to the extent that Google or other leading search or metasearch engines that have a significant presence in our key markets, disintermediate OTAs or travel content providers, whether by offering their own comprehensive travel planning or shopping capabilities, or by referring leads to suppliers, other favored partners or themselves directly, there could be a negative effect on search results and traffic to our site, which in turn could have a material adverse impact on our business and financial performance.

We also rely on application marketplaces, such as Apple's App Store and Google's Play, to drive downloads of our applications. In the future, Apple, Google or other marketplace operators may make changes to their marketplaces that make access to our products more difficult. For example, Google has entered various aspects of the online travel market, including by establishing a flight metasearch product and a hotel metasearch product as well as reservation functionality. Our applications may receive unfavorable treatment compared to the promotion and placement of competing applications, such as the order in which they appear within marketplaces. Similarly, if problems arise in our relationships with providers of application marketplaces, traffic to our site and our user growth could be harmed.

We derive a substantial portion of our revenue from advertising and any significant reduction in spending by advertisers or redirections of advertising spend could harm our business.

We derive a substantial portion of our revenue from the sale of advertising, primarily through click-based advertising and, to a lesser extent, display-based and subscription-based advertising. We enter into master advertising contracts with our advertising partners. The agreement terms are generally limited to legal matters, with campaign details governed by insertion orders, and most of these contracts can be terminated by our partners at will or on short notice. Our ability to grow advertising revenue with our existing or new advertising partners is dependent in large part on our ability to generate revenue for them relative to other alternatives. Advertisers will not continue to do business with us if their investment in such advertising does not generate sales leads, customers, bookings, or revenue and profit on a cost-effective basis. Our ability to provide value to our advertising partners depends on a number of factors, including acceptance of online advertising versus more traditional forms of advertising or more effective models, competitiveness of our products, traffic quality, perception of our platform, availability and accuracy of analytics and measurement solutions to demonstrate our value, and macroeconomic conditions, whether in the advertising industry generally, among specific types of marketers or within particular geographies. We cannot guarantee that our current advertisers will fulfill their obligations under existing contracts, continue to advertise beyond the terms of existing contracts or enter into any additional contracts with us.

Click-based advertising revenue accounts for the majority of our advertising revenue. Our CPC pricing for click-based advertising depends, in part, on competition between advertisers. If our large advertisers become less competitive with each other, merge with each other or with our competitors, focus more on per-click profit than on traffic volume, or are able to reduce CPCs, this could have an adverse impact on our click-based advertising revenue which would, in turn, have an adverse effect on our business, financial condition and results of operations.

We rely on a relatively small number of significant advertising partners and any reduction in spending by or loss of these partners could seriously harm our business.

We derive a substantial portion of our revenue from a relatively small number of advertising partners and rely significantly on our relationships. For example, for the year ended December 31, 2017, our two most significant advertising partners, Expedia and Priceline (and their subsidiaries), accounted for a combined 43% of total revenue. While we enter into master advertising contracts with our partners, as discussed above, and most of these contracts can be terminated by our partners at will or on short notice. If any of our significant advertisers were to cease or significantly curtail advertising on our websites, we could experience a rapid decline in our revenue over a relatively short period of time which would have a material impact on our business.

Our dedication to making the user experience our highest priority may cause us to prioritize rapid innovation and user experience over short-term financial results.

We strive to create the best experience for our users, providing them with the information, research and tools to enable them to plan, book, and experience the perfect trip. We believe that in doing so we will increase our rates of conversion, revenue per hotel shopper and, ultimately, our financial performance over the long-term. We have taken actions in the past and may continue to make decisions in the future that have the effect of reducing our short-term revenue or profitability if we believe that the decisions benefit the overall user experience. For example, we may introduce changes to existing products or new products that direct users away from formats or use cases where we have a proven means of monetization. In addition, our approach of putting users first may negatively impact our relationship with existing or prospective advertisers. These actions and practices could result in a loss of advertisers, which in turn could harm our results of operations. The short-term reductions in revenue or profitability could be more severe than we anticipate or these decisions may not produce the long-term benefits that we expect, in which case our user growth and engagement, our relationships with users and advertisers, and our business and results of operations could be harmed.

Our business depends on a strong brand and any failure to maintain, protect and enhance our brand would hurt our ability to retain and expand our base of users and advertisers, as well as increase the frequency with which users utilize our products and services.

We believe that the strength of our brands (particularly the TripAdvisor brand) has contributed significantly to our success. We also believe that maintaining, protecting and enhancing our brands is critical to expanding our base of users, increasing the frequency with which users utilize our solutions and attracting advertisers and business partners. Our ability to maintain and protect our brand depends, in part, on our ability to maintain consumer trust in our products and in the quality and integrity of the user content and other information found on our platform. We believe that consumers must trust the integrity of our content and that they must believe that our content is reliable as well as useful. If consumers do not view our reviews to be useful and reliable, they may seek other sources to obtain the information they are looking for and may not return to our platform as often in the future, or at all. This would negatively impact our ability to attract retain users and advertisers and the frequency with which they use our platform. We dedicate significant resources to these goals, primarily through our computer algorithms to identify inappropriate or deceptive content removing content from our website that violates our terms of service and, in certain cases, taking legal action against businesses that we believe engage in deceptive practices.

Media, legislative, or regulatory scrutiny of our decisions regarding user privacy, content, advertising, and other issues may adversely affect our reputation and brands. Negative publicity about our company, including our content, technology, business practices or strategic plans, could diminish our reputation and confidence in our brand, thereby negatively affecting the use of our products. For example, certain media outlets have reported that we have improperly filtered or screened reviews, that we have not properly verified reviews, or that we manipulate reviews, ranking and ratings in favor of our advertisers against non-advertisers. We expend significant resources to ensure the integrity of our reviews and to ensure that the most relevant reviews are available to our users; we do not establish rankings and ratings in favor of our advertisers. Nevertheless, our reputation and brand, the traffic to our platform and our business may suffer from negative publicity about our company or if users otherwise perceive that our content is manipulated or biased. In addition, regulatory inquiries or investigations require management time and attention and could result in further negative publicity, regardless of their merits or ultimate outcomes.

In addition, unfavorable publicity regarding, for example, our practices relating to privacy and data protection, product changes, competitive pressures, litigation or regulatory activity, could adversely affect our reputation with our users and our advertisers. Such negative publicity also could have an adverse effect on the size, engagement, and loyalty of our user base and result in decreased revenue, which could adversely affect our business and financial results.

We continue to invest significant time and effort towards educating users about our brand and our product offerings and there can be no assurances that these efforts will be successful.

In an effort to enhance our brand we invest significantly in brand marketing including, but not limited to, television advertising. We expect these investments to continue, and even increase, as a result of a variety of factors, including relatively high levels of advertising spending from competitors, the increasing costs of supporting multiple brands, expansion into new geographies, product positioning where our brands are less well known, and the continued emergence and relative traffic share growth of search engines as destination sites for travelers. We expect to continue our television advertising campaign and to adjust our marketing efforts and spend among the different marketing channels, in each case as we think appropriate based on the relative growth opportunity, the expected returns and the competitive environment in the different segments and businesses in which we operate.

Such efforts may not maintain or enhance consumer awareness of our brands and, even if we are successful in our branding efforts, such efforts may not be cost-effective or as efficient as they have been historically. If we are unable to maintain or enhance consumer awareness of our brands or to generate demand in a cost-effective manner, it would have a material adverse effect on our business and financial performance. In addition, there are no assurances that these actions will have a positive impact on our marketing efficiencies or operating margins or when the financial benefit expected to result from these efforts will exceed the costs of such efforts. Furthermore, some of our current and potential competitors have access to significantly greater and more diversified resources than we do, and they may also be able to leverage other aspects of their businesses to enable them to compete more effectively with us.

Consumer adoption and use of mobile phone devices creates new challenges and, if we are unable to operate effectively on mobile phone devices, our business may be adversely affected.

The number of people who access the internet through mobile phones continues to increase and we anticipate that the rate of use of these devices will continue to grow. A significant percentage of our traffic comes from users accessing our sites on mobile phones and we expect this percentage to continue to increase. In order to attract and retain engaged users of our mobile platform, the mobile products and services we introduce must be compelling. In addition, the mobile phones continue to monetize at a significantly lower rate than desktops and tablets and advertising opportunities are more limited on mobile phone devices. Given device sizes and technical limitations of these devices, mobile phone consumers may not be willing to download multiple apps from multiple companies providing similar service and instead prefer to use one or a limited number of apps for their hotel, restaurant and attractions activity. In addition, as new devices and platforms are released, users may begin consuming content in a manner that is more difficult to monetize.

To address these growing user demands, we continue to extend our platform to develop and improve upon our mobile applications and monetization strategies. If we are unable to continue to rapidly innovate and create new, user-friendly and differentiated mobile phone offerings and websites optimized for mobile phone devices and efficiently and effectively advertise and distribute on these platforms, or if our mobile phone offerings are not used by consumers, our future growth and results of operations could be negatively impacted.

Declines or disruptions in the economy in general and travel industry in particular could adversely affect our businesses and financial performance.

Our businesses and financial performance are affected by the health of the global economy generally as well as the travel industry and leisure travel in particular. Sales of travel services tend to decline or grow more slowly during economic downturns and recessions when consumers engage in less discretionary spending, are concerned about unemployment or economic weakness, have reduced access to credit or experience other concerns that reduce their ability or willingness to travel. The global economy may be adversely impacted by unforeseen events beyond our control including incidents of actual or threatened terrorism, regional hostilities or instability, unusual weather patterns, natural disasters, political instability and health concerns (including epidemics or pandemics), defaults on government debt, significant increases in fuel and energy costs, tax increases and other matters that could reduce discretionary spending, tightening of credit markets and further declines in consumer confidence. Decreased travel expenditures could reduce the demand for our services and have a negative impact on our business, working capital and financial performance.

In addition, the uncertainty of macro-economic factors and their impact on consumer behavior, which may differ across regions, makes it more difficult to forecast industry and consumer trends and the timing and degree of their impact on our markets and business, which in turn could adversely affect our ability to effectively manage our business and adversely affect our results of operations. For example, the United Kingdom’s referendum to exit the European Union, known as Brexit, could adversely affect European and global economic or market conditions, could contribute to instability in global financial markets and may have a negative effect on the travel industry and our business.

We operate in an increasingly competitive global environment and our failure to compete effectively could reduce our market share and harm our financial performance.

We compete in rapidly evolving and competitive markets. We face competition for content, users, advertisers, online travel search and price comparison services, or what is known in the industry as hotel metasearch, and online reservations. In the competition to attract users to our platform, we rely on our ability to acquire traffic through offline brand recognition and brand-direct efforts such as SEO, SEM, email and television. These marketing strategies can be impacted by competitive site content, changes to our website architecture and page designs, changes to search engine ranking algorithms, updates in competitor advertising strategies, or changes to display ordering in search engine results such as preferred placement for internal products offered by search engines.

We also compete with different types of companies in the various markets and geographies where we participate, including large and small companies in the travel space as well as broader service providers. More specifically:

- In our Hotel segment, we face competition from OTAs (including Expedia, Inc. and The Priceline Group Inc. and certain of their respective subsidiaries), hotel metasearch providers (including trivago, Kayak, Ctrip.com International, Ltd., and HotelsCombined), large online search, social media, and marketplace companies (including Google, Microsoft Bing, Yahoo, Baidu, Facebook, Alibaba, and Amazon), traditional offline travel agencies, and global hotel chains seeking to promote direct bookings.

- We also face competition from different companies in each of the operating segments in our Non-Hotel segment. Our Attractions business competes with traditional travel agencies, wholesalers, and individual tour operators as well as Airbnb and similar websites that have added other travel services such as tours and activities. Our Restaurants business competes with other online restaurant reservation services, such as SeatMe (owned by Yelp) and OpenTable (a subsidiary of Priceline). Our Vacation Rentals business competes with companies focused on alternative lodging, shared accommodations and online accommodation searches, including Airbnb, HomeAway (a subsidiary of Expedia) and booking.com (a subsidiary of Priceline).

Many of our competitors have significantly greater financial, technical, marketing and other resources compared to us and have expertise in developing online commerce and facilitating internet traffic as well as large client bases. They also have the ability to leverage other aspects of their business to enable them to compete more effectively against us. In addition, many of our competitors, including online search companies, continue to expand their voice and artificial intelligence capabilities, which may provide them with a competitive advantage in travel. We cannot assure you that we will be able to compete successfully against our current, emerging and future competitors or on platforms that may emerge, or provide differentiated products and services to our traveler base.

Certain of the companies we do business with, including some of our click-based advertising partners, are also our competitors. The consolidation of our competitors and partners, including Expedia (through its acquisitions of Orbitz, Travelocity, and HomeAway) and Priceline (through its acquisitions of Kayak and OpenTable), may affect our relative competitiveness and our partner relationships. Competition and consolidation could result in higher traffic acquisition costs, reduced margins on our advertising services, loss of market share, reduced customer traffic to our websites and reduced advertising by travel companies on our websites.

As the industry shifts towards online travel services and the technology supporting it continues to evolve, including platforms such as mobile phone and tablet computing devices, competition is likely to intensify. Competition in our industry may result in pricing pressure, loss of market share or decreased member engagement, any of which could adversely affect our business and financial performance.

We rely on information technology to operate our business and remain competitive, and any failure to adapt to technological developments or industry trends could harm our businesses.

We depend on the use of sophisticated information technologies and systems for, among other things, website and mobile apps, supplier connectivity, communications, reservations, payment processing, procurement, customer service and fraud prevention. Our future success depends on our ability to continuously improve and upgrade our systems and infrastructure to meet rapidly evolving consumer trends and demands while at the same time maintaining the reliability and integrity of our systems and infrastructure. We may not be able to maintain or replace our existing systems or introduce new technologies and systems as quickly as we would like or in a cost-effective manner. We may not be successful, or as successful as our competitors, in developing technologies and systems that operate effectively across multiple devices and platforms in a way that is appealing to our users.

In addition, the emergence of alternative platforms such as mobile phone and tablet computing devices and the emergence of niche competitors who may be able to optimize products, services or strategies for such platforms will require new investment in technology. New developments in other areas could also make it easier for competition to enter our markets due to lower up-front technology costs. Technology changes, including new devices, services and home assistants, such as Amazon's Alexa Voice and Google Home, and developing technologies, such as machine learning and artificial intelligence, could negatively impact our business.

If we do not continue to innovate and provide tools and services that are useful to travelers, we may not remain competitive, and our business and financial performance could suffer.

Our success depends in part on continued innovation to provide features and services that make our platform compelling to travelers. Our competitors are continually developing innovations in online travel-related services and features. As a result, we are continually working to improve our business model and user experience in order to drive user traffic and conversion rates. We can give no assurances that the changes we make will yield the benefits we expect and will not have unintended or adverse impacts that we did not anticipate. If we are unable to continue offering innovative products and services and quality features that travelers want to use, existing users may become dissatisfied and use competitors' offerings and we may be unable to attract additional users, which could adversely affect our business and financial performance.

We are dependent upon the quality of traffic in our network to provide value to online advertisers, and any failure in our quality control could have a material adverse effect on the value of our websites to our advertisers and adversely affect our revenue.

We use technology and processes to monitor the quality of the internet traffic that we deliver to online advertisers and have identified metrics to demonstrate the quality of that traffic. These metrics are used to not only identify the value of advertising on our website but also to identify low quality clicks such as non-human processes, including robots, spiders or other software; the mechanical automation of clicking; and other types of invalid clicks or click fraud. Even with such monitoring in place, there is a risk that a certain amount of low-quality traffic, or traffic that online advertisers deem to be invalid, will be delivered to such online advertisers. As a result, we may be required to credit amounts owed to us by our advertisers. Furthermore, low-quality or invalid traffic may be detrimental to our relationships with advertisers, and could adversely affect our advertising pricing and revenue.

We rely on assumptions and estimates and data to calculate certain of our key metrics, and real or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business.

We believe that certain metrics are key to our business, including but not limited to unique visitors, hotel shoppers, and revenue per hotel shopper. As both the industry in which we operate and our business continue to evolve, so too might the metrics by which we evaluate our business. While the calculation of these metrics is based on what we believe to be reasonable estimates, our internal tools are not independently verified by a third party and have a number of limitations and, furthermore, our methodologies for tracking these metrics may change over time. For example, a single person may have multiple accounts or browse the internet on multiple browsers or devices, some users may restrict our ability to accurately identify them across visits, some mobile applications automatically contact our servers for regular updates with no user action, and we are not always able to capture user information on all of our platforms. As such, the calculations of our unique visitors may not accurately reflect the number of people actually visiting our platforms. We continue to improve upon our tools and methodologies to capture data and believe that our current metrics are accurate; however, the improvement of our tools and methodologies could cause inconsistency between current data and previously reported data, which could confuse investors or lead to questions about the integrity of our data. Also if the internal tools we use to track these metrics under-count or over-count performance or contain algorithm or other technical errors, the data we report may not be accurate. In addition, historically, certain metrics were calculated by independent third parties. Accordingly readers should not place undue reliance on these numbers.

The loss of one or more of our key personnel, or our failure to attract and retain other highly qualified personnel in the future, could harm our business.

Our future success depends upon the continued contributions of our senior corporate management and other key employees. In particular, the contributions of Stephen Kaufer, our co-founder, Chief Executive and President, are critical to our overall management. We cannot ensure that we will be able to retain the services of these individuals, and the loss of one or more of our key personnel could seriously harm our business. We do not maintain any key person life insurance policies.

In addition, competition remains intense for well-qualified employees in certain aspects of our business, including software engineers, developers, product management and development personnel, and other technology professionals. Our continued ability to compete effectively depends on our ability to attract new employees and to retain and motivate existing employees. As a global company, we aim to attract quality employees from all over the world, so any restrictions on travel for professional or personal purposes, such as those put in place in the United States in early 2017, may cause significant disruption to our businesses or negatively affect our ability to attract and retain employees on a global basis. If we do not succeed in attracting well-qualified employees or retaining or motivating existing employees, our business would be adversely affected.

We may be subject to claims that we violated intellectual property rights of others and these claims can be extremely costly to defend and could require us to pay significant damages and limit our ability to operate.

Certain companies in the internet and technology industries that own patents, copyrights, trademarks and trade secrets frequently enter into litigation based on allegations of infringement or other violations of those intellectual property rights in order to extract value from technology companies, such as royalties in connection with grants of licenses. We have received in the past, and expect to receive in the future notices that claim we have misappropriated or misused other parties’ intellectual property rights. Any intellectual property claim against us, regardless of merit, could be time-consuming and expensive to settle or litigate and could divert management’s attention and other resources. These claims also could subject us to significant liability for damages and could result in our having to stop using technology or content found to be in violation of another party’s rights. We might be required or may opt to seek a license for rights to intellectual property held by others, which may not be available on commercially reasonable terms, or at all. Even if a license is available, we could be required to pay significant royalties, which would increase our operating expenses. We may also be required to develop alternative non-infringing technology, or content, which could require significant effort and expense and make us less competitive in the relevant market. Any of these results could harm our business and financial performance.

Acquisitions, investments, significant commercial arrangements and/or new business strategies could disrupt our ongoing business and present new challenges and risks.

Our success will depend, in part, on our ability to expand our product offerings and expand user engagement in order to grow our business in response to changing technologies, user and advertiser demands and competitive pressures. As a result, we have acquired, invested in and/or entered into significant commercial arrangements with a number of new businesses in the past and our future growth may depend, in part, on future acquisitions, investments, commercial arrangements and/or changes in business strategies, any of which could be material to our financial conditions and results of operations. Such endeavors may involve significant risks and uncertainties, including, but not limited to, the following:

- Expected and unexpected costs incurred in identifying and pursuing these endeavors, and performing due diligence on potential targets that may or may not be successful;
- Use of cash resources and incurrence of debt and contingent liabilities in funding these endeavors that may limit other potential uses of our cash, including stock repurchases, retirement of outstanding indebtedness and/or dividend payments;
- Amortization expenses related to acquired intangible assets and other adverse accounting consequences;
- Diversion of management's attention or other resources from our existing business;
- Difficulties and expenses in integrating the operations, products, technology, privacy protection systems, information systems or personnel of the company, including the assimilation of corporate cultures;
- Difficulties in implementing and retaining uniform standards, controls, procedures, policies and information systems;
- The assumption of known and unknown debt and liabilities of the acquired company, including costs associated with litigation, cybersecurity risks assumed, and other claims relating to the acquired company;
- Failure of any company which we have acquired, in which we have invested, or with which we have a commercial arrangement, to achieve anticipated revenues, earnings or cash flows or to retain key management or employees;
- Failure to generate adequate returns on acquisitions and investments;
- With respect to minority investments, limited management or operational control and reputational risk, which risk is heightened if the controlling person in such case has business interests, strategies or goals that are inconsistent with ours;
- Entrance into markets in which we have no direct prior experience and increased complexity in our business;
- Impairment of goodwill or other intangible assets such as trademarks or other intellectual property arising from acquisitions; and
- Adverse market reaction to acquisitions.

We have recently invested, and may in the future invest, in privately-held companies and these investments are currently accounted for under the cost method accounting. Such investments are inherently risky in that such companies are typically at an early stage of development, may have no or limited revenues, may not be or may never become profitable, may not be able to secure additional funding or their technologies, services or products may not be successfully developed or introduced into the market. Further, our ability to liquidate any such investments is typically dependent upon some liquidity event, such as a public offering or acquisition, since no public market exists for such securities. Valuations of such privately-held companies are inherently complex and uncertain due to the lack of liquid market for the company's securities. Moreover, we could lose the full amount of any of our investments and any impairment of our investments could have a material adverse effect on our financial condition and results of operations.

We cannot assure you that these investments will be successful or that such endeavors will result in the realization of the full benefits of synergies, cost savings, innovation and operational efficiencies that may be possible or that we will achieve these benefits within a reasonable period of time.

If we fail to manage our growth effectively, our brand, results of operations and business could be harmed.

Over the years, we have experienced rapid growth in some of our business, including through acquisitions of other businesses and in new international markets. We continue to make substantial investments in our technology, product and sales and marketing organizations. This growth places substantial demands on management and our operational infrastructure. In addition, as our business matures, we make periodic changes and adjustments to our organization in response to various internal and external considerations, including market opportunities, the competitive landscape, new and enhanced products and acquisitions. These changes may result in a temporary lack of focus or productivity or otherwise impact our business.

To manage our growth, we may need to improve our operational, financial and management systems and processes which may require significant capital expenditures and allocation of valuable management and employee resources. As we continue to grow, we must effectively integrate, develop and motivate a large number of new employees, including employees in international markets, while maintaining the beneficial aspects of our company culture. If we do not manage the growth of our business and operations effectively, the quality of our platform and efficiency of our operations could suffer, which could harm our brand, results of operations and business.

We are regularly subject to claims, suits, government investigations, and other proceedings that may result in adverse outcomes.

We are regularly subject to claims, suits, government investigations and other proceedings involving competition, intellectual property, privacy and data protection, consumer protection, tax, labor and employment, commercial disputes, content generated by our users, free speech issues, goods and services offered by advertisers or publishers using our platforms, short-term and vacation rentals and other matters. In addition, our businesses face intellectual property litigation that exposes us to the risk of exclusion and cease and desist orders, which could limit our ability to sell products and services.

Such claims, suits, government investigations and proceedings are inherently uncertain and their results cannot be predicted with certainty. Regardless of the outcome, any of these types of legal proceedings can have an adverse impact on us because of legal costs, diversion of management resources, injunctions or damage awards and other factors. Determining reserves for our pending litigation or other legal proceedings is a complex, fact-intensive process that requires significant judgment. It is possible that a resolution of one or more such proceedings could result in substantial fines and penalties that could adversely affect our business, consolidated financial position, results of operations, or cash flows in a particular period. These proceedings could also result in reputational harm, criminal sanctions, consent decrees, or orders preventing us from offering certain features, functionalities, products, or services, requiring a change in our business practices or other field action, or requiring development of non-infringing or otherwise altered products or technologies. Any of these consequences could adversely affect our business and results of operations.

We are a global company that operates in many different jurisdictions and these operations expose us to additional risks, which risks increase as our business continues to expand.

We operate in a number of jurisdictions both inside and outside of the United States and continue to expand our operations both domestically and internationally. Many regions have different economic conditions, languages, currencies, consumer expectations, levels of consumer acceptance and use of the internet for commerce, legislation, regulatory environments (including labors laws and customs), tax laws and levels of political stability. We are subject to associated risks typical of global businesses, including, but not limited to, the following:

- Compliance with additional laws and regulations, including the Foreign Corrupt Practices Act and the U.K. Bribery Act (including the European Union's General Data Protection Regulation, or GDPR), data privacy requirements, labor and employment law, laws regarding advertisements and promotions and anti-competition regulations;

- Diminished ability to legally enforce contractual rights;
- Increased risk and limits on enforceability of intellectual property rights;
- Restrictions on repatriation of cash as well as restrictions on investments in operations in certain countries;
- Financial risk arising from transactions in multiple currencies as well as foreign currency exchange restrictions;
- Difficulties in managing staff and operations due to distance, time zones, language and cultural differences;
- Uncertainty regarding liability for services, content and intellectual property rights, including uncertainty as a result of local laws and lack of precedent;
- Economic or political instability; and
- Threatened or actual acts of terrorism.

A number of countries are actively pursuing changes to their tax laws applicable to corporate multinationals, such as the recently enacted U.S. tax legislation commonly referred to as the U.S. Tax Cuts and Jobs Act of 2017 (the "2017 Tax Act"). Foreign governments may enact tax laws in response to the 2017 Tax Act that could result in further changes to global taxation and materially affect our financial position and results of operations.

The 2017 Tax Act resulted in significant changes to the U.S. corporate income tax system. The 2017 Tax Act requires complex computations to be performed that were not previously required in U.S. tax law, significant judgments to be made in interpretation of the provisions of the 2017 Tax Act and significant estimates in calculations, and the preparation of analysis of information not previously relevant or regularly produced. The U.S. Treasury Department, the IRS and other standard-setting bodies could interpret or issue guidance on how provisions of the 2017 Tax Act will be applied or otherwise administered that is different from our interpretation. As we complete our analysis of the 2017 Tax Act, collect and prepare necessary data, and interpret additional guidance, we may make adjustments to provisional amounts that we have recorded that may materially impact our provision for income taxes in the period in which the adjustments are made.

Additionally, we continue to accumulate positive cash flows in foreign jurisdictions, which we consider indefinitely reinvested, although we will continue to evaluate the impact of the 2017 Tax Act on our capital deployment within and outside the U.S. The repatriation of such funds for use in the United States, including for corporate purposes such as acquisitions, stock repurchases, dividends or debt refinancings, may result in additional U.S. income tax expense and higher cost for such capital.

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 or financial performance.

Our business and financial performance could be adversely affected by unfavorable changes in or interpretations of existing laws, rules and regulations or the promulgation of new laws, rules and regulations applicable to us and our business, including those relating to the internet and online commerce, internet advertising, consumer protection, data security and privacy, travel and vacation rental licensing and listing requirements and tax. In some cases, these laws continue to evolve.

For example, there is, and will likely continue to be, an increasing number of laws and regulations pertaining to the internet and online commerce that may relate to liability for information retrieved from or transmitted over the internet, online editorial and user-generated content, user privacy, data security, behavioral targeting and online advertising, taxation, liability for third-party activities and the quality of products and services. In addition, enforcement authorities continue to rely on their authority under existing consumer protection laws to take action against companies relating to data privacy and security practices. The growth and development of online commerce may prompt calls for more stringent consumer protection laws and more aggressive enforcement efforts, which may impose additional burdens on online businesses generally.

Further, our Vacation Rentals business has been and continues to be subject to regulatory developments that affect the vacation rental industry and the ability of competitors like us to list those vacation rentals online. For example, some states and local jurisdictions have fair housing or other laws governing whether and how properties may be rented, which they assert apply to vacation rentals. In addition, many homeowners, condominium and neighborhood associations have adopted or are considering adopting statutes or ordinances that prohibit or restrict property owners and managers from short-term vacation rentals.

We also 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, competition, tax and travel industry-specific laws and regulations. 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 a competitive disadvantage vis-à-vis competitors who do not comply with such requirements.

The promulgation of new laws, rules and regulations, or the new interpretation of existing laws, rules and regulations, in each case that restrict or otherwise unfavorably impact the ability or manner in which we provide services could require us to change certain aspects of our business, operations and commercial relationships to ensure compliance, which could decrease demand for services, reduce revenues, increase costs and/or subject the company to additional liabilities. Unfavorable changes could decrease demand for products and services, limit marketing methods and capabilities, increase costs and/or subject us to additional liabilities. Violations of these laws and regulations could result in finds and/or criminal sanctions against us, our officers or our employees and/or prohibitions on the conduct of our business.

We cannot be sure that our intellectual property is protected from copying or use by others, including potential competitors.

Our websites rely on content, brands and technology, much of which is proprietary. We protect our proprietary content, brands and technology by relying on a combination of trademarks, copyrights, trade secrets, patents and confidentiality agreements. Any misappropriation or violation of our rights could have a material adverse effect on our business. Even with these precautions, it may be possible for another party to copy or otherwise obtain and use our proprietary technology, content or brands without authorization or to develop similar technology, content or brands independently.

Effective intellectual property protection is expensive to develop and maintain, both in terms of initial and ongoing registration requirements and expenses and the costs of defending our rights. In addition, effective intellectual property 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. Therefore, in certain jurisdictions, we may be unable to protect our intellectual property adequately against unauthorized third-party copying or use, which could adversely affect our business or ability to compete. We cannot be sure that the steps we have taken will prevent misappropriation or infringement of our intellectual property. Furthermore, we may need to go to court or other tribunals or administrative bodies in order to enforce our intellectual property rights, to protect our trade secrets 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. Our failure to protect our intellectual property in a cost-effective or effective manner could have a material adverse effect on our business and ability to protect our technology, content and brands.

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

Our processing, storage and use of personal information and other data subjects us to additional laws and regulations and failure to comply with those laws and regulations could give rise to liabilities.

We collect, process, store and transmit data, including personal information, for our users. As a result, we are subject to a variety of laws in the United States and abroad regarding privacy and the storing, sharing, use, processing, disclosure and protection of personal 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. In addition, the security of data when engaging in electronic commerce is essential to maintaining consumer and travel service provider confidences in our services. The regulatory framework for privacy issues worldwide 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. The U.S. Congress and federal agencies, including the Federal Trade Commission and the Department of Commerce, are reviewing the need for greater regulation for the collection and use of information concerning consumer behavior on the internet. Various U.S. courts are also considering the applicability of existing federal and state statutes, including computer trespass and wiretapping laws, to the collection and exchange of information online. In addition, we are subject to GDPR, a new data protection legal framework adopted by the European Union effective in May 2018. These data protection laws and regulations are intended to protect the privacy and security of personal data, including credit card information. Implementation of and compliance with these laws and regulations may be more costly or take longer than we anticipate, or could otherwise affect our business operations.

We strive to comply with all applicable laws, policies, legal obligations and industry codes of conduct relating to privacy and data protection. Any failure or perceived failure by us to comply with our privacy policies, privacy-related obligations to users or other third parties, or privacy-related legal obligations, may result in governmental enforcement actions, litigation or public statements that could harm our reputation and cause our customers and members to lose trust in us, which could have an adverse effect on our business, brand, market share and results of operations.

We have acquired a number of companies over the years and may continue to do so in the future. While we make significant efforts to address any information technology security issues with respect to our acquisitions, we may still inherit such risks when we integrate the acquired businesses.

We are subject to payments-related risks and failure to manage those risks may subject us to fines, penalties and additional costs and could have a negative impact on our business.

We accept payments, both from consumers and advertising partners and suppliers, using a variety of methods, including credit card, debit card, direct debit from a customer’s bank account, and invoicing. For existing and future payment options we offer to our customers, we may become subject to additional regulations and compliance requirements (including obligations to implement enhanced authentication processes that could result in significant costs and reduce the ease of use of our payments products), as well as fraud. For certain payment methods, including credit and debit cards, we pay interchange and other fees, which may increase over time and raise our operating costs and lower profitability. We rely on third parties to provide certain payment methods and payment processing services, including the processing of credit cards and debit cards. In each case, our business could be disrupted, if these companies become unwilling or unable to provide these services to us. We are also subject to payment card association operating rules, including data security rules, certification requirements, and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply. If we fail to comply with these rules or requirements, or if our data security systems are breached or compromised, we may be liable for card issuing banks’ costs, subject to fines and higher transaction fees, and/or lose our ability to accept credit and debit card payments from our customers, process electronic funds transfers, or facilitate other types of online payments.

We are also subject to a number of other laws and regulations relating to payments, money laundering, international money transfers, privacy and information security, and electronic fund transfers. If we were found to be in violation of applicable laws or regulations, we could be subject to additional requirements and civil and criminal penalties, or forced to cease providing certain services.

Any significant system disruption in or unauthorized access to our computer systems or those of third parties that we utilize, including those relating to cybersecurity or arising from cyberattacks, could result in a loss or degradation of service, unauthorized disclosure of data or theft of intellectual property, could harm our business.

Our reputation and ability to attract, retain and service our users and partners is dependent upon the reliable performance and security of our computer systems and those of third parties we utilize in our operations. Significant interruptions, outages, delays or security breaches in internal systems, systems of third parties that we rely upon, would impair our ability to process transactions or display content and significantly harm our business. A party, whether internal or external, that is able to circumvent our security systems could misappropriate user information or proprietary information or cause significant interruptions in our operations. In the past, we have experienced cyberattacks, such as computer viruses, security intrusions, "denial-of-service" or "bot" type attacks, that have made portions of our websites unavailable for short periods of time as well as allowed unauthorized access of our systems and data.

We also face risks associated with security breaches affecting third parties conducting business over the internet. Much of our business is conducted with third party marketing affiliates or, more recently, through business partners powering our instant booking feature. A security breach at such third party could be perceived by consumers as a security breach of our systems and could result in negative publicity, damage our reputation, expose us to risk of loss or litigation and possible liability and subject us to regulatory penalties and sanctions. In addition, such third parties may not comply with applicable disclosure requirements, which could expose us to liability.

We may need to expend significant resources to protect against security breaches or to investigate and address problems caused by breaches. 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. Security breaches could result in negative publicity, damage to reputation, exposure to risk of loss or litigation and possible liability due to regulatory penalties and sanctions. Media coverage of data breaches has escalated, in part because of the increased number of enforcement actions, investigations and lawsuits. As this focus and attention on privacy and data protection increases, we also risk exposure to potential liabilities and costs resulting from the compliance with, or any failure to comply with applicable legal requirements, conflicts among these legal requirements or differences in approaches to privacy and security. Security breaches could also cause travelers and potential users to lose confidence in our security, which would have a negative effect on the value of our brand. Failure to adequately protect against attacks or intrusions, whether for our own systems or systems of vendors, could expose us to security breaches that could have an adverse impact on financial performance.

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 content and services to users, travelers and/or third parties for a significant period of time. In addition, 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.

The online short-term and vacation rental market is rapidly evolving and if we fail to predict the manner in which the market develops, our business and prospects may suffer.

We offer short-term and vacation rental services on our TripAdvisor-branded sites as well as through our U.S.-based FlipKey and Vacation Home Rentals and European-based Holiday Lettings and Niumba businesses. The short-term and vacation rental market has been and continues to be, subject to regulatory development globally that affects the industry and the ability of companies like us to list these rental properties online. For example, some states and local jurisdictions, both domestically and internationally, have adopted or are considering statutes or ordinances that prohibit property owners and managers from renting certain properties for fewer than 30 consecutive days or otherwise limit their ability to do so, and other states and local jurisdictions may introduce similar regulations. Some states and local jurisdictions also have fair housing or other laws governing whether and how properties may be rented, which they assert apply to vacation rentals. Many homeowners, condominium and neighborhood associations have adopted rules that prohibit or restrict short-term vacation rentals. Many of the fundamental statutes and ordinances that impose taxes or other obligations on travel and lodging companies were established before the growth of the internet and e-commerce, which creates a risk of these laws being used in ways not originally intended that could burden property owners and managers or otherwise harm our business. Operating in this dynamic regulatory environment requires significant management attention and financial resources. We cannot assure that our efforts will be successful, and the investment and additional resources required to manage growth will produce the desired levels of revenue or profitability.

We may have future capital needs and may not be able to obtain additional financing on acceptable terms.

We are currently party to a credit agreement with respect to a $1.2 billion revolving credit facility maturing in May 2022, or (as more fully discussed below) the “2015 Credit Facility”. This agreement includes restrictive covenants that may impact the way we manage our business and may limit our ability to secure significant additional financing in the future on favorable terms. Our ability to secure additional financing and satisfy our financial obligations outstanding from time to time will depend upon our future operating performance, which is subject to then prevailing general economic and credit market conditions, including interest rate levels and the availability of credit generally, and financial, business and other factors, many of which are beyond our control. There can be no assurance that sufficient financing will be available on desirable or even any terms to fund investments, acquisitions, stock repurchases, dividends, debt refinancing or extraordinary actions or that counterparties in any such financings would honor their contractual commitments.

We have indebtedness which could adversely affect our business and financial condition.

At December 31, 2017, we have outstanding $230 million in long-term debt. Although we subsequently repaid this indebtedness, we continue to have existing credit facilities from which we can borrow significant amounts; as such, we are still subject to risks relating to our indebtedness that include:

- Increasing our vulnerability to general adverse economic and industry conditions;
- Requiring us to dedicate a portion of our cash flow from operations to principal and interest payments on our indebtedness, thereby reducing the availability of cash flow to fund working capital, capital expenditures, acquisitions and investments and other general corporate purposes;
- Making it more difficult for us to optimally capitalize and manage the cash flow for our businesses;
- Limiting our flexibility in planning for, or reacting to, changes in our businesses and the markets in which we operate;
- Possibly placing us at a competitive disadvantage compared to our competitors that have less debt;
- Limiting our ability to borrow additional funds or to borrow funds at rates or on other terms that we find acceptable; and
- Exposing us to the risk of increased interest rates because our outstanding debt is expected to be subject to variable rates of interest.

In addition, it is possible that we may need to incur additional indebtedness in the future in the ordinary course of business. The terms of our 2015 Credit Facility allow us to incur additional debt subject to certain limitations; however, there is no assurance that additional financing will be available to us on terms favorable to us, if at all. In addition, if new debt is added to current debt levels, the risks described above could intensify.

Our 2015 Credit Facility provides for various provisions that limit our discretion in the operation of our business and require us to meet financial maintenance tests and other covenants and the failure to comply with their covenants could have a material adverse effect on us.

We are party to a credit agreement providing for our 2015 Credit Facility. The agreements that govern the 2015 Credit Facility contain various covenants, including those that limit our ability to, among other things:

- Incur indebtedness;
- Pay dividends on, redeem or repurchase our capital stock;
- Enter into certain asset sale transactions, including partial or full spin-off transactions;
- Enter into secured financing arrangements;
- Enter into sale and leaseback transactions; and
- Enter into unrelated businesses.

These covenants may limit our ability to optimally operate our business. In addition, our 2015 Credit Facility requires that we meet certain financial tests, including a leverage ratio test. Any failure to comply with the restrictions of our credit facility may result in an event of default under the agreements governing such facilities. Such default may allow the creditors to accelerate the debt incurred thereunder. In addition, lenders may be able to terminate any commitments they had made to supply us with further funds (including periodic rollovers of existing borrowings).

Our effective tax rate is impacted by a number of factors that could have a material impact on our financial results and could increase the volatility of those results.

Due to the global nature of our business, we are subject to income taxes in the United States and other foreign jurisdictions. In the event we incur net income in certain jurisdictions but incur losses in other jurisdictions, we generally cannot offset the income from one jurisdiction with the loss from another. This lack of flexibility increases our effective tax rate. Furthermore, significant judgment is required to calculate our worldwide provision for income taxes and depends on our ability to operate our business in a manner consistent with our corporate structure and intercompany arrangements. In the ordinary course of our business there are many transactions and calculations where the ultimate tax determination is uncertain.

We believe our tax estimates are reasonable. However, we are routinely under audit by federal, state and foreign taxing authorities. The taxing authorities of jurisdictions in which we operate may challenge our methodologies for valuing developed technology or intercompany arrangements, including our transfer pricing, or determine that the manner in which we operate our business does not achieve the intended tax consequences, which would increase our effective tax rate and harm our financial position and results of operations. As we operate in numerous taxing jurisdictions, the application of tax laws can also be subject to diverging and sometimes conflicting interpretations by taxing authorities of these jurisdictions. It is not uncommon for taxing authorities of different countries to have conflicting views, for instance, with respect to, among other things, the manner in which the arm's length standard is applied for transfer pricing purposes, or with respect to the valuation of intellectual property. The final determination of audits could be materially different from our income tax provisions and accruals and could have a material effect on our financial position, results of operations, or cash flows in the period or periods for which that determination is made.

The income tax effects of the accounting for share-based compensation may significantly impact our effective tax rate. In periods in which our stock price is higher than the grant price of the share-based compensation awards vesting in that period, we will recognize excess tax benefits that will decrease our effective tax rate. In periods in which our stock price is lower than the grant price of the share-based compensation awards vesting in that period, our effective tax rate will increase.

Additionally, we continue to accumulate positive cash flows in foreign jurisdictions, which we consider indefinitely reinvested, although we will continue to evaluate the impact of the 2017 Tax Act on our capital deployment within and outside the U.S. Any repatriation of funds currently held in foreign jurisdictions may result in higher effective tax rates and incremental cash tax payments.

Changes in tax laws or tax rulings, or the examination of our tax positions, could materially affect our financial position and results of operations.

Tax laws are dynamic and subject to change as new laws are passed and new interpretations of the law are issued or applied. Our existing corporate structure and intercompany arrangements have been implemented in a manner we believe is in compliance with current prevailing tax laws. However, the tax benefits that we intend to eventually derive could be undermined due to changing tax laws. A number of countries are actively pursuing changes to their tax laws applicable to corporate multinationals, such as the recently enacted 2017 Tax Act. Foreign governments or U.S. states may enact tax laws in response to the 2017 Tax Act that could result in further changes to global taxation and materially affect our financial position and results of operations.

The 2017 Tax Act has resulted in significant changes to the U.S. corporate income tax system. The 2017 Tax Act requires complex computations to be performed that were not previously required in U.S. tax law, significant judgments to be made in interpretation of the provisions of the 2017 Tax Act and significant estimates in calculations, and the preparation of analysis of information not previously relevant or regularly produced. The U.S. Treasury Department, the IRS and other standard-setting bodies could interpret or issue guidance on how provisions of the 2017 Tax Act will be applied or otherwise administered that is different from our interpretation. As we complete our analysis of the 2017 Tax Act, collect and prepare necessary data, and interpret additional guidance, we may make adjustments to provisional amounts that we have recorded that may materially impact our provision for income taxes in the period in which the adjustments are made.

In addition, the taxing authorities in the United States and other jurisdictions where we do business regularly examine our income and other tax returns as well as the tax returns of Expedia, our former parent. The ultimate outcome of these examinations (including the IRS audit described below) cannot be predicted with certainty. Should the IRS or other taxing authorities assess additional taxes as a result of examinations, we may be required to record charges to our operations, which could harm our business, operating results and financial condition.

In connection with the Spin-Off, we could be subject to significant tax liabilities.

Under the Tax Sharing Agreement between us and Expedia entered into in connection with the Spin-Off, we are generally required to indemnify Expedia for any taxes resulting from the Spin-Off (and any related interest, penalties, legal and professional fees, and all costs and damages associated with related stockholder litigation or controversies) to the extent such amounts resulted from (i) any act or failure to act by us described in the covenants in the tax sharing agreement, (ii) any acquisition of our equity securities or assets or those of a member of our group, or (iii) any failure of the representations with respect to us or any member of our group to be true or any breach by us or any member of our group of any covenant, in each case, which is contained in the separation documents or in the documents relating to the IRS private letter ruling and/or the opinion of counsel.

We continue to be responsible for potential tax liabilities in connection with consolidated income tax returns filed with Expedia prior to or in connection with the Spin-Off. By virtue of previously filed consolidated tax returns with Expedia, we are currently under an IRS audit for the 2009, 2010, and short-period 2011 tax years. In connection with that audit, we received, in January 2017, notices of proposed adjustment from the IRS for the 2009 and 2010 tax years, which would result in an increase in our worldwide income tax expense. The proposed adjustments would result in an increase to our worldwide income tax expense in an estimated range totaling $10 million to $14 million for those specific years after consideration of competent authority relief, exclusive of interest and penalties. We are also subject to various ongoing state income tax audits. The outcome of these matters or any other audits could subject us to significant tax liabilities.

We are subject to fluctuation in foreign currency exchange risk.

We conduct a significant and growing portion of our business outside the United States but report our results in U.S. dollars. As a result, we face exposure to movements in foreign currency exchange rates, particularly those related to the Euro, British pound sterling, and Australian dollar. These exposures include, but are not limited to re-measurement of gains and losses from changes in the value of foreign denominated assets and liabilities; translation gains and losses on foreign subsidiary financial results that are translated into U.S. dollars upon consolidation; and planning risk related to changes in exchange rates between the time we prepare our annual and quarterly forecasts and when actual results occur.

Depending on the size of the exposures and the relative movements of exchange rates, if we were to choose not to hedge or were to fail to hedge effectively our exposure, we could experience a material adverse effect on our financial statements and financial condition. As seen in some recent periods, in the event of severe volatility in exchange rates the impact of these exposures can increase, and the impact on results of operations can be more pronounced. In addition, the current environment and the increasingly global nature of our business have made hedging these exposures both more complex. We hedge certain short-term foreign currency exposures with the purchase of forward exchange contracts. These forward exchange contracts only help mitigate the impact of changes in foreign currency rates that occur during the term of the related contract period and carry risks of counter-party failure. There can be no assurance that our forward exchange contracts will have their intended effects.

Significant fluctuations in foreign currency exchange rates can affect consumer travel behavior. Volatility in foreign currency exchange rates and its impact on consumer behavior, which may differ across regions, makes it more difficult to forecast industry and consumer trends and the timing and degree of their impact on our markets and business, which in turn could adversely affect our ability to effectively manage our business and adversely affect our results of operations.

Liberty TripAdvisor Holdings, Inc. currently is a controlling stockholder.

Liberty TripAdvisor Holdings, Inc., or LTRIP, effectively controls the outcome of all matters submitted to a vote or for the consent of our stockholders (other than with respect to the election by the holders of our common stock of 25% of the members of our Board of Directors and matters as to which Delaware law requires separate class votes), including but not limited to, corporate transactions such as mergers, business combinations or dispositions of assets, the authorization or issuance of new equity or debt securities and determinations with respect to our business direction and policies. Our Chairman Greg Maffei, and one of our Directors Albert Rosenthaler also serve as officers and directors of LTRIP. LTRIP may have interests that differ from those of our other stockholders and they may vote in a way with which our other stockholders may not agree or that may be adverse to other stockholders' interests. LTRIP is not restricted from investing in other businesses involving or related to our business. LTRIP's control of us, as well as the existing provisions of our organizational documents and Delaware law, may discourage or prevent a change of control that might otherwise be beneficial, which may reduce the market price of our common stock.

We are currently relying on the "controlled company" exemption under NASDAQ Stock Market Listing Rules, pursuant to which "controlled companies" are exempt from certain corporate governance requirements otherwise applicable under NASDAQ listing rules.

The NASDAQ Stock Market Listing Rules exempt "controlled companies," or companies of which more than 50% of the voting power is held by an individual, a group or another company, from certain corporate governance requirements, including those requirements that:

- A majority of the Board of Directors consist of independent directors;
- Compensation of officers be determined or recommended to the Board of Directors by a majority of its independent directors or by a compensation committee comprised solely of independent directors; and
- Director nominees be selected or recommended to the Board of Directors by a majority of its independent directors or by a nominating committee that is composed entirely of independent directors.

We currently rely on the controlled company exemption for certain of the above requirements. Accordingly, our stockholders will not be afforded the same protections generally as stockholders of other NASDAQ-listed companies with respect to corporate governance for so long as we rely on these exemptions from the corporate governance requirements.

If we are unable to successfully maintain effective internal control over financial reporting, investors may lose confidence in our reported financial information and our stock price and business may be adversely impacted.

As a public company, we are required to maintain internal control over financial reporting and our management is required to evaluate the effectiveness of our internal control over financial reporting as of the end of each fiscal year. Additionally, we are required to disclose in our Annual Reports on Form 10-K our management's assessment of the effectiveness of our internal control over financial reporting and a registered public accounting firm's attestation report on this assessment. If we are not successful in maintaining effective internal control over financial reporting, there could be inaccuracies or omissions in the consolidated financial information we are required to file with the SEC. Additionally, even if there are no inaccuracies or omissions, we could be required to publicly disclose the conclusion of our management that our internal control over financial reporting or disclosure controls and procedures are not effective. These events could cause investors to lose confidence in our reported financial information, adversely impact our stock price, result in increased costs to remediate any deficiencies, attract regulatory scrutiny or lawsuits that could be costly to resolve and distract management's attention, limit our ability to access the capital markets or cause our stock to be delisted from NASDAQ or any other securities exchange on which we are then listed.

The market price and trading volume of our common stock may be volatile and may face negative pressure.

Our stock price has experienced, and could continue to experience in the future, substantial volatility. The market price of our common stock is affected by a number of factors, including the risk factors described in this section and other factors beyond our control. Factors affecting the trading price of our common stock could include:

- Quarterly variations in our or our competitors' results of operations;
- Changes in earnings estimates or recommendations by securities analysts;
- Failure to meet market expectations;
- The announcement of new products or product enhancements by us or our competitors;
- Repurchases of our common stock pursuant to our share repurchase program which could also cause our stock price to be higher than it would be in the absence of such a program and could potentially reduce the market liquidity for our stock;
- Developments in our industry, including changes in governmental regulations; and
- General market conditions and other factors, including factors related to our operating performance or the operating performance of our competitors.

Furthermore, the stock markets have experienced price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations often have been unrelated or disproportionate to the operating performance of those companies. These broad market and industry fluctuations and general economic, political and market conditions, such as recessions, interest rate changes or foreign currency exchange fluctuations, may negatively impact the market price of our common stock regardless of our actual operating performance.

Future sales of shares of our common stock in the public market, or the perception that such sales may occur, may depress our stock price.

For the year ended December 31, 2017, the average daily trading volume of our common stock on NASDAQ was approximately 3.1 million shares. If our existing stockholders or their distributees sell substantial amounts of our common stock in the public market, the market price of the common stock could decrease significantly. The perception in the public market that our existing stockholders might sell shares of common stock could also depress the trading price of our common stock. In addition, certain stockholders have rights, subject to some conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or other stockholders. If LTRIP or some other stockholder sells substantial amounts of our common stock in the public market, or if there is a perception in the public market that LTRIP might sell shares of our common stock, the market price of our common stock could decrease significantly. A decline in the price of shares of our common stock might impede our ability to raise capital through the issuance of additional shares of our common stock or other equity securities.

Anti-takeover provisions in our organizational documents and Delaware law may discourage or prevent a change of control, even if an acquisition would be beneficial to our stockholders, which could affect our stock price adversely and prevent attempts by our stockholders to replace or remove our current management.

Our certificate of incorporation and bylaws contain provisions that could delay or prevent a change of control of our company or changes in our Board of Directors that our stockholders might consider favorable. These provisions include:

- Authorization and issuance of Class B common stock that entitles holders to ten votes per share;
- Authorization of the issuance of preferred stock which can be created and issued by the Board of Directors without prior stockholder approval, with rights senior to those of our common stock;
- Prohibiting our stockholders from filling board vacancies or calling special stockholder meetings; and
- Limiting who may call special meetings of stockholders.

We are subject to the provisions of Section 203 of the Delaware General Corporation Law, which may prohibit certain business combinations with stockholders owning 15% or more of our outstanding voting stock. These and other provisions in our certificate of incorporation, bylaws and Delaware law could make it more difficult for stockholders or potential acquirers to obtain control of our Board of Directors or initiate actions that are opposed by our then-current Board of Directors, including a merger, tender offer or proxy contest involving our company. Any delay or prevention of a change of control transaction or changes in our Board of Directors could cause the market price of our common stock to decline.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We currently lease approximately 280,000 square feet for our corporate headquarters in Needham, Massachusetts, pursuant to a lease with an expiration date of December 2030, with an option to extend the lease term for two consecutive terms of five years each. Refer to “Note 13— *Commitments and Contingencies*” in the notes to our consolidated financial statements in Item 8 of this Annual Report on Form 10-K for further information on our corporate headquarters.

We also lease an aggregate of approximately 450,000 square feet of office space at approximately 40 other locations across North America, Europe and Asia Pacific, including New York, Boston, London, Sydney, Barcelona, Paris, and Beijing, primarily for our sales offices, subsidiary headquarters, and international management teams, pursuant to leases with various expiration dates, with the latest expiring in June 2027. We believe that our current facilities are adequate for our current operations and that additional leased space can be obtained on reasonable terms if needed. We do not legally own any real estate as of December 31, 2017.

Item 3. Legal Proceedings

In the ordinary course of business, we are parties to legal proceedings and claims involving alleged infringement of third-party intellectual property rights, defamation, taxes, regulatory compliance and other claims. Rules and regulations promulgated by the SEC require the description of material pending legal proceedings, other than ordinary, routine litigation incident to the registrant's business, and advise that proceedings ordinarily need not be described if they primarily involve damages claims for amounts (exclusive of interest and costs) not individually exceeding 10% of the current assets of the registrant and its subsidiaries on a consolidated basis. In the judgment of management, none of the pending litigation matters that we are defending involves or is likely to involve amounts of that magnitude. There may be claims or actions pending or threatened against us of which we are currently not aware and the ultimate disposition of which could have a material adverse effect on us.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock is quoted on NASDAQ under the ticker symbol "TRIP." On February 9, 2018, the closing price of our common stock reported on NASDAQ was $38.31 per share. The following table sets forth, for the periods indicated, the high and low sale prices per share of our common stock as reported on NASDAQ during the period indicated.

	High	Low
Year ended December 31, 2017:		
Fourth Quarter:	$ 44.01	$ 29.50
Third Quarter:	$ 45.97	$ 35.55
Second Quarter:	$ 50.95	$ 35.34
First Quarter:	$ 53.58	$ 40.45
Year ended December 31, 2016:		
Fourth Quarter:	$ 66.13	$ 45.63
Third Quarter:	$ 71.69	$ 59.72
Second Quarter:	$ 71.61	$ 58.96
First Quarter:	$ 83.97	$ 53.48

Our Class B common stock is not listed and there is no established public trading market for that security. As of February 9, 2018, all of our Class B common stock was held by LTRIP.

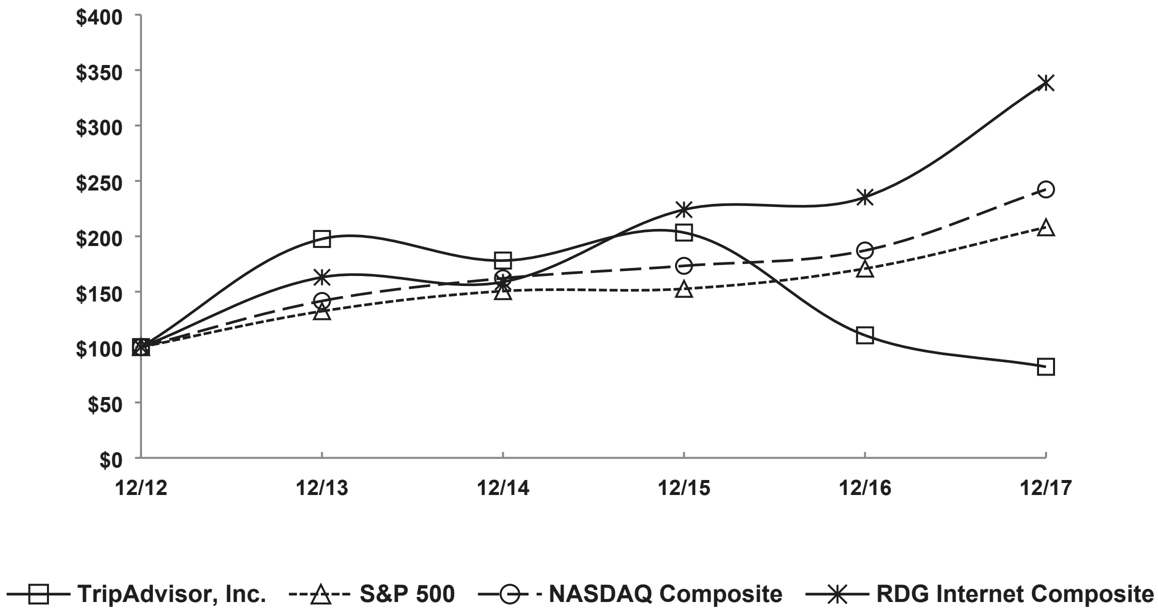
Performance Comparison Graph

The following graph provides a comparison of the total stockholder return from December 31, 2012 to December 31, 2017 of an investment of $100 in cash on December 31, 2012 for TripAdvisor, Inc. common stock and an investment of $100 in cash on December 31, 2012 for (i) the Standard and Poor's 500 Index (the "S&P 500

Index”), (ii) the NASDAQ Composite Index, and (iii) the Research Data Group (“RDG”) Internet Composite Index. The RDG Internet Composite Index is an index of stocks representing the internet industry, including internet software and service companies and e-commerce companies. The stock price performance shown on the graph below is not necessarily indicative of future price performance. Data for the S&P 500 Index, the NASDAQ Composite Index, and the RDG Internet Composite Index assume reinvestment of dividends. We have never paid dividends on our common stock.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among TripAdvisor, Inc., the S&P 500 Index,
the NASDAQ Composite Index and the RDG Internet Composite Index



*$100 invested on 12/31/12 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

This performance comparison graph is not “soliciting material,” is not deemed filed with the SEC and is not deemed to be incorporated by reference by any general statement incorporating by reference this Annual Report on Form 10-K into any filing of TripAdvisor, Inc. under the Securities Act of 1933, as amended (the “Securities Act”), or any filing under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), except to the extent that we specifically request that the information be treated as soliciting material or specifically incorporate this information by reference into any such filing, and will not otherwise be deemed incorporated by reference into any other filing under the Securities Act or the Exchange Act, except to the extent that we specifically incorporate it by reference.

Holders of Record

As of February 9, 2018, there were 126,183,939 outstanding shares of our common stock held by 2,358 stockholders of record, and 12,799,999 outstanding shares of our Class B common stock held by one stockholder of record: LTRIP.

Dividends

We have never declared or paid dividends and do not expect to pay any dividends for the foreseeable future. Our ability to pay dividends is limited by the terms of our 2015 Credit Facility. Refer to "Note 9— *Debt*" in the notes to the consolidated financial statements in Item 8 for additional information regarding this revolving credit facility. Any future determination as to the declaration and payment of dividends, if any, will be at the discretion of our Board of Directors and will depend on then-existing conditions, including our financial condition, operating results, contractual restrictions, capital requirements, business prospects and other factors our Board of Directors may deem relevant.

Unregistered Sales of Equity Securities

During the year ended December 31, 2017, we did not issue or sell any shares of our common stock, Class B common stock or other equity securities pursuant to unregistered transactions in reliance upon an exemption from the registration requirements of the Securities Act.

Issuer Purchases of Equity Securities

On February 15, 2013, our Board of Directors authorized the repurchase of $250 million of our shares of common stock under a share repurchase program. During the year ended December 31, 2015, we did not repurchase any shares of outstanding common stock under the share repurchase program. During the year ended December 31, 2016, we repurchased 2,002,356 shares of outstanding common stock under the share repurchase program at an average cost of $52.35 per share. As of December 31, 2016, we had repurchased a total of 4,123,065 shares of outstanding common stock under the share repurchase program at an average cost of $60.63 per share and completed our share repurchase program authorized by our Board of Directors.

On January 25, 2017, our Board of Directors authorized an additional repurchase of $250 million of our shares of common stock under a new share repurchase program. Our Board of Directors authorized and directed management, working with the Executive Committee of our Board of Directors to affect the share repurchase program in compliance with applicable legal requirements. During the year ended December 31, 2017, we repurchased a total of 6,079,003 shares of the Company's outstanding common stock at an average share price of $41.13, or $250 million in the aggregate, and completed this share repurchase program. As of December 31, 2017, there were 9,474,490 shares of the Company's common stock held in treasury with an aggregate cost of $447 million.

On January 31, 2018, TripAdvisor's Board of Directors authorized up to $250 million of share repurchases. Our Board of Directors authorized and directed management, working with the Executive Committee of our Board of Directors, to affect the share repurchase program in compliance with applicable legal requirements. This new repurchase program has no expiration but may be suspended or terminated by the Board of Directors at any time.

Refer to "Note 15 —*Stockholders' Equity*" in the notes to the consolidated financial statements in Item 8 for additional information regarding our treasury shares.

Equity Compensation Plan Information

Our equity plan information required by this item is incorporated by reference to the information in Part III, Item 12, of this Annual Report on Form 10-K.

Item 6. Selected Financial Data

We have derived the following selected financial data presented below from our consolidated financial statements and related notes. The information set forth below is not necessarily indicative of future results and should be read in conjunction with the consolidated financial statements and related notes appearing in Item 8 "Financial Statements and Supplementary Data," and Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Annual Report on Form 10-K. Historical results are not necessarily indicative of the results to be expected in any future period.

	Year Ended December 31,				
	2017	2016	2015	2014	2013
	(in millions, except per share data)				
Consolidated Statements of Operations Data:					
Revenue	$ 1,556	$ 1,480	$ 1,492	$ 1,246	$ 945
Total costs and expenses	1,432	1,314	1,260	906	651
Operating income (1)	124	166	232	340	294
Income before income taxes	110	151	239	322	284
Net income (loss) (2)	(19)	120	198	226	205
Earnings (loss) per share attributable to common stockholders:					
Basic (3)	$ (0.14)	$ 0.83	$ 1.38	$ 1.58	$ 1.44
Diluted (3)	(0.14)	0.82	1.36	1.55	1.41
Shares used in computing net income per share:					
Basic (3)	140	145	144	143	143
Diluted (3)	140	147	146	146	145

	December 31,				
	2017	2016	2015	2014	2013
	(in millions)				
Consolidated Balance Sheet Data:					
Cash and cash equivalents, short and long-term marketable securities	$ 735	$ 746	$ 698	$ 594	$ 670
Working capital (4)	621	527	553	356	387
Total assets	2,272	2,238	2,128	1,948	1,473
Long-term debt (5)	230	91	200	259	300
Other long-term obligations under financing obligation	84	84	84	67	8
Total liabilities (2)	909	736	716	823	608
Total stockholders' equity (6)	1,363	1,502	1,412	1,125	865

(1) Includes a non-cash charitable contribution to The TripAdvisor Charitable Foundation (the "Foundation") of $67 million for the year ended December 31, 2015. In comparison, charitable contributions to the Foundation, which were paid in cash, were $8 million and $7 million for the years ended December 31, 2014 and 2013, respectively. There were no charitable contributions made to the Foundation for the year ended December 31, 2017 and 2016, and the Company does not expect to make any future contributions to the Foundation. Refer to "Note 17 —*Segment and Geographic Information*" in the notes to the consolidated financial statements in Item 8 for further information regarding this charitable contribution.

(2) The year ended December 31, 2017 reflects $67 million of tax expense recorded for the mandatory deemed repatriation of accumulative foreign earnings which was included in the short and long-term income tax liabilities on our consolidated balance sheet, and $6 million of tax expense recorded for the remeasurement of deferred taxes related to the 2017 Tax Act enacted on December 22, 2017. Refer to "Note 10 - *Income Taxes"* in the notes to the consolidated financial statements in Item 8 for further information on the financial statement impact of the 2017 Tax Act.

(3) Refer to "Note 5 —*Earnings per Share*" in the notes to the consolidated financial statements in Item 8 for further information regarding our calculation of earnings per share numbers.

(4) Amount does not include available for sale long-term marketable securities of $27 million, $16 million, $37 million, $31 million, and $188 million, as of December 31, 2017, 2016, 2015, 2014, and 2013, respectively.

(5) Refer to “Note 9— *Debt*” in the notes to the consolidated financial statements in Item 8 for information regarding our long-term debt.

(6) Refer to our consolidated statements of changes in stockholders’ equity and “Note 15— *Stockholders’ Equity*” in the notes to the consolidated financial statements in Item 8 for additional information on changes to our stockholders’ equity.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Overview

TripAdvisor, Inc., by and through its subsidiaries, owns and operates a portfolio of leading online travel brands. TripAdvisor, our flagship brand, is the world’s largest travel site based on monthly unique visitors, and its mission is to help people around the world plan, book and experience the perfect trip. We accomplish this by, among other things, aggregating millions of members’ reviews and opinions about destinations, accommodations, activities and attractions, and restaurants worldwide, thereby creating the foundation for a unique platform that enables users to research and plan their travel experiences. Our platform also enables users to compare real-time pricing and availability for these experiences as well as to book hotels, flights, cruises, vacation rentals, tours, activities and attractions, and restaurants, either on a TripAdvisor site or mobile app, or on the site or app of one of our travel partner sites.

Our TripAdvisor-branded websites include tripadvisor.com in the United States and localized versions of the TripAdvisor website in 48 markets and 28 languages worldwide. Our TripAdvisor-branded websites reached 455 million average monthly unique visitors in our seasonal peak during the year ended December 31, 2017, according to our internal log files. We currently feature approximately 600 million reviews and opinions on approximately 7.5 million places to stay, places to eat and things to do – including approximately 1.2 million hotels, inns, B&Bs and specialty lodging, 750,000 vacation rentals, 4.6 million restaurants and 915,000 activities and attractions worldwide.

In addition to the flagship TripAdvisor brand, we manage and operate 20 other travel media brands, connected by the common goal of providing users the most comprehensive travel-planning and trip-taking resources in the travel industry. For additional information about our portfolio of brands and our business model, see the disclosure set forth in Part I, Item 1. “Business”, under the caption “Overview.”

Our reporting structure includes two reportable segments: Hotel and Non-Hotel. Our Non-Hotel segment consists of our Attractions, Restaurants and Vacation Rentals businesses. Financial information and additional descriptive information related to our segments and geographic information is contained in “Note 17 — *Segment and Geographic Information*,” in the notes to our consolidated financial statements in Item 8 and below.

Executive Financial Summary and Trends

As the largest online travel platform, we believe we are an attractive marketing channel for travel partners— including hotel chains, independent hoteliers, online travel agencies, or OTAs, destination marketing organizations, and other travel-related and non-travel related product and service providers— who seek to sell their products and services to our large user base. We offer users the ability to do real-time price comparison through our metasearch feature, as well as the ability to book hotels, flights, cruises, vacation rentals, tours, activities and attractions, and restaurants either directly on our website or mobile app through our instant booking feature or on one of our travel partner sites.

Tax Reform

The 2017 Tax Act was signed into law on December 22, 2017, and has resulted in significant changes to the U.S. corporate income tax system. These changes include a federal statutory rate reduction from 35% to 21%, the elimination or reduction of certain domestic deductions and credits and limitations on the deductibility of interest expense and executive compensation. The 2017 Tax Act also transitions international taxation from a worldwide system to a modified territorial system and includes base erosion prevention measures on non-U.S. earnings, which has the effect of subjecting certain earnings of our foreign subsidiaries to U.S. taxation as global intangible low-taxed income (GILTI). These changes are effective beginning January 1, 2018.

The 2017 Tax Act also includes a one-time mandatory deemed repatriation tax on accumulated foreign subsidiaries' previously untaxed foreign earnings (the "Transition Tax").

Changes in tax rates and tax laws are accounted for in the period of enactment. Therefore, during the year ended December 31, 2017, we recorded a charge totaling $73 million related to our current estimate of the provisions of the 2017 Tax Act, principally due to the Transition Tax. The Transition Tax, recorded of $67 million, will be paid over an eight-year period, starting in 2018, and will not accrue interest. We also recorded a charge of $6 million for the remeasurement of our net deferred tax assets. These estimates are reflected in our financial results in accordance with Staff Accounting Bulletin No. 118 ("SAB 118"), which provides for a measurement period to complete the accounting for certain elements of the tax reform. Refer to "Note 10 - *Income Taxes"* in the notes to the consolidated financial statements in Item 8 for further information on the financial statement impact of the 2017 Tax Act. As we complete our analysis of the 2017 Tax Act and interpret additional guidance issued with respect to the 2017 Tax Act, we may make adjustments to provisional amounts.

Current Trends in Our Business

The online travel industry is large and growing and remains highly dynamic and competitive.

Hotel Segment

During 2017, we continued to improve the hotel shopping experience on TripAdvisor by, among other things, launching a redesigned TripAdvisor website and mobile application and making it easier for our users to find the lowest hotel prices. We have and will continue to seek new ways to provide a more comprehensive hotel shopping experience, by improving content on destinations, properties and rooms, optimizing the room selection process and helping users find the best prices with our hotelier and OTA partners. On the supply side, we continue to on-board more partners that have unique brand, supply or room pricing to provide consumers a more comprehensive selection of accommodations in order to drive higher repeat usage and conversion of hotel shoppers to bookings and higher cost-per-click rates on our platform.

We compete with other travel companies and search engines for hotel shoppers, which we define as the users who view TripAdvisor hotel pages. Hotel shoppers from unpaid online marketing channels, such as users that navigate directly to our homepage or applications through branded search queries on search engines, are of the highest value to our business. Over time, increased competition has resulted in hotel shoppers visiting our websites and applications from paid online marketing channels, such as SEM, to grow faster than traffic from unpaid online marketing channels, such as SEO, thereby increasing our aggregate cost of hotel shopper acquisition. Following the launch of our redesigned website, our new hotel shopping experience, we launched a brand advertising campaign, or television campaign, in June 2017 aimed at increasing usage of TripAdvisor as a place to find and book the best hotels at the lowest prices. We also continue to leverage a number of other marketing channels, both paid and unpaid, to achieve this objective, including online efforts such as social media and cost relationship management or CRM, as well as offline efforts such as TripAdvisor-branded advertising campaigns. Our television campaign has been funded, in part, through optimization of our online marketing spend. We expect to continue to optimize our marketing investment mix, between online and offline channels based on the relative growth opportunity, the expected returns and the competitive environment in which we operate. We believe optimizing our marketing mix to include brand advertising will help TripAdvisor establish a more durable, long-lasting direct relationship with users shopping for hotels, with a greater long-term financial return than we would be able to achieve solely from online paid marketing. Our marketing strategy comes with a near-term trade-off, as online paid marketing may better enable us to generate a short-term hotel shopper and click-based and transaction revenue, whereas we expect our television advertising campaign to generate such returns over a longer timeframe, improving marketing efficiency and profit growth.

A key objective is to grow the number of hotel shoppers on our platform at or above our desired return on investment targets. In the year ended December 31, 2017, our average monthly unique hotel shoppers increased 7%, when compared to the same period in 2016, according to our internal log files. The increase is primarily due to the general trend of an increasing number of hotel shoppers visiting our websites and apps on mobile phones, as well as the success of our paid online marketing strategy, partially offset by marketing spend tradeoffs resulting from increased brand advertising investment in our television campaign, as discussed above.

Another key objective is to increase our revenue per hotel shopper. In the year ended December 31, 2017, our revenue per hotel shopper decreased 7%, when compared to the same period in 2016, primarily driven by partners bidding to lower CPCs in our click-based metasearch auction during the second half of the year, and the general trend of a greater percentage of hotel shoppers visiting TripAdvisor-branded websites and apps on mobile phones. During the year ended December 31, 2017, the growth rate of hotel shoppers that visited our websites and apps on mobile phones continued to grow significantly faster than that of hotel shoppers using desktop and tablet devices. Mobile phones currently generate significantly lower revenue per hotel shopper compared to desktop and tablet devices. We believe that this monetization difference is due to a number of factors, including the reduced ability to achieve marketing attribution on the mobile phone for facilitating traffic to partner websites and applications; more limited advertising opportunities on smaller screen devices; our historic positioning as a place to read reviews; and general consumer purchasing patterns on mobile phones resulting in lower booking intent, lower conversion rates, lower cost-per-click bids from our travel partners, and lower average gross booking value. As a result, our growth in hotel shoppers on mobile phones has remained a headwind against our overall revenue per hotel shopper and our TripAdvisor-branded click-based and transaction revenue.

The general trend of increasing traffic to our websites and apps on mobile phones reduces our ability to grow TripAdvisor-branded display-based advertising revenue, as we believe prioritizing and preserving a cleaner user experience over increasing advertising units on smaller screen devices is the most appropriate way to engage more users on our mobile phone app. We continue to prioritize investment in product development in order to improve the mobile user experience, and to improve mobile phone traffic acquisition to increase our user base. We believe that, over the long-term, these efforts will result in increased usage and engagement, conversion of hotel shoppers to bookings for our hotel advertising partners and higher monetization rates for us.

Non-Hotel Segment

Our ongoing product efforts to deliver an end-to-end user experience extend to our Non-Hotel segment, which includes our Attractions, Restaurants, and Vacation Rentals businesses. Our key growth strategies have been to grow users, improve our products and grow bookable supply. We continued to deliver on those objectives during the year ended December 31, 2017, as monthly unique users to these pages on our websites and applications continued to grow, we enhanced our product experience on all devices, and we grew bookable supply on our platform in our Attractions and Restaurants businesses. Notably, we have been able to increasingly leverage strong user growth on the TripAdvisor-branded platform to drive increased bookings in our Attractions business. Additionally, our Attractions and Restaurants businesses have both experienced increased engagement and growth on mobile phones. In Vacation Rentals, as the business continues to shift from our subscription model to our free-to-list model, we have focused on delivering high-quality supply for users in order to drive conversion for partners on our platform. We continued to work to improve content and overall user experience across each business.

Continued successful execution of our key growth strategies and increased marketing and operating efficiencies primarily contributed to this segment's revenue and profit growth during the year ended December 31, 2017, as compared to the same period in 2016. Our ongoing strategic objectives are to continue to enhance the user experience, to grow traffic and drive increased user engagement, to grow bookable supply, and to grow bookings in this segment.

Results of Operations
Selected Financial Data
(in millions, except per share amounts and percentages)

	Year ended December 31,			% Change	
	2017	2016	2015	2017 vs. 2016	2016 vs. 2015
Revenue	$ 1,556	$ 1,480	$ 1,492	5%	(1)%
Costs and expenses:					
Cost of revenue	72	71	58	1%	22%
Selling and marketing	849	756	692	12%	9%
Technology and content	243	243	207	0%	17%
General and administrative	157	143	210	10%	(32)%
Depreciation	79	69	57	14%	21%
Amortization of intangible assets	32	32	36	0%	(11)%
Total costs and expenses	1,432	1,314	1,260	9%	4%
Operating income	124	166	232	(25)%	(28)%
Other income (expense):					
Interest expense	(15)	(12)	(10)	25%	20%
Interest income and other, net	1	(3)	17	133%	(118)%
Total other income (expense), net	(14)	(15)	7	(7)%	(314)%
Income before income taxes	110	151	239	(27)%	(37)%
Provision for income taxes	(129)	(31)	(41)	316%	(24)%
Net income (loss)	$ (19)	$ 120	$ 198	(116)%	(39)%
Earnings (loss) per share attributable to common stockholders:					
Basic	$ (0.14)	$ 0.83	$ 1.38	(117)%	(40)%
Diluted	$ (0.14)	$ 0.82	$ 1.36	(117)%	(40)%
Other financial data:					
Adjusted EBITDA (1)	$ 331	$ 352	$ 466	(6)%	(24)%

(1) See "Adjusted EBITDA" discussion below for more information.

Revenue and Segment Information

	Year ended December 31,			% Change	
	2017	2016	2015	2017 vs. 2016	2016 vs. 2015
Revenue by Segment:		(in millions)			
Hotel	$1,196	$1,190	$1,263	1%	(6)%
Non-Hotel	360	290	229	24%	27%
Total revenue	$1,556	$1,480	$1,492	5%	(1)%
Adjusted EBITDA by Segment (1):					
Hotel	$ 286	$ 380	$ 472	(25)%	(19)%
Non-Hotel	45	(28)	(6)	261%	(367)%
Adjusted EBITDA Margin by Segment (2):					
Hotel	24%	32%	37%		
Non-Hotel	13%	(10)%	(3)%		

(1) Included in Adjusted EBITDA is a general and administrative expense allocation for each segment, which is based on the segment's percentage of our total personnel costs, excluding stock-based compensation. Refer to "Note 17 — *Segment and Geographic Information*," in the notes to our consolidated financial statements in Item 8 for more information.
(2) We define "Adjusted EBITDA Margin by Segment", as Adjusted EBITDA by segment divided by revenue by segment.

Hotel Segment

Our Hotel segment revenue increased $6 million during the year ended December 31, 2017 when compared to the same period in 2016, primarily due to a $6 million increase in TripAdvisor-branded click-based and transaction revenue and a $10 million increase in TripAdvisor-branded display-based advertising and subscription revenue, partially offset by a decrease of $10 million in other hotel revenue, all of which are discussed below. Our Hotel segment revenue decreased $73 million during the year ended December 31, 2016 when compared to the same period in 2015, primarily due to a $87 million decrease in TripAdvisor-branded click-based and transaction revenue, partially offset by growth of $10 million in TripAdvisor-branded display-based advertising and subscription revenue, and $4 million in other hotel revenue, all of which are discussed below.

Adjusted EBITDA and Adjusted EBITDA margin in our Hotel segment decreased $94 million and to 24%, respectively, during the year ended December 31, 2017, when compared to the same period in 2016, primarily due to costs related to our television campaign, which launched in June 2017, and also due to increased SEM and other online traffic acquisition costs during the first half of 2017, partially offset by cost efficiencies created through optimization of our online marketing spend during the second half of 2017. Adjusted EBITDA and Adjusted EBITDA margin in our Hotel segment decreased $92 million and decreased to 32%, during the year ended December 31, 2016 when compared to the same period in 2015, primarily due to a decrease in Hotel segment revenue, which is discussed below, and increased operating costs, primarily driven by an increase in online traffic acquisition costs, partially offset by lower television advertising costs due to the cessation of our 2015 television advertising campaign in 2016.

The following is a detailed discussion of the revenue sources within our Hotel segment:

	Year ended December 31,			% Change	
	2017	2016	2015	2017 vs 2016	2016 vs 2015
Hotel:		(in millions)			
TripAdvisor-branded click-based and transaction	$ 756	$ 750	$ 837	1%	(10%)
TripAdvisor-branded display-based advertising and subscription	292	282	272	4%	4%
Other hotel revenue	148	158	154	(6%)	3%
Total Hotel revenue	$ 1,196	$ 1,190	$ 1,263	1%	(6%)

TripAdvisor-branded Click-based and Transaction Revenue

TripAdvisor-branded click-based and transaction revenue includes cost-per-click-based advertising revenue from our TripAdvisor-branded websites as well as transaction-based revenue from our hotel instant booking feature. For the years ended December 31, 2017, 2016 and 2015, approximately 63%, 63% and 66%, respectively, of our total Hotel segment revenue was derived from our TripAdvisor-branded click-based and transaction revenue. TripAdvisor-branded click-based and transaction revenue increased $6 million during the year ended December 31, 2017, when compared to the same period in 2016, primarily due to an increase in average monthly unique hotel shoppers of 7%, which was largely offset by a decrease of 7% in revenue per hotel shopper during the year ended December 31, 2017, which is explained below. TripAdvisor-branded click-based and transaction revenue decreased $87 million during the year ended December 31, 2016, when compared to the same period in 2015, primarily due to a decline of 15% in revenue per hotel shopper, partially offset by an increase in average monthly unique hotel shoppers of 6% during the year ended December 31, 2016, which is explained below.

Our largest source of Hotel segment revenue is click-based advertising revenue from our TripAdvisor-branded websites, which include links to our travel partners' sites and contextually-relevant branded and related text links. Click-based advertising is generated primarily through our metasearch auction, a description of which follows. Our click-based travel partners are predominantly OTAs and hoteliers. Click-based advertising is generally priced on a cost-per-click, or CPC, basis, with payments to us from advertisers based on the number of users who click on each type of link or, in other words, the conversion of a hotel shopper to a paid click. CPC is the price that a partner is willing to pay us for a hotel shopper lead and is determined in a competitive process that enables our partners to submit CPC bids to have their rates and availability listed on our site. When a partner submits a CPC bid, they agree to pay us the bid amount each time a user subsequently clicks on the link to that partner's website. Bids can be submitted periodically – as often as daily– on a property-by-property basis. Primary factors used to determine the placement of partner links on our site include, but are not limited to, room night price, the size of the bid relative to other bids, and other variables. CPCs are generally lower in markets outside the U.S. market, and hotel shoppers visiting via mobile phones currently monetize at a significantly lower rate than hotel shoppers visiting via desktop or tablet.

Our Hotel segment transaction-based revenue is comprised of revenue from our hotel instant booking feature, which enables the merchant of record, generally an OTA or hotel partner, to pay a commission to TripAdvisor for a user that completes a hotel reservation via our website. This feature was rolled out in our two largest markets – the United States and the United Kingdom – in the third quarter of 2015, and we completed an accelerated and staged global rollout of this feature to all of our markets during the first half of 2016. Instant booking revenue is currently recognized under two different models: the consumption model and the transaction model. Under the consumption model, which currently represents the majority of our instant booking revenue, commission revenue is not recorded until such time as the traveler completes their stay, at which time our consumption partner is liable to us for commission payment. Under the transaction model commission revenue is recorded at the time a traveler books a hotel reservation on our site, as our transaction partner is liable for commission payments to us upon booking and the partner assumes the cancellation risk. OTA and hotel partner placement, as well as comparative hotel prices available to the traveler in the booking process under both models, is determined by a bidding process within our proprietary automated bidding system, that takes into account a number of variables, primarily hotel room prices, but also including other factors, such as conversion rates and commission rates, depending on the specific hotel selected. Instant booking commissions are primarily a function of average gross booking value generated from hotel reservations, cancellation rates experienced, and commission rates negotiated with each of our partners.

The key drivers of TripAdvisor-branded click-based and transaction revenue include growth in average monthly unique hotel shoppers and revenue per hotel shopper growth, the latter of which measures how effectively we convert our hotel shoppers into revenue. We measure performance by calculating revenue per hotel shopper on an aggregate basis by dividing total TripAdvisor-branded click-based and transaction revenue by total average monthly unique hotel shoppers on TripAdvisor-branded websites for the periods presented.

While we believe that total traffic growth, or growth in monthly visits from unique visitors, is reflective of our overall brand growth, we also track and analyze sub-segments of our traffic and their correlation to revenue generation and utilize data regarding hotel shoppers as one of the key indicators of revenue growth. Hotel shoppers are visitors who view either a listing of hotels in a city or on a specific hotel page. The number of hotel shoppers tends to vary based on seasonality of the travel industry and general economic conditions, as well as other factors outside of our control. Given these factors, as well as the trend towards increased usage on mobile phones and international expansion, quarterly and annual hotel shopper growth is a difficult metric to forecast.

The below table summarizes our revenue per hotel shopper calculation and growth rate, in aggregate, for the periods presented (in millions, except calculated revenue per hotel shopper and percentages):

	Year ended December 31,			% Change	
	2017	2016	2015	2017 vs 2016	2016 vs 2015
		(in millions)			
Revenue per hotel shopper:					
TripAdvisor-branded click-based and transaction revenue	$ 756	$ 750	$ 837	1%	(10%)
Divided by: Total average monthly unique hotel shoppers for the year	1,768	1,645	1,555	7%	6%
	$ 0.43	$ 0.46	$ 0.54	(7%)	(15%)

2017 vs. 2016

Revenue per hotel shopper decreased 7% during the year ended December 31, 2017, when compared to the same period in 2016, according to our internal log files. The decrease was primarily driven by partners bidding to lower CPCs in our click-based metasearch auction during the second half of the year, and the general trend of a greater percentage of hotel shoppers visiting TripAdvisor-branded websites and apps on mobile phones, which monetize at a lower rate than desktop hotel shoppers, which grew significantly faster than traffic from desktop and tablet devices, as well as dilution from product testing related to the second-quarter 2017 launch of our redesigned website and applications, and the timing of our instant booking feature rollout in certain non-U.S. markets during the first half of 2016.

Our aggregate average monthly unique hotel shoppers on TripAdvisor-branded websites increased by 7% during the year ended December 31, 2017, when compared to the same period in 2016, according to our internal log files. The increase in hotel shoppers is primarily due to the general trend of an increasing number of hotel shoppers visiting our websites and apps on mobile phones, as well as growth in our paid online marketing channels, partially offset by marketing spend tradeoffs resulting from increased brand advertising investment in our television campaign, as discussed above.

2016 vs. 2015

Revenue per hotel shopper decreased 15% during the year ended December 31, 2016, when compared to the same period in 2015, according to our internal log files. We believe the primary drivers of this decrease included the dilutive effects from our global launch of our instant booking feature, which impacted 2016 to a greater extent than 2015 due to the timing of the staged rollout; a greater percentage of hotel shoppers visiting TripAdvisor websites and apps via mobile phones; challenging metasearch comparatives in early 2016 relative to the same periods in 2015; increased competition; macroeconomic and geopolitical factors, including foreign currency and a number of terrorism events.

Our aggregate average monthly unique hotel shoppers on TripAdvisor-branded websites increased by 6% during the year ended December 31, 2016, when compared to the same period in 2015, according to our internal log files. The increase in hotel shoppers was primarily due to growth in our paid online marketing channels as well as the general trend of an increasing number of hotel shoppers visiting our websites and apps on mobile phones during 2016, which has grown significantly faster than traffic from desktop and tablet devices.

TripAdvisor-branded Display-based Advertising and Subscription Revenue

For the years ended December 31, 2017, 2016 and 2015, 24%, 24% and 22%, respectively, of our Hotel segment revenue was derived from our TripAdvisor-branded display-based advertising and subscription revenue, which primarily consists of revenue from display-based advertising and subscription-based hotel advertising revenue. Our TripAdvisor-branded display-based advertising and subscription revenue increased by $10 million or 4%, during each of the years ended December 31, 2017 and 2016, respectively, when compared to the same periods in 2016 and 2015.

2017 vs. 2016

The increase in display-based advertising revenue was primarily due to an increase in impressions sold, as well as an increase in pricing, partially offset by the general trend of an increasing percentage of our traffic visiting our websites and apps on mobile phones. While we continue to focus on new product initiatives to drive growth, our subscription revenue decreased slightly, primarily as we work to enhance our product offering to hoteliers and increase our sales pipeline in this business, in addition to hotel industry consolidation.

2016 vs. 2015

The increase in display-based advertising revenue was primarily due to a slight increase in pricing, as well as impressions sold during the year, while the increase in subscription revenue was a result of increased sales productivity in 2015 which also benefitted 2016, as well as increased pricing and improvements in customer retention rates.

Other Hotel Revenue

For the years ended December 31, 2017, 2016 and 2015, 12%, 13% and 12%, respectively, of our Hotel segment revenue was derived from other hotel revenues. Our other hotel revenue primarily includes revenue from non-TripAdvisor branded websites, such as bookingbuddy.com, cruisecritic.com, and onetime.com, including click-based advertising revenue, display-based advertising revenue and room reservations sold through these websites. Our other hotel revenue decreased by $10 million during the year ended December 31, 2017, when compared to the same period in 2016, primarily due to increased focus on return on marketing spend from paid marketing channels within this revenue stream. Our other hotel revenue increased $4 million during the year ended December 31, 2016, when compared to the same period in 2015.

Non-Hotel Segment

For the years ended December 31, 2017, 2016 and 2015, our Non-Hotel segment revenue accounted for 23%, 20% and 15%, respectively, of our total consolidated revenue. Our Non-Hotel segment revenue increased by $70 million or 24%, for the year ended December 31, 2017, when compared to the same period in 2016, driven by increased bookings in our Attractions and Restaurants businesses. Our Non-Hotel segment revenue increased $61 million, or 27%, during the year ended December 31, 2016 when compared to the same period in 2015, primarily driven by increased bookings across all businesses.

During this timeframe, strong revenue growth in our Attractions business has been driven by the following factors: growth in bookings sourced by TripAdvisor, growth in bookable supply, which leads to better consumer choice, as well as by growth in free and paid traffic sources. Another contributing factor is the improved shopping experience from the introduction of new features, such as attractions instant booking for mobile phone, which enables users to purchase tickets and tours seamlessly without leaving the mobile app. These factors are all contributing to more consumer choice, increased bookings and continued revenue growth. Similarly, in our Restaurants business, continued strong revenue growth can be attributed to increased bookings in our most established markets, expansion into new markets, growth in mobile bookings, a continually improving user experience and an increase in bookable supply of restaurant listings. Revenue in our Vacation Rentals business decreased slightly during the year ended December 31, 2017, when compared to the same period in 2016, primarily due to the continued migration of our subscription model to our free-to-list model, which we believe will have a longer term return to the business, in addition to slower growth in our free-to-list revenues than 2016. Revenue in our Vacation Rentals business increased during the year ended December 31, 2016, when compared to the same period in 2015, primarily due to growth in our free-to-list model and increased bookings during the year.

Adjusted EBITDA and Adjusted EBITDA margin in our Non-Hotel segment increased $73 million and to 13%, respectively, during the year ended December 31, 2017, when compared to the same period in 2016. This increase was primarily due to increased revenue growth, in addition to increased efficiencies in paid online marketing channels and other operational synergies across our Attractions and Vacation Rentals businesses, partially offset by increased personnel and overhead costs to support growth in this segment for the year ended December 31, 2017. Adjusted EBITDA in our Non-Hotel segment decreased $22 million during the year ended December 31, 2016, when compared to the same period in 2015. The decrease during the year ended December 31, 2016, when compared to the same period in 2015, was primarily due to increased personnel and overhead costs of $47 million, in addition to increased online traffic acquisition costs and merchant credit card and transaction fees, which more than offset the increase in revenue.

Revenue by Geography

The following table presents our revenue by geographic region. Revenue by geography is based on the geographic location of our websites:

	Year ended December 31,			% Change	
	2017	2016	2015	2017 vs 2016	2016 vs 2015
	(in millions)				
Revenue by geographic region (1):					
United States	$ 877	$ 800	$ 739	10%	8%
Europe	415	411	432	1%	(5%)
ROW	264	269	321	(2%)	(16%)
Total	$ 1,556	$ 1,480	$ 1,492	5%	(1%)

(1) In the first quarter of 2017, we reclassified Canada, Middle East, Africa, Asia-Pacific ("APAC") and Latin America ("LATAM") into rest of world ("ROW") when presenting our revenue by geographic region. Prior period amounts were reclassified to conform to the current presentation. This change had no effect on our consolidated financial statements in any reporting period.

Our U.S. revenue increased $77 million or 10%, during the year ended December 31, 2017, when compared to the same period in 2016. U. S. revenue represented 56% of total revenue during the year ended December 31, 2017. This revenue increase in the U.S. was due primarily to growth in our Attractions business, as well as an increase in U.S. TripAdvisor-branded click-based and transaction revenue, driven by growth in U.S. revenue per hotel shopper. Our U.S. revenue increased $61 million or 8%, during the year ended December 31, 2016, when compared to the same period in 2015. U. S. revenue represented 54% of total revenue during the year ended December 31, 2016. This revenue increase in U.S. was due primarily to growth in our Attractions business and our U.S. display-based advertising and subscription revenue.

Revenue outside of the U.S., or non-U.S. revenue, decreased $1 million during the year ended December 31, 2017, when compared to the same period in 2016. Non-U.S. revenue decreased $73 million or 10%, during the year ended December 31, 2016, when compared to the same period in 2015. Non-U.S. revenue represented approximately 44%, 46%, and 50% of total revenue during the years ended December 31, 2017, 2016, and 2015, respectively. The decline in our non-U.S. revenue, as a percentage of total revenue during these periods, was primarily driven by the factors noted in the growth of our U.S. revenue discussed above, as well as the timing of our instant booking feature rollout in non-U.S. markets during the first half of 2016, and its associated dilutive impact to Trip-Advisor-branded click-based and transaction revenue, as compared to the rollout in our U.S. market, which was completed in the third quarter of 2015, and to a lesser extent foreign currency fluctuations.

Consolidated Expenses

Cost of Revenue

Cost of revenue consists of expenses that are directly related or closely correlated to revenue generation, including direct costs, such as ad serving fees, flight search fees, credit card fees and other transaction costs, and data center costs. In addition, cost of revenue includes personnel and overhead expenses, including salaries, benefits, stock-based compensation expense and bonuses for certain customer support personnel who are directly involved in revenue generation.

	Year ended December 31,			% Change	
	2017	2016	2015	2017 vs 2016	2016 vs 2015
		(in millions)			
Direct costs	$ 53	$ 51	$ 43	4%	19%
Personnel and overhead	19	20	15	(5%)	33%
Total cost of revenue	$ 72	$ 71	$ 58	1%	22%
% of revenue	4.6%	4.8%	3.9%		

2017 vs. 2016

Cost of revenue increased $1 million during the year ended December 31, 2017 when compared to the same period in 2016, primarily due to increased direct costs from merchant credit card and transaction fees in our Non-Hotel segment, as a result of revenue growth.

2016 vs. 2015

Cost of revenue increased $13 million during the year ended December 31, 2016, when compared to the same periods in 2015, primarily due to increased direct costs from merchant credit card and transaction fees of $5 million in our Non-Hotel segment, as a result of revenue growth, and to a lesser extent increased personnel costs from increased headcount needed to support business growth and customer support primarily in our Non-Hotel segment.

Selling and Marketing

Selling and marketing expenses primarily consist of direct costs, including traffic generation costs from SEM and other online traffic acquisition costs, syndication costs and affiliate program commissions, social media costs, brand advertising, television and other offline advertising, promotions and public relations. In addition, our sales and marketing expenses consist of indirect costs such as personnel and overhead expenses, including salaries, commissions, benefits, stock-based compensation expense and bonuses for sales, sales support, customer support and marketing employees.

	Year ended December 31,			% Change	
	2017	2016	2015	2017 vs 2016	2016 vs 2015
		(in millions)			
Direct costs	$ 639	$ 554	$ 514	15%	8%
Personnel and overhead	210	202	178	4%	13%
Total selling and marketing	$ 849	$ 756	$ 692	12%	9%
% of revenue	54.4%	51.1%	46.4%		

2017 vs. 2016

Direct selling and marketing costs increased $85 million during the year ended December 31, 2017 when compared to the same period in 2016, primarily due to costs incurred related to the launch of our new television campaign in June of 2017, as well as an increase in SEM and other online traffic acquisition costs of $19 million, driven by our Hotel segment during the first half of 2017, partially offset by a decrease in other advertising costs. We spent $74 million on our television advertising campaign during the year ended December 31, 2017 in our Hotel segment, which we did not incur during the year ended December 31, 2016.

2016 vs. 2015

Direct selling and marketing costs increased $40 million during the year ended December 31, 2016 when compared to the same period in 2015, primarily due to increased SEM and other online traffic acquisition costs of $79 million primarily driven by our Hotel segment, partially offset by a decrease in costs related to the cessation of our television advertising campaign. We spent $51 million on our television advertising campaign during the year ended December 31, 2015 in our Hotel segment, which we did not incur during the year ended December 31, 2016. Personnel and overhead costs increased $24 million during the year ended December 31, 2016 when compared to the same period in 2015, primarily due to an increase in headcount in our Non-Hotel segment, which was needed to support business growth.

Technology and Content

Technology and content expenses consist primarily of personnel and overhead expenses, including salaries and benefits, stock-based compensation expense and bonuses for salaried employees and contractors engaged in the design, development, testing, content support, and maintenance of our websites and mobile apps. Other costs include licensing, maintenance expense, computer supplies, telecom costs, content translation costs, and consulting costs.

	Year ended December 31,			% Change	
	2017	2016	2015	2017 vs 2016	2016 vs 2015
		(in millions)			
Personnel and overhead	$ 219	$ 213	$ 174	3%	22%
Other	24	30	33	(20%)	(9%)
Total technology and content	$ 243	$ 243	$ 207	0%	17%
% of revenue	15.6%	16.4%	13.9%		

2017 vs. 2016

Technology and content costs remained flat during the year ended December 31, 2017 when compared to the same period in 2016. Personnel and overhead costs increased $6 million during the year ended December 31, 2017, when compared to the same period in 2016, primarily to support our mobile phone and website initiatives, as well as to support business growth, partially offset by a decrease in contingent staff costs. Other costs decreased by $6 million during the year ended December 31, 2017, when compared to the same period in 2016, primarily due to a decrease in content translation costs.

2016 vs. 2015

Technology and content costs increased $36 million during the year ended December 31, 2016 when compared to the same period in 2015, primarily due to increased personnel costs, including an increase of $12 million in stock-based compensation, from increased headcount needed to support business growth, including international expansion and enhanced site features.

General and Administrative

General and administrative expenses consist primarily of personnel and related overhead costs, including personnel engaged in executive leadership, finance, legal, and human resources, as well as stock-based compensation expense for those same personnel. General and administrative costs also include professional service fees and other fees including audit, legal, tax and accounting, and other costs including bad debt expense, non-income taxes, such as sales, use and other non-income related taxes, and charitable contributions.

	Year ended December 31,			% Change	
	2017	2016	2015	2017 vs 2016	2016 vs 2015
		(in millions)			
Personnel and overhead	$ 116	$ 101	$ 106	15%	(5%)
Professional service fees and other	41	42	104	(2%)	(60%)
Total general and administrative	$ 157	$ 143	$ 210	10%	(32%)
% of revenue	10.1%	9.7%	14.1%		

2017 vs. 2016

General and administrative costs increased $14 million during the year ended December 31, 2017, when compared to the same period in 2016. Personnel costs and overhead costs increased $15 million during the year ended December 31, 2017, when compared to the same period in 2016, primarily related to an increase in stock-based compensation of $10 million. Professional service fees and other decreased $1 million during the year ended December 31, 2017, when compared to the same period in 2016, primarily due to a decrease in consulting costs and non-income taxes, partially offset by an increase in bad debt costs.

2016 vs. 2015

General and administrative costs decreased $67 million during the year ended December 31, 2016, when compared to the same period in 2015. Personnel costs and overhead costs decreased $5 million during the year ended December 31, 2016, when compared to the same period in 2015. Professional service fees and other also decreased $62 million during the year ended December 31, 2016, when compared to the same period in 2015, primarily due to a non-cash charitable contribution of $67 million during the year ended December 31, 2015, which did not reoccur in 2016, partially offset by increased consulting costs, non-income taxes, and bad debt expense. Refer to "Note 17 – *Segment and Geographic Information*" in the notes to our consolidated financial statements in Item 8 and below discussion in "Adjusted EBITDA", for a discussion of this charitable contribution.

Depreciation

Depreciation expense consists of depreciation on computer equipment, leasehold improvements, furniture, office equipment and other assets, our corporate headquarters building and amortization of capitalized software and website development costs.

	Year ended December 31,		
	2017	2016	2015
		(in millions)	
Depreciation	$ 79	$ 69	$ 57
% of revenue	5.1%	4.7%	3.8%

Depreciation expense increased $10 million during the year ended December 31, 2017 when compared to the same period in 2016, primarily due to increased amortization related to capitalized software and website development costs of $8 million. Depreciation expense increased $12 million during the year ended December 31, 2016 when compared to the same period in 2015, primarily due to increased amortization related to capitalized software and website development costs of $9 million and incremental depreciation on our corporate headquarters building of $1 million. Refer to "Note 13— *Commitments and Contingencies*" in the notes to our consolidated financial statements in Item 8 for additional information on our corporate headquarters asset.

Amortization of Intangible Assets

Amortization consists of the amortization of purchased definite-lived intangibles.

	Year ended December 31,		
	2017	2016	2015
		(in millions)	
Amortization of intangible assets	$ 32	$ 32	$ 36
% of revenue	2.0%	2.2%	2.4%

Amortization of intangible assets remained flat during the year ended December 31, 2017 when compared to the same period in 2016. Amortization of intangible assets decreased $4 million during the year ended December 31, 2016 when compared to the same period in 2015, primarily due to the completion of amortization related to certain intangible assets from previous business acquisitions. Refer to "Note 3— *Acquisitions and Dispositions*" in the notes to our consolidated financial statements in Item 8 for additional information on our acquisitions.

Interest Expense

Interest expense primarily consists of interest incurred, commitment fees and debt issuance cost amortization related to our 2015 Credit Facility, 2016 Credit Facility, and Chinese Credit Facilities, as well as interest on our financing obligation related to our corporate headquarters.

	Year ended December 31,		
	2017	2016	2015
		(in millions)	
Interest expense	$ (15)	$ (12)	$ (10)

Interest expense increased $3 million during the year ended December 31, 2017 when compared to the same period in 2016, primarily due to an increase in interest incurred due to higher average outstanding borrowings and effective interest rates during the year ended December 31, 2017, primarily on our 2015 Credit Facility. Interest expense increased $2 million during the year ended December 31, 2016 when compared to the same period in 2015, primarily due to an increase of $3 million in interest imputed on our financing obligation related to our corporate headquarters lease in 2016, partially offset by a decrease in interest incurred due to lower average outstanding borrowings during the year ended December 31, 2016, primarily on our 2015 Credit Facility. Refer to "Note 9— *Debt*" and "Note 13— *Commitments and Contingencies*" in the notes to our consolidated financial statements in Item 8 for additional information on our borrowing facilities and our financing obligation related to our corporate headquarters, respectively.

Interest Income and Other, Net

Interest income and other, net primarily consists of interest earned and amortization of discounts and premiums on our marketable securities, net foreign exchange gains and losses, and gains and losses on sales of our marketable securities and sale of businesses.

	Year ended December 31,		
	2017	2016	2015
		(in millions)	
Interest income and other, net	$ 1	$ (3)	$ 17

2017 vs. 2016

Interest income and other, net increased $4 million during the year ended December 31, 2017, when compared to the same period in 2016, primarily due to an increase in net foreign currency transaction gains of $6 million, as a result of the fluctuation of foreign exchange rates, partially offset by a loss of $2 million related to one of our cost-method investments recognized during the year ended December 31, 2017.

2016 vs. 2015

Interest income and other, net decreased during the year ended December 31, 2016, when compared to the same period in 2015, primarily due to a $20 million gain from sale of business of one of our Chinese subsidiaries in 2015 that did not reoccur in 2016.

Provision for Income Taxes

	Year ended December 31,		
	2017	2016	2015
		(in millions)	
Provision for income taxes	$ 129	$ 31	$ 41
Effective tax rate	117.3%	20.5%	17.2%

On December 22, 2017, the 2017 Tax Act was signed into United States tax law. The legislation significantly changes U.S. tax law by, among other provisions, lowering corporate income tax rates, and imposing a repatriation tax on deemed repatriated earnings of foreign subsidiaries. The 2017 Tax Act permanently reduces the U.S. corporate income tax rate from 35% to 21%, effective January 1, 2018. Certain income tax effects of the 2017 Tax Act, including $67 million of tax expense recorded for the Transition Tax, and $6 million recorded for the remeasurement of our net deferred tax assets, are reflected in our financial results in accordance with SAB 118, which provides for a measurement period to complete the accounting for certain elements of the tax reform. Refer to “Note 10 - *Income Taxes”* in the notes to our consolidated financial statements in Item 8 for further information on the financial statement impact of the 2017 Tax Act.

Our effective tax rate is higher than the federal statutory rate in the United States primarily due to the mandatory deemed repatriation of accumulated foreign earnings and the remeasurement of our deferred tax assets and liabilities as a result of the recent U.S. tax reform, foreign valuation allowances, and non-deductible stock based compensation. This is partially offset by earnings in jurisdictions outside the United States, where our effective tax rate is lower.

2017 vs. 2016

Our effective tax rate increased to 117.3% during the year ended December 31, 2017 from 20.5% in the same period in 2016. The change in the effective tax rate for 2017 compared to the 2016 rate was primarily due to the mandatory deemed repatriation of accumulated foreign earnings and the remeasurement of our deferred tax assets and liabilities as a result of the recent U.S. tax reform, foreign valuation allowances, and non-deductible stock based compensation.

2016 vs. 2015

Our effective tax rate increased to 20.5% during the year ended December 31, 2016 from 17.2% in the same period in 2015. The change in the effective tax rate for 2016 compared to the 2015 rate was primarily due to a change in jurisdictional earnings, which includes a non-cash charitable contribution during the year ended December 31, 2015, which did not reoccur in 2016, and the recognition of prior year tax benefits in response to a recent U.S. Tax Court ruling in regards to Altera Corporation on the treatment of stock-based compensation in cost-sharing arrangements. Refer to “Note 10 - *Income Taxes”* in the notes to our consolidated financial statements in Item 8 for further information on the impact of this Tax Court ruling.

Adjusted EBITDA

To provide investors with additional information regarding our financial results, we also disclose Adjusted EBITDA, which is a non-GAAP financial measure. A “non-GAAP financial measure” refers to a numerical measure of a company’s historical or future financial performance, financial position, or cash flows that excludes (or includes) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with generally accepted accounting principles in the United States (“GAAP”) in such company’s financial statements.

Adjusted EBITDA is our segment profit measure and a key measure used by our management and board of directors to understand and evaluate the operating performance of our business and on which internal budgets and forecasts are based and approved. In particular, the exclusion of certain expenses in calculating Adjusted EBITDA can provide a useful measure for period-to-period comparisons of our core business. Accordingly, we believe that Adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors. We define Adjusted EBITDA as net income (loss) plus: (1) provision for income taxes; (2) other income (expense), net; (3) depreciation of property and equipment, including amortization of internal use software and website development; (4) amortization of intangible assets; (5) stock-based compensation and other stock-settled obligations; (6) goodwill, long-lived asset and intangible asset impairments; and (7) other non-recurring expenses and income.

Our use of Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results reported in accordance with GAAP. Because of these limitations, you should consider Adjusted EBITDA alongside other financial performance measures, including net income and our other GAAP results.

Some of these limitations are:

- Adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not reflect the interest expense, or cash requirements necessary to service interest or principal payments on our debt;
- Adjusted EBITDA does not consider the potentially dilutive impact of stock-based compensation or other stock-settled obligations;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and Adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- Adjusted EBITDA does not reflect tax payments that may represent a reduction in cash available to us; and
- Other companies, including companies in our own industry, may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

The following table presents a reconciliation of Adjusted EBITDA to Net Income, the most directly comparable financial measure calculated and presented in accordance with GAAP, for the periods presented:

	Year ended December 31,		
	2017	**2016**	**2015**
		(in millions)	
Net income (loss)	**$ (19)**	**$ 120**	**$ 198**
Add: Provision for income taxes	129	31	41
Add: Other expense (income), net	14	15	(7)
Add: Other non-recurring expenses	-	-	2
Add: Non-cash charitable contribution (1)	-	-	67
Add: Stock-based compensation	96	85	72
Add: Amortization of intangible assets	32	32	36
Add: Depreciation	79	69	57
Adjusted EBITDA	$ 331	$ 352	$ 466

(1) During the fourth quarter of 2015, we incurred an expense in the amount of $67 million to reflect a non-cash contribution to The TripAdvisor Charitable Foundation (the "Foundation"), which was recorded to general and administrative expense in our consolidated statement of operations. We settled this obligation in treasury shares based on the fair value of our common stock on the date the shares were issued to the Foundation. Given the use of stock to settle the obligation, the amount has been excluded from Adjusted EBITDA. TripAdvisor does not expect to make any future contributions to the Foundation. Refer to "Note 17 – *Segment and Geographic Information*" in the notes to our consolidated financial statements in Item 8 for a discussion of this charitable contribution.

Liquidity and Capital Resources

Our principal source of liquidity is cash flows generated from operations, although liquidity needs can also be met through drawdowns under our credit facilities, which are discussed below. As of December 31, 2017 and 2016, we had $735 million and $746 million, respectively, of cash, cash equivalents and short and long-term available-for-sale marketable securities. As of December 31, 2017 approximately $518 million of our cash and cash equivalents, and $62 million of short and long-term available-for-sale marketable securities, were held by our international subsidiaries outside of the United States, with the majority in the United Kingdom. As of December 31, 2017 the majority of total cash on hand is denominated in U.S. dollars.

As of December 31, 2017, we had outstanding borrowings of $230 million in long-term debt, within our U.S subsidiaries, and approximately $967 million of borrowing capacity available under our 2015 Credit Facility. The weighted average rate of our outstanding borrowings under the 2015 Credit Facility as of December 31, 2017 was 2.74% per annum, under a one-month interest period, which will reset periodically. Refer to "Note 20— *Subsequent Events*" in the notes to our consolidated financial statements in Item 8 for additional information on the subsequent repayment of our $230 million of outstanding borrowings under our 2015 Credit Facility in 2018. In addition, we had $73 million borrowing capacity available under our 2016 Credit Facility with no outstanding borrowing as of December 31, 2017. Finally, as of December 31, 2017, we had short-term borrowings of $7 million and approximately $33 million of available borrowing capacity under our Chinese Credit Facilities, which bear interest at a rate based on People's Bank of China benchmark, including certain adjustments which may be made in accordance with the market condition at the time of borrowing, or a weighted average rate of 5.00%. For further discussion on our credit facilities, see below, and also refer to "Note 9— *Debt*" in the notes to our consolidated financial statements in Item 8.

Cumulative undistributed earnings of foreign subsidiaries totaled approximately $882 million as of December 31, 2017. Subsequent to December 31, 2017, on February 2, 2018, TripAdvisor made a one-time repatriation of $325 million of foreign earnings to the United States primarily to repay our remaining outstanding borrowings under the 2015 Credit Facility. Refer to "Note 20— *Subsequent Events*" in the notes to our consolidated financial statements in Item 8 for additional information on this repatriation. TripAdvisor intends to indefinitely reinvest the remaining foreign undistributed earnings of $557 million, although we will continue to evaluate the impact of the 2017 Tax Act on our capital deployment within and outside the U.S. Should we distribute, or be treated under certain U.S. tax rules as having distributed, the earnings of foreign subsidiaries in the form of dividends or otherwise, we may be subject to U.S. income taxes or tax benefits. The amount of any unrecognized deferred income tax on this temporary difference is not material.

Certain transactions have seasonal fluctuations that affect the timing of our annual cash flows related to working capital. In our Vacation Rentals free-to-list model and our Attractions business, we receive cash from travelers at the time of booking and we record these amounts, net of commissions, on our consolidated balance sheets as deferred merchant payables. We pay the suppliers, or the vacation rental owners and tour providers, respectively, after the travelers' use. Therefore, we receive cash from the traveler prior to paying the supplier and this operating cycle represents a working capital source or use of cash to us. During the first half of the year vacation rentals and attractions bookings typically exceed stays and tour-taking, resulting in higher cash flow related to working capital, while during the second half of the year, particularly in the third quarter, this pattern reverses and cash flows from these transactions are typically negative. While we expect the impact of seasonal fluctuations to continue, further significant shifts in our business mix or adverse economic conditions could result in future seasonal patterns that are different from historical trends.

On February 15, 2013, our Board of Directors authorized the repurchase of $250 million of our shares of common stock under a share repurchase program. During the year ended December 31, 2015, we did not repurchase any shares of outstanding common stock under the share repurchase program. During the year ended December 31, 2016, we repurchased 2,002,356 shares of outstanding common stock under the share repurchase program at an average cost of $52.35 per share, or $105 million, and completed this share repurchase program. On January 25, 2017, our Board of Directors authorized the repurchase of $250 million of our shares of common stock under a new share repurchase program. During the year ended December 31, 2017, we repurchased a total of 6,079,003 shares of the Company's outstanding common stock at an average share price of $41.13, or $250 million in the aggregate, and completed this share repurchase program.

On January 31, 2018, TripAdvisor's Board of Directors authorized up to $250 million of share repurchases. This new repurchase program has no expiration but may be suspended or terminated by the Board of Directors at any time. Refer to "Note 20— *Subsequent Events*" in the notes to our consolidated financial statements in Item 8 for additional information on this repurchase program.

We believe that our available cash and marketable securities, combined with expected cash flows generated by operating activities and available cash from our credit facilities, will be sufficient to fund our foreseeable working capital requirements, capital expenditures, existing business growth initiatives, debt obligations, lease commitments, and other financial commitments through at least the next twelve months. Our future capital requirements may also include capital needs for acquisitions, share repurchases, and/or other expenditures in support of our business strategy; thus potentially reducing our cash balance and/or increasing our debt. We expect total capital expenditures for 2018 to be comparable to our 2017 spending levels.

Our cash flows from operating, investing and financing activities, as reflected in the consolidated statements of cash flows, are summarized in the following table:

	Year ended December 31,		
	2017	2016	2015
		(in millions)	
Net cash provided by (used in):			
Operating activities	$ 238	$ 321	$ 418
Investing activities	6	(163)	(58)
Financing activities	(200)	(143)	(189)

<u>*2017 vs. 2016*</u>

Operating Activities

For the year ended December 31, 2017, net cash provided by operating activities decreased by $83 million or 26% when compared to the same period in 2016, primarily due to a decrease in net income of $139 million and a net decrease in working capital movements of $14 million, partially offset by an increase in non-cash items affecting cash flow of $70 million which is primarily due to an increase in the following items: deferred tax expenses; stock-based compensation; and depreciation. The decrease in working capital movements of $14 million was primarily due to timing of collection of receivables, income tax payments, vendor payments, and deferred merchant payments.

Investing Activities

For the year ended December 31, 2017, net cash provided by investing activities increased by $169 million when compared to the same period in 2016, primarily due to a net increase in cash provided from the purchases, sales and maturities of our marketable securities of $120 million, a decrease in cash paid for business acquisitions of $43 million and a decrease in capital expenditures of $8 million.

Financing Activities

For the year ended December 31, 2017, net cash used in financing activities increased by $57 million when compared to the same period in 2016, primarily due to an increase of $145 million in cash used in 2017 to purchase shares of our common stock under our authorized share repurchase program in 2017, net new borrowings on our 2016 Credit Facility of $73 million in 2016 which was subsequently repaid in 2017, net borrowings under our Chinese Credit Facility of $6 million in 2016 which did not reoccur in 2017, partially offset by an increase in net borrowings under our 2015 Credit Facility of $246 million for the year ended December 31, 2017, when compared to the same period in 2016. Refer to the discussion of our credit facilities below.

<u>*2016 vs. 2015*</u>

Operating Activities

For the year ended December 31, 2016, net cash provided by operating activities decreased by $97 million or 23% when compared to the same period in 2015, primarily due to a decrease in net income of $78 million and a decrease in working capital movements of $11 million, which was primarily due to timing of collection of receivables, income tax payments, vendor payments, and deferred merchant payments.

Investing Activities

For the year ended December 31, 2016, net cash used in investing activities increased by $105 million when compared to the same period in 2016, primarily due to a net increase in cash used for the purchases, sales and maturities of our marketable securities of $103 million, net proceeds from the sale of one of our Chinese subsidiaries of $25 million in 2015 which did not reoccur in 2016, and a net increase in cash paid for business acquisitions and other investments of $14 million, partially offset by a decrease in capital expenditures of $37 million, primarily related to the completion of our corporate headquarters building in mid-2015.

Financing Activities

For the year ended December 31, 2016, net cash used in financing activities decreased by $46 million when compared to the same period in 2015, primarily due to: (i) a repayment of our 2011 credit facility of $300 million in 2015, (ii) a decrease in borrowings of $186 million in 2016 from our 2015 Credit Facility, (iii) incremental borrowings of $3 million and a decrease in repayments of $40 million in 2016 on our Chinese Credit Facilities, (iv) a decrease in tax withholding payments of $58 million and cash received for stock option exercises of $5 million in 2016 primarily related to a decrease in the number of stock options exercised and lower average stock price in 2016, and (v) borrowings on our 2016 Credit Facility of $73 million in 2016; partially offset by (i) an increase in repayments of $120 million in 2016 related to our 2015 Credit Facility, (ii) payments of $105 million for common stock share repurchases under an authorized share repurchase program in 2016, and (iii) $12 million in lease incentive payments received related to our corporate headquarters in 2015 that did not reoccur in 2016.

The following table aggregates our material contractual obligations and minimum commercial commitments as of December 31, 2017:

		By Period			
	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
			(in millions)		
2015 Credit Facility and Chinese Credit Facilities (1)	$ 237	$ 7	$ —	$ 230	$ —
Expected interest and commitment fee payments on 2015 Credit Facility (2)	34	7	16	11	—
Property leases, net of sublease income (3)	228	28	53	51	96
Total (4)(5)	$ 499	$ 42	$ 69	$ 292	$ 96

(1) Debt repayment amounts assume that our existing debt under our 2015 Credit Facility, or $230 million, is repaid at the end of the credit agreement and do not assume additional borrowings or refinancing of existing debt. Refer to "Note 9— *Debt*" in the notes to the consolidated financial statements in Item 8 for additional information on our 2015 Credit Facility and Chinese Credit Facilities. Refer to "Note 20— *Subsequent Events*" in the notes to our consolidated financial statements in Item 8 for additional information on the subsequent repayment of our outstanding borrowings under our 2015 Credit Facility in 2018.

(2) Expected interest payments on the 2015 Credit Facility are based on the effective interest rate and outstanding borrowings as of December 31, 2017, but could change significantly in the future. Amounts assume that our existing debt is repaid at the end of the credit agreement and do not assume additional borrowings or refinancing of existing debt. Expected commitment fee payments are based on the unused portion of credit facility, issued letters of credit, and current effective commitment fee rate as of December 31, 2017; however, these variables could change significantly in the future. Refer to "Note 9— *Debt*" in the notes to our consolidated financial statements in Item 8 for additional information on our 2015 Credit Facility.

(3) Estimated future minimum rental payments under operating leases with non-cancelable lease terms, including our corporate headquarters lease in Needham, MA. Refer to discussion under "Office Lease Commitments" below.

(4) Excluded from the table was $127 million of unrecognized tax benefits, including interest, that we have recorded in other long-term liabilities for which we cannot make a reasonably reliable estimate of the amount and period of payment. We do not anticipate any material changes in the next year. Also excluded from the table was $61 million of estimated Transition Tax related to the 2017 Tax Act recorded in long-term liabilities on the consolidated balance sheet at December 31, 2017, that we believe the majority will be paid more than five years from December 31, 2017. Refer to "Note 10 - *Income Taxes"* in the notes to our consolidated financial statements in Item 8 for further discussion of these amounts.

(5) Excluded from the table was $3 million of undrawn standby letters of credit, related to our property leases.

2015 Credit Facility

In June 2015, we entered into a five year credit agreement with a group of lenders which, among other things, provided for a $1 billion unsecured revolving credit facility (the "2015 Credit Facility") and immediately borrowed $290 million. In May 2017, the 2015 Credit Facility was amended to, among other things, (i) increase the aggregate amount of revolving loan commitments available from $1.0 billion to $1.2 billion; and (ii) extend the maturity date of the 2015 Credit Facility from June 26, 2020 to May 12, 2022 (the "First Amendment"). Borrowings under the 2015 Credit Facility generally bear interest, at the Company's option, at a rate per annum equal to either (i) the Eurocurrency Borrowing rate, or the adjusted LIBO rate for the interest period in effect for such borrowing; plus an applicable margin ranging from 1.25% to 2.00% ("Eurocurrency Spread"), based on the Company's leverage ratio; or (ii) the Alternate Base Rate ("ABR") Borrowing, which is the greatest of (a) the Prime Rate in effect on such day, (b) the New York Fed Bank Rate in effect on such day plus 1/2 of 1.00% per annum and (c) the Adjusted LIBO Rate (or LIBO rate multiplied by the Statutory Reserve Rate) for an interest period of one month plus 1.00%; in addition to an applicable margin ranging from 0.25% to 1.00% ("ABR Spread"), based on the Company's leverage ratio. The Company may borrow from the revolving credit facility in U.S dollars, Euros and British pound sterling.

During the year ended December 31, 2017, the Company borrowed an additional $435 million and repaid $296 million of our outstanding borrowings under the 2015 Credit Facility. These net borrowings during the year were primarily used to repurchase shares of our outstanding common stock under the Company's repurchase program, which is described in "Note 15 - *Stockholders Equity*" in the notes to the consolidated financial statements in Item 8. As of December 31, 2017, based on the Company's leverage ratio, our borrowings bear interest at LIBO rate; plus an applicable margin of 1.25%, or the Eurocurrency Spread. The Company was borrowing under a one-month interest rate period or a weighted average rate of 2.74% per annum as of December 31, 2017, using a one-month interest period Eurocurrency Spread, which will reset periodically. Interest will be payable on a monthly basis while the Company is borrowing under the one-month interest rate period. We are also required to pay a quarterly commitment fee, at an applicable rate ranging from 0.15% to 0.30%, on the daily unused portion of the revolving credit facility for each fiscal quarter and additional fees in connection with the issuance of letters of credit. As of December 31, 2017, our unused revolver capacity was subject to a commitment fee of 0.15%, given the Company's leverage ratio. The 2015 Credit Facility includes $15 million of borrowing capacity available for letters of credit and $40 million for Swing Line borrowings on same-day notice. As of December 31, 2017, we had issued $3 million of outstanding letters of credit under the 2015 Credit Facility. During the year ended December 31, 2016, the Company borrowed an additional $101 million and repaid $210 million of our outstanding borrowings on the 2015 Credit Facility.

There is no specific repayment date prior to the maturity date for borrowings under this credit agreement. We may voluntarily repay any outstanding borrowing under the 2015 Credit Facility at any time without premium or penalty, other than customary breakage costs with respect to Eurocurrency loans. Additionally, the Company believes that the likelihood of the lender exercising any subjective acceleration rights, which would permit the lenders to accelerate repayment of any outstanding borrowings, is remote. As such, we classify borrowings under this facility as long-term debt as of December 31, 2017. The 2015 Credit Facility contains a number of covenants that, among other things, restrict our ability to: incur additional indebtedness, create liens, enter into sale and leaseback transactions, engage in mergers or consolidations, sell or transfer assets, pay dividends and distributions, make investments, loans or advances, prepay certain subordinated indebtedness, make certain acquisitions, engage in certain transactions with affiliates, amend material agreements governing certain subordinated indebtedness, and change our fiscal year. The 2015 Credit Facility also requires us to maintain a maximum leverage ratio and contains certain customary affirmative covenants and events of default, including a change of control. If an event of default occurs, the lenders under the 2015 Credit Facility will be entitled to take various actions, including the acceleration of all amounts due under the 2015 Credit Facility. As of December 31, 2017, we were in compliance with all of our debt covenants.

2016 Credit Facility

In September 2016, we entered into an uncommitted facility agreement which provides for a $73 million unsecured revolving credit facility (the "2016 Credit Facility") with no specific expiration date. The 2016 Credit Facility is available at the Lender's discretion and can be canceled at any time. Repayment terms for borrowings under the 2016 Credit Facility are generally one to six month periods, or such other periods as the parties may mutually agree, and bear interest at LIBOR plus 112.5 basis points. The Company may borrow from the 2016 Credit Facility in U.S dollars only and we may voluntarily repay any outstanding borrowing at any time without premium or penalty. Any overdue amounts under or in respect of the 2016 Credit Facility not paid when due shall bear interest in the case of principal at the applicable interest rate plus 1.50% per annum. There are no specific financial or incurrence covenants.

We borrowed $73 million from this uncommitted credit facility in September 2016, which was included in current portion of debt on our consolidated balance sheet as of December 31, 2016. These funds were used for general working capital needs of the Company, primarily for partial repayment of our 2015 Credit Facility. The Company repaid all outstanding borrowings during the first three months of 2017 and as of December 31, 2017, we had no outstanding borrowings under the 2016 Credit Facility.

Chinese Credit Facilities

In addition to our 2015 Credit Facility and 2016 Credit Facility, we maintain two credit facilities in China (jointly, the "Chinese Credit Facilities").

We are parties to a $30 million, one-year revolving credit facility with Bank of America (the "Chinese Credit Facility—BOA") that is currently subject to review on a periodic basis with no specific expiration period. Borrowings under our Chinese Credit Facility—BOA generally bears interest at a rate based on People's Bank of China benchmark, including certain adjustments which may be made in accordance with the market condition at the time of borrowing. As of December 31, 2017 and December 31, 2016, there were no outstanding borrowings under our Chinese Credit Facility—BOA.

We are also parties to a RMB 70,000,000 (approximately $10 million), one-year revolving credit facility with J.P. Morgan Chase Bank ("Chinese Credit Facility—JPM"). Our Chinese Credit Facility—JPM generally bears interest at a rate based on People's Bank of China benchmark, including certain adjustments which may be made in accordance with the market condition at the time of borrowing. As of both December 31, 2017 and December 31, 2016, we had $7 million of outstanding borrowings from the Chinese Credit Facility – JPM at a weighted average rate of 5.00% and 4.35%, respectively.

Office Lease Commitments

In June 2013, we entered into a lease, for a new corporate headquarters (the "Lease"). Pursuant to the Lease, the landlord built an approximately 280,000 square foot rental building in Needham, Massachusetts (the "Premises"), and leased the Premises to the Company as our new corporate headquarters for an initial term of 15 years and 7 months or through December 2030. The Company also has an option to extend the term of the Lease for two consecutive terms of five years each.

Because we were involved in the construction project and were responsible for paying a portion of the costs of normal finish work and structural elements of the Premises, the Company was deemed for accounting purposes to be the owner of the Premises during the construction period under build to suit lease accounting guidance under GAAP. Therefore, the Company recorded project construction costs during the construction period incurred by the landlord as a construction-in-progress asset and a related construction financing obligation on our consolidated balance sheets. The amounts that the Company has paid or incurred for normal tenant improvements and structural improvements had also been recorded to the construction-in-progress asset.

Upon completion of construction at end of the second quarter of 2015, we evaluated the construction-in-progress asset and construction financing obligation for de-recognition under the criteria for “sale-leaseback” treatment under GAAP. We concluded that we have forms of continued economic involvement in the facility, and therefore did not meet the provisions for sale-leaseback accounting. This determination was based on the Company's continuing involvement with the property in the form of non-recourse financing to the lessor. Therefore, the Lease is accounted for as a financing obligation. Accordingly, we began depreciating the building asset over its estimated useful life and incurring interest expense related to the financing obligation imputed using the effective interest rate method. We bifurcate our lease payments pursuant to the Premises into: (i) a portion that is allocated to the building (a reduction to the financing obligation) and; (ii) a portion that is allocated to the land on which the building was constructed. The portion of the lease obligations allocated to the land is treated as an operating lease that commenced in 2013. The lease costs allocated to the land are recognized as rent expense on a straight-line basis over the term of the lease and are recorded in general and administrative expense in the consolidated statements of operations. The financing obligation is considered a long-term finance lease obligation and is recorded to other long-term liabilities on our consolidated balance sheet. At the end of the lease term, the carrying value of the building asset and the remaining financing obligation are expected to be equal, at which time we may either surrender the leased asset as settlement of the remaining financing obligation or extend the initial term of the lease for the continued use of the asset. In the years ended December 31 2017, 2016, and 2015, the Company recorded $7 million, $7 million, and $4 million of interest expense, respectively, $3 million, $3 million, and $2 million of depreciation expense, respectively, and $2 million, $2 million, $1 million, of rent expense in general and administrative expense on our consolidated statements of operations, respectively, related to the Premises.

We also lease an aggregate of approximately 450,000 square feet of office space at approximately 40 other locations across North America, Europe and Asia Pacific, in cities such as, New York, Boston, London, Sydney, Barcelona, Paris, and Beijing, primarily for our sales offices, subsidiary headquarters, and international management teams, pursuant to leases with various expiration dates, with the latest expiring in June 2027.

As of December 31, 2017, future minimum commitments under our corporate headquarters lease and other non-cancelable operating leases for office space with terms of more than one year and contractual sublease income were as follows:

Year	Corporate Headquarters Lease (1)	Other Operating Leases	Sublease Income	Total Lease Commitments (Net of Sublease Income)
		(in millions)		
2018	$ 9	$ 22	$ (3)	$ 28
2019	9	21	(3)	27
2020	9	19	(2)	26
2021	10	17	(2)	25
2022	10	17	(1)	26
Thereafter	77	19	—	96
Total	$ 124	$ 115	$ (11)	$ 228

(1) Amount includes an $84 million financing obligation, which we have recorded in other long-term liabilities on our consolidated balance sheet at December 31, 2017, related to our corporate headquarters lease.

Off-Balance Sheet Arrangements

As of December 31, 2017, other than the items discussed above, we did not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K of the SEC, that have, or are reasonably likely to have, a current or future effect on our financial condition, results of operations, liquidity, capital expenditures or capital resources.

Contingencies

In the ordinary course of business, we and our subsidiaries are parties to regulatory and legal matters. These matters may relate to claims involving alleged infringement of third-party intellectual property rights, defamation, taxes, regulatory compliance and other claims. Periodically, we review the status of all significant outstanding matters 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, we record the estimated loss in our consolidated statements of operations. We provide disclosure in the notes to the consolidated statements 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 be material to the financial statements. Significant judgment is required to determine the probability that a liability has been incurred and whether such liability is reasonably estimable. We base accruals made on the best information available at the time which can be highly subjective. Although occasional adverse decisions or settlements may occur, the Company does not believe that the final disposition of any of these matters will have a material adverse effect on the business. However, the final outcome of these matters could vary significantly from our estimates. Moreover, such claims, even if not meritorious, could result in the expenditure of significant financial and managerial resources, divert management's attention from the Company's business objectives and adversely affect the Company's business, results of operations, financial condition and cash flows. There may also be claims or actions pending or threatened against us of which we are currently not aware and the ultimate disposition of which would have a material adverse effect on us.

On December 22, 2017, the 2017 Tax Act was signed into United States tax law. The legislation significantly changes U.S. tax law by, among other provisions, lowering corporate income tax rates, and imposing a repatriation tax on deemed repatriated earnings of foreign subsidiaries. The 2017 Tax Act permanently reduces the U.S. corporate income tax rate from a maximum of 35% to a flat 21% rate, effective January 1, 2018. Certain income tax effects of the 2017 Tax Act, including $67 million of Transition Tax, and $6 million recorded for the remeasurement of our net deferred tax assets, are reflected in our financial results in accordance with SAB 118, which provides for a measurement period to complete the accounting for certain elements of the tax reform.

We are also under audit by the IRS and various other domestic and foreign tax authorities with regards to income tax matters. We have reserved for potential adjustments to our provision for income taxes that may result from examinations by, or any negotiated agreements with, these tax authorities. Although we believe our tax estimates are reasonable, the final determination of audits could be materially different from our historical income tax provisions and accruals. The results of an audit could have a material effect on our financial position, results of operations, or cash flows in the period for which that determination is made.

By virtue of previously filed consolidated income tax returns filed with Expedia, we are currently under an IRS audit for the 2009, 2010, and short-period 2011 tax years, and have various ongoing state income tax audits. We are separately under examination by the IRS for the short-period 2011, 2012 and 2013 tax years and have commenced an employment tax audit with the IRS for the 2013 and 2014 tax years. These audits include questioning of the timing and the amount of income and deductions and the allocation of income among various tax jurisdictions. These examinations may lead to proposed or ordinary course adjustments to our taxes. We are no longer subject to tax examinations by tax authorities for years prior to 2009. As of December 31, 2017, no material assessments have resulted, except as noted below regarding our 2009 and 2010 IRS audit with Expedia.

In January 2017, as part of the Company's IRS audit of Expedia, we received Notices of Proposed Adjustment from the IRS for the 2009 and 2010 tax years. These proposed adjustments are related to certain transfer pricing arrangements with our foreign subsidiaries, and would result in an increase to our worldwide income tax expense in an estimated range of $10 million to $14 million after consideration of competent authority relief, exclusive of interest and penalties. We disagree with the proposed adjustments and we intend to defend our position through applicable administrative and, if necessary, judicial remedies. Our policy is to review and update tax reserves as facts and circumstances change. Based on our interpretation of the regulations and available case law, we believe the position we have taken with regard to transfer pricing with our foreign subsidiaries is sustainable. In addition to the risk of additional tax for 2009 and 2010 transactions, if the IRS were to seek transfer pricing adjustments of a similar nature for transactions in subsequent years, we would be subject to significant additional tax liabilities.

Additionally, we continue to accumulate positive cash flows in foreign jurisdictions, which we consider indefinitely reinvested, although we will continue to evaluate the impact of the 2017 Tax Act on our capital deployment within and outside the U.S. Any repatriation of funds currently held in foreign jurisdictions may result in higher effective tax rates and incremental cash tax payments.

Refer to "Note 10— *Income Taxes*" in the notes to our consolidated financial statements in Item 8 for further information on the impact of the 2017 Tax Act, potential contingencies surrounding current audits by the IRS and various other domestic and foreign tax authorities, and other income tax matters.

Certain Relationships and Related Party Transactions

For information on our relationships with Expedia and Liberty TripAdvisor Holdings, Inc. refer to "Note 16 — *Related Party Transactions*" in the notes to our consolidated financial statements in Item 8.

Critical Accounting Policies and 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 management use judgment and estimates in applying those policies. We prepare our consolidated financial statements and accompanying notes in accordance with GAAP.

Preparation of the consolidated financial statements and accompanying notes requires that management 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. Management bases its estimates on historical experience, where applicable and other assumptions that it believes are reasonable under the circumstances. Actual results may differ from estimates under different assumptions or conditions.

There are certain critical estimates that we believe require significant judgment in the preparation of the 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 management was making the estimate; and/or
- Changes in the estimate or different estimates that management could have selected may have had a material impact on our financial condition or results of operations.

Refer to "Note 2— *Significant Accounting Policies*" in the notes to our consolidated financial statements in Item 8 for an overview of our significant accounting policies and new accounting pronouncements that we have adopted or that we plan to adopt that have had or may have an impact on our financial statements.

A discussion of information about the nature and rationale for our critical accounting estimates is below.

Income Taxes

We record income taxes under the asset and 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 all relevant 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 assessing available tax planning strategies. We may establish a valuation allowance to reduce deferred tax assets to the amount we believe is more likely than not to be realized. We classify deferred tax assets and liabilities as noncurrent on our consolidated balance sheet. 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.

We record liabilities to address uncertain tax positions we have taken in previously filed tax returns or that we expect to take in a future tax return. The determination for required liabilities is based upon an analysis of each individual tax position, taking into consideration whether it is more likely than not that our tax position, based on technical merits, will be sustained upon examination. For those positions for which we conclude it is more likely than not it will be sustained, we recognize the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement with the taxing authority. The difference between the amount recognized and the total tax position is recorded as a liability. The ultimate resolution of these tax positions may be greater or less than the liabilities recorded.

On December 22, 2017, the 2017 Tax Act was signed into United States tax law. The legislation significantly changes U.S. tax law by, among other provisions, lowering corporate income tax rates, and imposing a repatriation tax on deemed repatriated earnings of foreign subsidiaries. The 2017 Tax Act permanently reduces the U.S. corporate income tax rate from a maximum of 35% to a flat 21% rate, effective January 1, 2018. The 2017 Tax Act also provides for a Transition Tax, as well as prospective changes beginning in 2018, including additional limitations on executive compensation. Under GAAP, the effects of changes in tax rates and laws are recognized in the period in which the new legislation is enacted.

On December 22, 2017, the SEC issued SAB 118, which allows us to record provisional amounts during a measurement period not to extend beyond one year of the enactment date. The measurement period is deemed to have ended earlier when the registrant has obtained, prepared, and analyzed the information necessary to finalize its accounting. During the measurement period, impacts of the law are expected to be recorded at the time a reasonable estimate for all or a portion of the effects can be made, and provisional amounts can be recognized and adjusted as information becomes available, prepared, or analyzed.

SAB 118 summarizes a three-step process to be applied at each reporting period to account for and qualitatively disclose: (1) the effects of the change in tax law for which accounting is complete; (2) provisional amounts (or adjustments to provisional amounts) for the effects of the tax law where accounting is not complete, but that a reasonable estimate has been determined; and (3) a reasonable estimate cannot yet be made and therefore taxes are reflected in accordance with law prior to the enactment of the 2017 Tax Act.

Our financial results, including an estimate of $67 million of Transition Tax, and $6 million recorded due to a remeasurement of our net deferred tax assets, reflect provisional amounts for those specific income tax effects of the 2017 Tax Act for which the accounting under GAAP is incomplete but a reasonable estimate could be determined. The Company has not obtained, prepared and analyzed the information necessary to finalize its computations and accounting for the Transition Tax. Since there is ongoing guidance and accounting interpretation expected over the next 12 months, we consider the accounting of the Transition Tax, deferred tax remeasurements, and other items to be provisional due to the forthcoming guidance and our ongoing analysis of final year-end data and tax positions.

Other significant provisions that are not yet effective but may impact income taxes in future years include: an exemption from U.S. tax on dividends of future foreign earnings, limitations on the deductibility of certain executive compensation, an incremental tax (base erosion anti-abuse tax or “BEAT”) on excessive amounts paid to foreign related parties, deductions related to foreign derived intangible income, and a minimum tax on certain foreign earnings in excess of 10 percent of the foreign subsidiaries tangible assets (i.e., global intangible low-taxed income or “GILTI”). We are still evaluating whether to make a policy election to treat the GILTI tax as a period expense or to provide U.S. deferred taxes on foreign temporary differences that are expected to generate GILTI income when they reverse in future years.

Refer to “Note 10— *Income Taxes*” in the notes to our consolidated financial statements in Item 8 for further information on income taxes.

Recognition and Recoverability of Goodwill, Definite-Lived Intangibles, and Other Long-Term Assets

We account for acquired businesses using the acquisition method of accounting which requires that the tangible assets and identifiable intangible assets acquired and assumed liabilities be recorded at the date of acquisition at their respective fair values. Any excess purchase price over the estimated fair value of the net tangible and intangible assets acquired is allocated to goodwill. When determining the fair values of assets acquired and liabilities assumed, management makes significant estimates and assumptions, especially with respect to intangible assets. Significant estimates in valuing certain intangible assets include but are not limited to future expected cash flows from customer and supplier relationships, acquired technology and trade names from a market participant perspective, useful lives and discount rates. Management’s estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. Valuations are performed by management or third party valuation specialists under management's supervision, where appropriate.

We assess goodwill, which is not amortized, for impairment annually during the fourth quarter, or more frequently, if events and circumstances indicate impairment may have occurred. We test goodwill for impairment at the reporting unit level. Goodwill is assigned to reporting units that are expected to benefit from the synergies of the business combination as of the acquisition date. We evaluate our reporting units when changes in our operating structure occur, and if necessary, reassign goodwill using a relative fair value allocation approach. Once goodwill has been allocated to the reporting units, it no longer retains its identification with a particular acquisition and becomes identified with the reporting unit in its entirety. Accordingly, the fair value of the reporting unit as a whole is available to support the recoverability of its goodwill.

The Company has the option to qualitatively assess whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. In the evaluation of goodwill for impairment, we generally first perform a qualitative assessment to determine whether it is more likely than not (i.e., a likelihood of more than 50%) that the estimated fair value of the reporting unit is less than the carrying amount. Periodically, we may choose to forgo the initial qualitative assessment and proceed directly to a quantitative analysis to assist in our annual evaluation. When assessing goodwill for impairment, our decision to perform a qualitative impairment assessment for an individual reporting unit in a given year is influenced by a number of factors, such as the size of the reporting unit's goodwill, the significance of the excess of the reporting unit's estimated fair value over carrying value at the last quantitative assessment date, and the amount of time in between quantitative fair value assessments and the date of acquisition to establish an updated baseline quantitative analysis. During a qualitative assessment, if we determine that it is not more likely than not that the implied fair value of the goodwill is less than its carrying amount, no further testing is necessary. If, however, we determine that it is more likely than not that the implied fair value of the goodwill is less than its carrying amount, we then perform a quantitative assessment and compare the estimated fair value of the reporting unit to the carrying value. If the carrying value of a reporting unit exceeds its estimated fair value, the goodwill impairment is measured using the difference between the carrying value and the fair value of the reporting unit, however, any loss recognized cannot exceed the total amount of goodwill allocated to that reporting unit.

In determining the estimated fair values of reporting units in a quantitative goodwill impairment test, we generally use a blend, of the following recognized valuation methods: the income approach (discounted cash flows model) and the market valuation approach, which we believe compensates for the inherent risks of using either model on a stand-alone basis. 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: weighted average cost of capital; long-term rate of growth and profitability of the reporting unit; income tax rates and working capital effects. The market valuation approach indicates the fair value of the business based on a comparison to comparable publicly traded firms in similar lines of business and other precedent transactions. Our significant estimates in the market approach model include identifying similar companies with comparable business factors such as size, growth, profitability, risk and return on investment and assessing comparable revenue and/or income multiples in estimating the fair value of the reporting units. Valuations are performed by management or third party valuation specialists under management's supervision, where appropriate. We believe that the estimated fair values assigned to our reporting units in impairment tests are based on reasonable assumptions that marketplace participants would use. However, such assumptions are inherently uncertain and actual results could differ from those estimates. The use of different assumptions, estimates or judgments could trigger the need for an impairment charge, or materially increase or decrease the amount of any such impairment charge.

During the Company's annual goodwill impairment test during the fourth quarter of 2017, a qualitative assessment for all our reporting units' goodwill was performed. For fiscal year 2017, we determined the fair value of all our reporting units were significantly in excess of their carrying values. Accordingly, we did not recognize any impairment charges during the year ending December 31, 2017. As part of our qualitative assessment for our 2017 goodwill impairment analysis of our reporting units, the factors that we considered included, but were not limited to: (a) changes in macroeconomic conditions in the overall economy and the specific markets in which we operate, (b) our ability to access capital, (c) changes in the online travel industry, (d) changes in the level of competition, (e) evaluation of current and future forecasted financial results of the reporting units, (f) comparison of our current financial performance to historical and budgeted results of the reporting units, (g) change in excess of the Company’s market capitalization over its book value, factoring in the decline in the Company’s stock price during 2017, (h) changes in estimates, valuation inputs, and/or assumptions since the last quantitative analysis of the reporting units, (i) changes in the regulatory environment; and (j) changes in strategic outlook or organizational structure and leadership of the reporting units, and how these factors might impact specific performance in future periods. However, as we periodically reassess estimated future cash flows and asset fair values, changes in our estimates and assumptions may cause us to realize material impairment charges in the future.

We also periodically review the carrying amount of our definite-lived intangible assets and other long-term assets, including property and equipment and website and internal use software, to determine whether current events or circumstances indicate that such carrying amounts may 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 assess the recoverability of the 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 of the 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, using an appropriate discount rate. Any impairment would be measured by the amount that the carrying values, of such asset groups, exceed their fair value and would be included in operating income on the consolidated statement of operations. Considerable management judgment is necessary to estimate the fair value of asset groups. Accordingly, actual results could vary significantly from such estimates. We have not identified any circumstances that would warrant an impairment charge for any recorded definite lived or other long term assets on our consolidated balance sheet at December 31, 2017.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market Risk Management

We are exposed to certain market risks, including changes in interest rates and foreign currency exchange rates that could adversely affect our results of operations or financial condition. Our exposure to market risk includes our revolving credit facilities, derivative instruments and cash and cash equivalents, short term and long term marketable securities, accounts receivable, intercompany receivables/payables, accounts payable and deferred merchant payables denominated in foreign currencies. We manage our exposure to these risks through established policies and procedures and by assessing the anticipated near-term and long-term fluctuations in interest rates and foreign currency exchange rates. Our objective is to mitigate potential income statement, cash flow and market exposures from changes in foreign currency exchange rates and interest rates.

Interest Rates

As of December 31, 2017, our exposure to changes in interest rates relate primarily to our investment portfolio and the outstanding debt under our 2015 Credit Facility. Our interest income and expense is most sensitive to fluctuations in U.S. interest rates and Libor. Changes in interest rates affect the interest earned on our cash, cash equivalents and marketable securities and the fair value of those securities, as well as the amount of interest we pay on outstanding debt.

We currently invest our excess cash in cash deposits at major global banks, money market mutual funds and marketable securities. Our investment policy and strategy are focused on preservation of capital and supporting our liquidity requirements. We invest in highly-rated securities, and our investment policy limits the amount of credit exposure to any one issuer. The policy requires investments to be investment grade, with the primary objective of minimizing the potential risk of principal loss.

In order to provide a meaningful assessment of the interest rate risk associated with our investment portfolio, we performed a sensitivity analysis to determine the impact a change in interest rates would have on the value of our current investment portfolio assuming a 100 basis point parallel shift in the yield curve. Based on our investment positions as of December 31, 2017, a hypothetical 100 basis point increase in interest rates across all maturities would result in less than a $1 million decline in the fair market value of the portfolio. Such losses would only be realized if we sold the investments prior to maturity.

As of December 31, 2017, we had $230 million of debt under our 2015 Credit Facility, which has a variable rate. The variable interest rate on the 2015 Credit Facility is based on current assumptions, leverage and LIBOR rates. Based on our current outstanding debt balance as of December 31, 2017, a 25 basis point change in our interest rates on our 2015 Credit Facility would result in an increase or decrease to interest expense of less than $1 million per annum. We currently do not hedge our interest rate risk; however, we are continually evaluating the interest rate market, and if we become increasingly exposed to potentially volatile movements in interest rates, and if these movements are material, this could cause us to adjust our financing strategy.

We did not experience any material financial impact from changes in interest rates for the years ended December 31, 2017, 2016 or 2015.

Foreign Currency Exchange Rates

We conduct business in certain international markets, primarily the European Union including the United Kingdom, Singapore and Australia. Because we operate in international markets, we have exposure to different economic climates, political arenas, tax systems and regulations that could affect foreign currency exchange rates.

Some of our foreign subsidiaries maintain their accounting records in their respective local currencies other than the U.S. dollar. Consequently, changes in foreign currency exchange rates may impact the translation of foreign financial statements into U.S. dollars. As a result, we face exposure to adverse movements in foreign currency exchange rates as the financial results of our international operations are translated from local currency, or functional currency, into U.S. dollars upon consolidation. If the U.S. dollar weakens against the local currency, the translation of these foreign-currency-denominated balances will result in increased net assets, revenue, operating expenses, operating income and net income. Similarly, our net assets, revenue, operating expenses, operating income and net income will decrease if the U.S. dollar strengthens against local currency. The effect of foreign currency exchange on our business historically has varied from quarter to quarter and may continue to do so, potentially materially. In order to provide a meaningful assessment of the foreign currency exchange rate risk associated with our overall financials, we performed a sensitivity analysis. A hypothetical 10% decrease of the foreign currency exchange rates relative to the U.S. dollar, or strengthening of the U.S. dollar, would generate an unrealized loss of approximately $27 million related to a decrease in our net assets held in functional currencies other than the U.S. dollar as of December 31, 2017, which would initially be recorded to accumulated other comprehensive income (loss) on our consolidated balance sheet.

In addition, foreign currency exchange rate fluctuations on transactions denominated in currencies other than the functional currency result in gains and losses. We recognize these transactional gains and losses (primarily Euro currency transactions) in our consolidated statements of operations and have recorded a foreign currency exchange gain of $1 million for the year ended December 31, 2017, and losses of $6 million for both the years ended December 31, 2016 and 2015, respectively, in interest income and other, net on our consolidated statements of operations. Future net transactional gains and losses are inherently difficult to predict as they are reliant on how the multiple currencies in which we transact fluctuate in relation to the U.S. dollar and other functional currencies, and the relative composition and denomination of current assets and liabilities each period.

We currently manage our exposure to foreign currency risk through internally established policies and procedures. To the extent practicable, we minimize our foreign currency exposures by maintaining natural hedges between our current assets and current liabilities in similarly denominated foreign currencies, as well as, using derivative financial instruments. We use foreign currency forward exchange contracts to manage certain short-term foreign currency risk to try and reduce the effects of fluctuating foreign currency exchange rates on our cash flows denominated in foreign currencies. We do not use financial instruments for trading purposes and are not a party to any leveraged derivatives.

Our objective is to hedge only those foreign currency exposures that can be confidently identified and quantified and that may result in significant impacts to our cash or the consolidated statement of operations. Our policy does not allow speculation in derivative instruments for profit or execution of derivative instrument contracts for which there are no underlying exposures.

Our foreign currency forward exchange contracts, to date, have principally addressed foreign currency exchange fluctuation risk for the Euro versus the U.S. dollar. We have accounted for our derivative instruments to date, which have not been designated as hedges under GAAP, as either assets or liabilities and carry them at fair value. We had no outstanding forward currency contracts as of December 31, 2017. As of December 31, 2016, we had $6 million notional value of outstanding forward currency contracts not designated as hedges. These contracts had maturities of less than 90 days. The fair value of these derivatives at December 31, 2016 were not material. We recognize gains and losses from our derivative contract in our consolidated statement of operations and have recorded a loss of $1 million for the year ended December 31, 2017, and gains of $2 million for both the years ended December 31, 2016 and 2015, respectively, in interest income and other, net on our consolidated statements of operations. Refer to "Note 6— *Financial Instruments and Fair Value Measurements*" in the notes to the consolidated financial statements in Item 8 for further detail on our derivative instruments.

As we increase our operations in international markets, our exposure to potentially volatile movements in foreign currency exchange rates increases. The economic impact to us of foreign currency exchange rate movements is linked to variability in real growth, inflation, interest rates, governmental actions and other factors. These changes, if material, could cause us to adjust our foreign currency risk strategies.

Item 8. Financial Statements and Supplementary Data

Index to Financial Statements and Supplementary Data:

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and board of directors
TripAdvisor, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of TripAdvisor, Inc. and subsidiaries (the "Company") as of December 31, 2017 and 2016, the related consolidated statements of operations, comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes (collectively, "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, 2017 and 2016, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 21, 2018 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the 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 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. 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.

/s/ KPMG LLP

We have served as the Company's auditor since 2014.

Boston, Massachusetts
February 21, 2018

TRIPADVISOR, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share amounts)

	Year ended December 31, 2017	2016	2015
Revenue	$ 1,556	$ 1,480	$ 1,492
Costs and expenses:			
Cost of revenue (1)	72	71	58
Selling and marketing (2)	849	756	692
Technology and content (2)	243	243	207
General and administrative (2)	157	143	210
Depreciation	79	69	57
Amortization of intangible assets	32	32	36
Total costs and expenses	1,432	1,314	1,260
Operating income	124	166	232
Other income (expense):			
Interest expense	(15)	(12)	(10)
Interest income and other, net	1	(3)	17
Total other income (expense), net	(14)	(15)	7
Income before income taxes	110	151	239
Provision for income taxes	(129)	(31)	(41)
Net income (loss)	$ (19)	$ 120	$ 198
Earnings (loss) per share attributable to common stockholders (Note 5):			
Basic	$ (0.14)	$ 0.83	$ 1.38
Diluted	$ (0.14)	$ 0.82	$ 1.36
Weighted average common shares outstanding (Note 5):			
Basic	140	145	144
Diluted	140	147	146
(1) Excludes amortization expense as follows:			
Amortization of acquired technology included in amortization of intangible assets	$ 8	$ 7	$ 9
Amortization of website development costs included in depreciation	54	46	37
	$ 62	$ 53	$ 46
(2) Includes stock-based compensation expense as follows:			
Selling and marketing	$ 21	$ 20	$ 16
Technology and content	$ 40	$ 40	$ 28
General and administrative	$ 35	$ 25	$ 28

The accompanying notes are an integral part of these consolidated financial statements.

TRIPADVISOR, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions)

	Year ended December 31,		
	2017	2016	2015
Net income (loss)	$ (19)	$ 120	$ 198
Other comprehensive income (loss):			
Foreign currency translation adjustments (1)	35	(14)	(33)
Reclassification adjustment on sale of business included in total other income (expense), net (Note 3)	—	—	1
Total other comprehensive income (loss)	35	(14)	(32)
Comprehensive income	$ 16	$ 106	$ 166

(1) Foreign currency translation adjustments exclude income taxes due to our intention to indefinitely reinvest the earnings of our foreign subsidiaries in those operations. Refer to “Note 15 — *Stockholders' Equity*”.

The accompanying notes are an integral part of these consolidated financial statements.

TRIPADVISOR, INC.
CONSOLIDATED BALANCE SHEETS
(in millions, except number of shares and per share amounts)

	December 31, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents (Note 6)	$ 673	$ 612
Short-term marketable securities (Note 6)	35	118
Accounts receivable, net of allowance for doubtful accounts of $16 and $9, respectively (Note 2)	230	189
Income taxes receivable (Note 10)	30	-
Prepaid expenses and other current assets	25	31
Total current assets	993	950
Long-term marketable securities (Note 6)	27	16
Property and equipment, net (Note 7)	263	260
Intangible assets, net (Note 8)	142	167
Goodwill (Note 8)	758	736
Deferred income taxes, net (Note 10)	16	42
Other long-term assets	73	67
TOTAL ASSETS	$ 2,272	$ 2,238
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 8	$ 14
Deferred merchant payables (Note 2)	156	128
Deferred revenue	60	64
Current portion of debt (Note 9)	7	80
Income taxes payable (Note 10)	5	10
Accrued expenses and other current liabilities (Note 11)	136	127
Total current liabilities	372	423
Long-term debt (Note 9)	230	91
Deferred income taxes, net (Note 10)	14	12
Other long-term liabilities (Note 12)	293	210
Total Liabilities	909	736
Commitments and contingencies (Note 13)		
Stockholders' equity: (Note 15)		
Preferred stock, $0.001 par value	—	—
Authorized shares: 100,000,000		
Shares issued and outstanding: 0 and 0		
Common stock, $0.001 par value	—	—
Authorized shares: 1,600,000,000		
Shares issued: 135,617,263 and 134,706,467, respectively		
Shares outstanding: 126,142,773 and 131,310,980, respectively		
Class B common stock, $0.001 par value	—	—
Authorized shares: 400,000,000		
Shares issued and outstanding: 12,799,999 and 12,799,999, respectively		
Additional paid-in capital	926	831
Retained earnings	926	945
Accumulated other comprehensive (loss) income	(42)	(77)
Treasury stock-common stock, at cost, 9,474,490 and 3,395,487 shares, respectively	(447)	(197)
Total Stockholders' Equity	1,363	1,502
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 2,272	$ 2,238

The accompanying notes are an integral part of these consolidated financial statements.

TRIPADVISOR, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(in millions, except number of shares)

	Common stock		Class B common stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive (loss) income	Treasury stock		Total
	Shares	Amount	Shares	Amount				Shares	Amount	
Balance as of December 31, 2014	**132,315,465**	**$ —**	**12,799,999**	**$ —**	**$ 673**	**$ 628**	**$ (31)**	**(2,194,173)**	**$ (145)**	**$ 1,125**
Net income						198				198
Other comprehensive loss							(32)			(32)
Issuance of common stock related to exercise of options and vesting of RSUs	1,520,777	—			12					12
Issuance of treasury stock as charitable contribution (Note 15)					14			801,042	53	67
Tax benefits on equity awards, net					35					35
Withholding taxes on net share settlements of equity awards					(73)					(73)
Stock-based compensation					80					80
Balance as of December 31, 2015	**133,836,242**	**$ —**	**12,799,999**	**$ —**	**$ 741**	**$ 826**	**$ (63)**	**(1,393,131)**	**$ (92)**	**$ 1,412**
Net income						120				120
Cumulative effect adjustment from adoption of new accounting guidance related to stock-based compensation						(1)				(1)
Other comprehensive loss							(14)			(14)
Issuance of common stock related to exercise of options and vesting of RSUs	870,225	—			7					7
Repurchase of common stock (Note 15)								(2,002,356)	(105)	(105)
Withholding taxes on net share settlements of equity awards					(15)					(15)
Stock-based compensation					98					98
Balance as of December 31, 2016	**134,706,467**	**$ —**	**12,799,999**	**$ —**	**$ 831**	**$ 945**	**$ (77)**	**(3,395,487)**	**$ (197)**	**$ 1,502**
Net loss						(19)				(19)
Other comprehensive income							35			35
Issuance of common stock related to exercise of options and vesting of RSUs	910,796	—			3					3
Repurchase of common stock (Note 15)								(6,079,003)	(250)	(250)
Withholding taxes on net share settlements of equity awards					(17)					(17)
Stock-based compensation					109					109
Balance as of December 31, 2017	**135,617,263**	**$ —**	**12,799,999**	**$ —**	**$ 926**	**$ 926**	**$ (42)**	**(9,474,490)**	**$ (447)**	**$ 1,363**

The accompanying notes are an integral part of these consolidated financial statements.

TRIPADVISOR, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Year ended December 31,		
	2017	2016	2015
Operating activities:			
Net income (loss)	$ (19)	$ 120	$ 198
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation of property and equipment, including amortization of internal-use software and website development	79	69	57
Amortization of intangible assets	32	32	36
Stock-based compensation expense (Note 4)	96	85	72
Non-cash contribution to charitable foundation (Note 17)	—	—	67
Gain on sale of business (Note 3)	—	—	(20)
Deferred tax expense (benefit)	29	(20)	(37)
Other, net	10	10	9
Changes in operating assets and liabilities, net of effects from acquisitions, other investments and dispositions:			
Accounts receivable, prepaid expenses and other assets	(36)	(24)	(31)
Accounts payable, accrued expenses and other liabilities	-	7	13
Deferred merchant payables	14	21	15
Income tax receivables/payables, net	38	20	32
Deferred revenue	(5)	1	7
Net cash provided by operating activities	238	321	418
Investing activities:			
Capital expenditures, including internal-use software and website development	(64)	(72)	(109)
Acquisitions and other investments, net of cash acquired (Note 3)	—	(43)	(29)
Proceeds from sale of business, net of cash sold (Note 3)	—	—	25
Purchases of marketable securities	(63)	(166)	(205)
Sales of marketable securities	105	84	187
Maturities of marketable securities	28	32	71
Other investing activities, net	—	2	2
Net cash provided by (used in) investing activities	6	(163)	(58)
Financing activities:			
Repurchase of common stock (Note 15)	(250)	(105)	—
Proceeds from Chinese credit facilities	—	7	4
Payments to Chinese credit facilities	—	(1)	(41)
Principal payments on 2011 credit facility	—	—	(300)
Proceeds from 2015 credit facility, net of financing costs	433	101	287
Payments to 2015 credit facility	(296)	(210)	(90)
Proceeds from 2016 credit facility, net of financing costs	—	73	—
Payments to 2016 credit facility	(73)	—	—
Proceeds from exercise of stock options	3	7	12
Payment of withholding taxes on net share settlements of equity awards	(17)	(15)	(73)
Other financing activities, net	—	—	12
Net cash used in financing activities	(200)	(143)	(189)
Effect of exchange rate changes on cash and cash equivalents	17	(17)	(12)
Net increase (decrease) in cash and cash equivalents	61	(2)	159
Cash and cash equivalents at beginning of period	612	614	455
Cash and cash equivalents at end of period	$ 673	$ 612	$ 614
Supplemental disclosure of cash flow information:			
Cash paid during the period for income taxes, net of refunds	$ 62	$ 29	$ 43
Cash paid during the period for interest	$ 13	$ 10	$ 7
Supplemental disclosure of non-cash investing and financing activities:			
Stock-based compensation capitalized with internal-use software and website development costs	$ 13	$ 12	$ 8
Capitalization of construction in-process related to build to suit lease	$ —	$ —	$ 6

The accompanying notes are an integral part of these consolidated financial statements.

TRIPADVISOR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND BUSINESS DESCRIPTION

We refer to TripAdvisor, Inc. and our wholly-owned subsidiaries as "TripAdvisor," "the Company," "us," "we" and "our" in these notes to the consolidated financial statements.

On December 20, 2011 Expedia, Inc. completed a spin-off of TripAdvisor into a separate publicly traded Delaware corporation. We refer to this transaction as the "Spin-Off." TripAdvisor's common stock began trading on the NASDAQ as an independent public company on December 21, 2011 under the trading symbol "TRIP."

On December 11, 2012, Liberty Interactive Corporation, or Liberty, purchased an aggregate of approximately 4.8 million shares of common stock of TripAdvisor from Barry Diller, our former Chairman of the Board of Directors and Senior Executive, and certain of his affiliates. As a result, Liberty beneficially owned approximately 18.2 million shares of our common stock and 12.8 million shares of our Class B common stock.

On August 27, 2014, the entire beneficial ownership of our common stock and Class B common stock held by Liberty was acquired by Liberty TripAdvisor Holdings, Inc., or LTRIP. Simultaneously, Liberty, LTRIP's former parent company, distributed, by means of a dividend, to the holders of its Liberty Ventures common stock, Liberty's entire equity interest in LTRIP. We refer to this transaction as the "Liberty Spin-Off". As a result of the Liberty Spin-Off, effective August 27, 2014, LTRIP became a separate, publicly traded company holding 100% of Liberty's interest in TripAdvisor.

As a result of these transactions, as of December 31, 2017, LTRIP beneficially owned approximately 18.2 million shares of our common stock and 12.8 million shares of our Class B common stock, which constitute 14.4% of the outstanding shares of common stock and 100% of the outstanding shares of Class B common stock. Assuming the conversion of all of LTRIP's shares of Class B common stock into common stock, LTRIP would beneficially own 22.3% of the outstanding common stock. Because each share of Class B common stock generally is entitled to ten votes per share and each share of common stock is entitled to one vote per share, LTRIP may be deemed to beneficially own equity securities representing 57.5% of our voting power.

Description of Business

TripAdvisor is an online travel company and our mission is to help people around the world to plan, book and experience the perfect trip. We seek to achieve our mission by providing users and travel partners a global platform about destinations, accommodations, activities and attractions, and restaurants that encompasses rich user-generated content, price comparison tools and online reservation and related services.

TripAdvisor, Inc., by and through its subsidiaries, owns and operates a portfolio of leading online travel brands. Our flagship brand is TripAdvisor. TripAdvisor-branded websites include tripadvisor.com in the United States and localized versions of the website in 48 markets worldwide and 28 languages worldwide. TripAdvisor features approximately 600 million reviews and opinions on approximately 7.5 million places to stay, places to eat and things to do – including approximately 1.2 million hotels, inns, B&Bs and specialty lodging and 750,000 vacation rentals, 4.6 million restaurants and 915,000 activities and attractions worldwide. In addition to the flagship TripAdvisor brand, we manage and operate the following 20 other media brands, connected by the common goal of providing users the most comprehensive travel-planning and trip-taking resources in the travel industry: www.airfarewatchdog.com, www.bookingbuddy.com, www.citymaps.com, www.cruisecritic.com, www.familyvacationcritic.com, www.flipkey.com, www.thefork.com (including www.lafourchette.com, www.eltenedor.com, www.iens.nl, and www.dimmi.com.au), www.gateguru.com, www.holidaylettings.co.uk, www.holidaywatchdog.com, www.housetrip.com, www.jetsetter.com, www.niumba.com, www.onetime.com, www.oyster.com, www.seatguru.com, www.smartertravel.com, www.tingo.com, www.vacationhomerentals.com, and www.viator.com.

Seasonality

Traveler expenditures in the global travel market tend to follow a seasonal pattern. As such, expenditures by travel partners/advertisers to market to potential travelers and, therefore, our financial performance, or revenue and profits, tend to be seasonal as well. As a result, our financial performance tends to be seasonally highest in the second and third quarters of a year, as it is a key period for leisure travel research and trip-taking, which includes the seasonal peak in traveler hotel and vacation rental stays, and tours and attractions taken, compared to the first and fourth quarters which represent seasonal low points. Further significant shifts in our business mix or adverse economic conditions could result in future seasonal patterns that are different from historical trends.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Consolidation

The accompanying consolidated financial statements include TripAdvisor, our wholly-owned subsidiaries, and entities we control, or in which we have a variable interest and are the primary beneficiary of expected cash profits or losses. All inter-company accounts and transactions have been eliminated in consolidation. Additionally, certain prior period amounts have been reclassified for comparability with the current period presentation. The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP"). We believe that the assumptions underlying our consolidated financial statements are reasonable. However, these consolidated financial statements do not present our future financial position, the results of our future operations and cash flows.

One of our subsidiaries that operates in China has variable interests in affiliated entities in China in order to comply with Chinese laws and regulations, which restrict foreign investment in Internet content provision businesses. Although we do not own the capital stock of these Chinese affiliates, we consolidate their results as we are the primary beneficiary of the cash losses or profits of these variable interest affiliates and have the power to direct the activity of these affiliates. Our variable interest entities' financials were not material for all periods presented.

Accounting Estimates

We use estimates and assumptions in the preparation of our consolidated financial statements in accordance with GAAP. Our estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of our consolidated financial statements. These estimates and assumptions also affect the reported amount of net income or loss during any period. Our actual financial results could differ significantly from these estimates. The significant estimates underlying our consolidated financial statements include: (i) recognition and recoverability of goodwill, definite-lived intangibles and other long-lived assets; and (ii) accounting for income taxes. Refer to "Note 10 - *Income Taxes"* for further discussion of our significant income tax amounts included in our consolidated financial statements.

Revenue Recognition

We recognize revenue from our services rendered when the following four revenue recognition criteria are met: persuasive evidence of an arrangement exists, services have been rendered, the price is fixed or determinable, and collectability is reasonably assured. Deferred revenue, which primarily relates to our subscription-based and commission based arrangements, is recorded when payments are received in advance of our performance as required by the underlying agreements.

Click-based advertising and transaction revenue. Click-based revenue is derived primarily from click-through fees charged to our travel partners for traveler leads sent to the travel partners' website. We record revenue from click-through fees in the same period as when the traveler makes the click-through to the travel partners' website. Our instant booking transaction model revenue is comprised of commissions earned on all valid instant booking reservations. In a transaction model, our instant booking commission revenue is recorded at the time a traveler books a hotel transaction on our partner's site where we, as facilitator for such booking, do not assume associated cancellation risk. Under the other instant booking model, called the consumption model, we assume cancellation risk associated with booking, and we record that revenue when the traveler's stay at a hotel occurs. We have no post-booking service obligations for all instant booking transactions, regardless of the model chosen.

Display-based and subscription-based advertising. We recognize display-based advertising revenue ratably over the advertising period or upon delivery of advertising impressions, depending on the terms of the advertising contract. Subscription-based advertising revenue is recognized ratably over the related contractual period over which service is delivered.

Attractions. We work with local operators, or merchant partners, to provide travelers with access to tours and activities in popular destinations worldwide, earning a commission for such service. While the merchant of record, we receive cash from the consumer at the time of booking of the destination activity and record these amounts, net of commissions, as deferred merchant payables on our consolidated balance sheet. Commission revenue is recorded as deferred revenue at the time of booking and later recognized when the consumer has completed the destination activity. We pay the destination activity operators after the travelers' use. In transactions where we are not the merchant of record, we invoice and receive commissions directly from our merchant partners and record commission revenue when the consumer has completed the destination activity.

Restaurants. We recognize reservation revenues (or per seated diner fees) on a transaction-by-transaction basis as diners are seated by our restaurant customers. Subscription-based revenue is recognized ratably over the related contractual period over which the service is delivered.

Vacation Rentals. We generate revenue from customers primarily on either a subscription basis over a fixed-term, or on a commission basis for transactions that are booked on our platform. Payments for term-based subscriptions, related to online advertising services for the listing of vacation rental properties for rent, received in advance of services being rendered are recorded as deferred revenue and recognized ratably to revenue on a straight-line basis over the listing period. Our commission revenue is primarily generated on our free-to-list option, in lieu of a pre-paid subscription fee. When a commissionable transaction is booked on our platform, we act as the merchant of record and receive cash from the traveler that includes both our commission, which is recorded as deferred revenue, and the amount due to the property owner, which is recorded to deferred merchant payables on our consolidated balance sheet. We pay the amount due to the property owner and recognize our commission revenue at the time of the traveler's stay. Additional revenues are also derived on a pay-per-lead basis, as we provide leads for rental properties to property managers. Pay-per-lead revenue is billed and recognized in the period when the leads are delivered to the property managers.

Cost of Revenue

Cost of revenue consists of expenses that are directly related or closely correlated to revenue generation, including direct costs, such as ad serving fees, flight search fees, credit card fees and other transaction costs, and data center costs. In addition, cost of revenue includes personnel and overhead expenses, including salaries, benefits, stock-based compensation expense and bonuses for certain customer support personnel who are directly involved in revenue generation.

Selling and Marketing

Selling and marketing expenses primarily consist of direct costs, including traffic generation costs from SEM and other online traffic acquisition costs, syndication costs and affiliate program commissions, social media costs, brand advertising, television and other offline advertising, promotions and public relations. In addition, our sales and marketing expenses consist of indirect costs such as personnel and overhead expenses, including salaries, commissions, benefits, stock-based compensation expense and bonuses for sales, sales support, customer support and marketing employees.

We incur advertising expense, which includes traffic generation costs from SEM and other online traffic costs, affiliate program commissions, display advertising, social media, and other online, and offline (including television) advertising expense, promotions and public relations to promote our brands. We expense the costs associated with communicating the advertisements in the period in which the advertisement takes place. We expense the production costs associated with advertisements in the period in which the advertisement first takes place. For the years ended December 31, 2017, 2016 and 2015, we recorded advertising expense of $629 million, $543 million, and $507 million, respectively, in selling and marketing expense on our consolidated statements of operations. As of both December 31, 2017 and 2016, we had $5 million of prepaid marketing expenses included in prepaid expenses and other current assets on our consolidated balance sheets. We expect to fully expense our prepaid marketing asset of $5 million as of December 31, 2017 to the consolidated statement of operations during 2018.

Technology and Content

Technology and content expenses consist primarily of personnel and overhead expenses, including salaries and benefits, stock-based compensation expense and bonuses for salaried employees and contractors engaged in the design, development, testing, content support, and maintenance of our websites and mobile apps. Other costs include licensing, maintenance expense, computer supplies, telecom costs, content translation costs, and consulting costs.

General and Administrative

General and administrative expenses consist primarily of personnel and related overhead costs, including personnel engaged in executive leadership, finance, legal, and human resources, as well as stock-based compensation expense for those same personnel. General and administrative costs also include professional service fees and other fees including audit, legal, tax and accounting, and other costs including bad debt expense, non-income taxes, such as sales, use and other non-income related taxes, and charitable contributions.

Stock-Based Compensation

Stock Options. The exercise price for all stock options granted by us to date has been equal to the market price of the underlying shares of common stock at the date of grant. In this regard, when making stock option awards, our practice is to determine the applicable grant date and to specify that the exercise price shall be the closing price of our common stock on the date of grant. Our stock options generally have a term of ten years from the date of grant and typically vest equally over a four-year requisite service period. We amortize the grant-date fair value of our stock option grants as stock-based compensation expense over the vesting term on a straight-line basis, with the amount of compensation expense recognized at any date at least equaling the portion of the grant-date fair value of the award that is vested at that date.

The estimated grant-date fair value of stock options is calculated using a Black-Scholes Merton option-pricing model ("Black-Scholes model"). The Black-Scholes model incorporates assumptions to fair value stock-based awards, which includes the risk-free rate of return, expected volatility, expected term and expected dividend yield. Our risk-free interest rate is based on the rates currently available on zero-coupon U.S. Treasury issues, in effect at the time of the grant, whose remaining maturity period most closely approximates the stock option's expected term assumption. Our expected volatility is calculated by equally weighting the historical volatility and implied volatility on our own common stock. Historical volatility is determined using actual daily price observations of our common stock price over a period equivalent to or approximate to the expected term of our stock option grants to date. Implied volatility represents the volatility calculated from the observed prices of our actively traded options on our common stock, with remaining maturities in excess of six months and market prices approximate to the exercise prices of the stock option grant. We estimate our expected term using historical exercise behavior and expected post-vest termination data. Our expected dividend yield is zero, as we have not paid any dividends on our common stock to date and do not expect to pay any cash dividends for the foreseeable future.

Restricted Stock Units. RSUs are stock awards that are granted to employees entitling the holder to shares of our common stock as the award vests. RSUs are measured at fair value based on the number of shares granted and the quoted price of our common stock at the date of grant. We amortize the fair value of RSUs as stock-based compensation expense over the vesting term, which is typically four years on a straight-line basis, with the amount of compensation expense recognized at any date at least equaling the portion of the grant-date fair value of the award that is vested at that date.

Performance-Based Awards. Performance-based stock options and RSUs vest upon achievement of certain company-based performance conditions and a requisite service period. On the date of grant, the fair value of a performance-based award is calculated using the same method as our service based stock options and RSUs described above. We then assess whether it is probable that the individual performance targets would be achieved. If assessed as probable, compensation expense will be recorded for these awards over the estimated performance period. At each reporting period, we will reassess the probability of achieving the performance targets and the performance period required to meet those targets. The estimation of whether the performance targets will be achieved and of the performance period required to achieve the targets requires judgment, and to the extent actual results or updated estimates differ from our current estimates, the cumulative effect on current and prior periods of those changes will be recorded in the period estimates are revised, or the change in estimate will be applied prospectively depending on whether the change affects the estimate of total compensation cost to be recognized or merely affects the period over which compensation cost is to be recognized. The ultimate number of shares issued and the related compensation expense recognized will be based on a comparison of the final performance metrics to the specified targets.

Market-based performance RSUs, or market-based RSUs, vest upon achievement of specified levels of market conditions. The fair value of our market-based RSUs is estimated at the date of grant using a Monte-Carlo simulation model. The probabilities of the actual number of market-based performance units expected to vest and resultant actual number of shares of common stock expected to be awarded are reflected in the grant date fair values; therefore, the compensation expense for these awards will be recognized assuming the requisite service period is rendered and are not adjusted based on the actual number of awards that ultimately vest.

Estimates of fair value are not intended to predict actual future events or the value ultimately realized by employees who receive these awards, and subsequent events are not indicative of the reasonableness of our original estimates of fair value. The Company accounts for forfeitures in the period in which they occur, rather than estimate expected forfeitures.

Income Taxes

We record income taxes under the asset and 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 all relevant 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 assessing available tax planning strategies. 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. We classify deferred tax assets and liabilities as noncurrent on our consolidated balance sheet.

We record liabilities to address uncertain tax positions we have taken in previously filed tax returns or that we expect to take in a future tax return. The determination for required liabilities is based upon an analysis of each individual tax position, taking into consideration whether it is more likely than not that our tax position, based on technical merits, will be sustained upon examination.

Cash and Cash Equivalents

Our cash consists of cash deposits held in global financial institutions. Our cash equivalents consist of highly liquid investments, including money market funds, with maturities of 90 days or less at the date of purchase.

Short-term and Long-term Marketable Securities

We classify our marketable debt securities as either short-term or long-term based on each instrument’s underlying contractual maturity date and as to whether and when we intend to sell a particular security prior to its maturity date. Marketable debt securities with maturities greater than 90 days at the date of purchase and 12 months or less remaining at the balance sheet date will be classified as short-term and marketable debt securities with maturities greater than 12 months from the balance sheet date will generally be classified as long-term. We classify our marketable equity securities, limited by policy to money market funds and mutual funds, as either a cash equivalent, short-term or long-term based on the nature of each security and its availability for use in current operations.

As of December 31, 2017, our marketable securities have been classified and accounted for as available-for-sale, and therefore are carried at fair value, with the unrealized gains and losses, net of taxes, reported in accumulated other comprehensive income (loss) as a component of stockholders' equity. Fair values are determined for each individual security in the investment portfolio. We determine the appropriate classification of our marketable securities at the time of purchase and reevaluate the designations at each balance sheet date. We invest in highly-rated securities, and our investment policy limits the amount of credit exposure to any one issuer, industry group and currency. The policy requires investments to be investment grade, with the primary objective of minimizing the potential risk of principal loss and providing liquidity of investments sufficient to meet our operating and capital spending requirements and debt repayments. Realized gains and losses on the sale of marketable securities are determined by specific identification of each security's cost basis. We may sell certain of our marketable securities prior to their stated maturities for strategic reasons including, but not limited to, anticipation of credit deterioration, liquidity, and duration management. The weighted average maturity of our total invested cash shall not exceed 18 months, and no security shall have a final maturity date greater than three years, according to our investment policy.

We continually review our available for sale securities to determine whether a decline in fair value below the carrying value is other than temporary. When evaluating an investment for other-than-temporary impairment, we review factors such as the length of time and extent to which fair value has been below its cost basis, the financial condition of the issuer and any changes thereto, and our intent to sell, or whether it is more likely than not it will be required to sell the investment before recovery of the investment's cost basis. Once a decline in fair value is determined to be other than temporary, an impairment charge is recorded and a new cost basis in the investment is established. If we do not intend to sell the security, but it is probable that we will not collect all amounts due, then only the impairment due to the credit risk would be recognized in earnings and the remaining amount of the impairment would be recognized in accumulated other comprehensive loss within stockholders' equity.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are generally due within 30 days and are recorded net of an allowance for doubtful accounts. We record accounts receivable at the invoiced amount. Collateral is not required for accounts receivable. For accounts outstanding longer than the contractual payment terms, we determine an allowance by considering a number of factors, including the length of time trade accounts receivable are past due, previous loss history, a specific customer's ability to pay its obligations to us, and the condition of the general economy and industry as a whole.

The following table presents the changes in our allowance for doubtful accounts for the periods presented:

	December 31,		
	2017	**2016**	**2015**
		(in millions)	
Allowance for doubtful accounts:			
Balance, beginning of period	$ 9	$ 6	$ 7
Charges (recoveries) to earnings	8	4	3
Write-offs, net of recoveries and other adjustments	(1)	(1)	(4)
Balance, end of period	$ 16	$ 9	$ 6

Derivative Financial Instruments

Our goal in managing our foreign currency exchange risk is to reduce, to the extent practicable, our potential exposure to the changes that exchange rates might have on our earnings, cash flows and financial position. We do not use derivatives for trading or speculative purposes. We account for our derivative instruments as either assets or liabilities and carry them at fair value.

In certain circumstances, we enter into foreign currency forward exchange contracts ("forward contracts") to reduce the effects of fluctuating foreign currency exchange rates on our cash flows denominated in foreign currencies. Our derivative instruments, or forward contracts, that the Company has entered into to date have not been designated as hedges. Derivatives that do not qualify for hedge accounting must be adjusted to fair value through current income. Monetary assets and liabilities denominated in a currency other than the functional currency of a given subsidiary are remeasured at spot rates in effect on the balance sheet date with the effects of changes in spot rates reported in interest income and other, net on our consolidated statements of operations. Accordingly, fair value changes in the forward contracts help mitigate the changes in the value of the remeasured assets and liabilities attributable to changes in foreign currency exchange rates, except to the extent of the spot-forward differences. These differences are not expected to be significant due to the short-term nature of the contracts, which to date, have had maturities at inception of 90 days or less. The net cash received or paid related to our derivative instruments are classified in other investing activities in our consolidated statements of cash flow.

We had not entered into any cash flow, fair value or net investment hedges as of December 31, 2017.

Property and Equipment, Including Website and Software Development Costs

We record property and equipment at cost, net of accumulated depreciation. We capitalize certain costs incurred during the application development stage related to the development of websites and internal use software when it is probable the project will be completed and the software will be used as intended. Capitalized costs include internal and external costs, if direct and incremental, and deemed by management to be significant. We expense costs related to the planning and post-implementation phases of software and website development as these costs are incurred. Maintenance and enhancement costs (including those costs in the post-implementation stages) are typically expensed as incurred, unless such costs relate to substantial upgrades and enhancements to the website or software resulting in added functionality, in which case the costs are capitalized.

We compute depreciation using the straight-line method over the estimated useful lives of the assets, which is three to five years for computer equipment, capitalized software and website development, office furniture and other equipment. We depreciate leasehold improvements using the straight-line method, over the shorter of the estimated useful life of the improvement or the remaining term of the lease.

Leases

We lease office space in many countries around the world under non-cancelable lease agreements. We generally lease our office facilities under operating lease agreements. Office facilities subject to an operating lease and the related lease payments are not recorded on our balance sheet. The terms of certain lease agreements provide for rental payments on a graduated basis, however, we recognize rent expense on a straight-line basis over the lease period in accordance with GAAP. Any lease incentives are recognized as reductions of rental expense on a straight-line basis over the term of the lease. The lease term begins on the date we become legally obligated for the rent payments or when we take possession of the office space, whichever is earlier.

We establish assets and liabilities for the estimated construction costs incurred under lease arrangements where we are considered the owner for accounting purposes only, or build-to-suit leases, to the extent we are involved in the construction of structural improvements or take construction risk prior to commencement of a lease. Upon occupancy of facilities under build-to-suit leases, we assess whether these arrangements qualify for sales recognition under the sale-leaseback accounting guidance under GAAP. If we continue to be the deemed owner, for accounting purposes, the facilities are accounted for as financing obligations.

We also establish assets and liabilities for the present value of estimated future costs to return certain of our leased facilities to their original condition for asset retirement obligations. Such assets are depreciated over the lease period into operating expense, and the recorded liabilities are accreted to the future value of the estimated restoration costs and are included in other long-term liabilities on our consolidated balance sheet. Our asset retirement obligations were not material as of December 31, 2017 and December 31, 2016, respectively.

Business Combinations

We account for acquired businesses using the acquisition method of accounting which requires that the tangible assets and identifiable intangible assets acquired and assumed liabilities be recorded at the date of acquisition at their respective fair values. Any excess purchase price over the estimated fair value of the net tangible and intangible assets acquired is allocated to goodwill. When determining the fair values of assets acquired and liabilities assumed, management makes significant estimates and assumptions, especially with respect to intangible assets. Significant estimates in valuing certain intangible assets include but are not limited to future expected cash flows from customer and supplier relationships, acquired technology and trade names from a market participant perspective, useful lives and discount rates. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. Valuations are performed by management or third party valuation specialists under management's supervision, where appropriate. Any changes to provisional amounts identified during the measurement period, calculated as if the accounting had been completed as of the acquisition date, are recognized in the consolidated statement of operations in the reporting period in which the adjustment amounts are determined.

Goodwill and Intangible Assets

Goodwill

We assess goodwill, which is not amortized, for impairment annually during the fourth quarter, or more frequently, if events and circumstances indicate impairment may have occurred. We test goodwill for impairment at the reporting unit level. Goodwill is assigned to reporting units that are expected to benefit from the synergies of the business combination as of the acquisition date. We evaluate our reporting units when changes in our operating structure occur, and if necessary, reassign goodwill using a relative fair value allocation approach. Once goodwill has been allocated to the reporting units, it no longer retains its identification with a particular acquisition and becomes identified with the reporting unit in its entirety. Accordingly, the fair value of the reporting unit as a whole is available to support the recoverability of its goodwill.

The Company has the option to qualitatively assess whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. In the evaluation of goodwill for impairment, we generally first perform a qualitative assessment to determine whether it is more likely than not (i.e., a likelihood of more than 50%) that the estimated fair value of the reporting unit is less than the carrying amount. Periodically, we may choose to forgo the initial qualitative assessment and proceed directly to a quantitative analysis to assist in our annual evaluation. When assessing goodwill for impairment, our decision to perform a qualitative impairment assessment for an individual reporting unit in a given year is influenced by a number of factors, such as the size of the reporting unit's goodwill, the significance of the excess of the reporting unit's estimated fair value over carrying value at the last quantitative assessment date, and the amount of time in between quantitative fair value assessments and the date of acquisition to establish an updated baseline quantitative analysis. During a qualitative assessment, if we determine that it is not more likely than not that the implied fair value of the goodwill is less than its carrying amount, no further testing is necessary. If, however, we determine that it is more likely than not that the implied fair value of the goodwill is less than its carrying amount, we then perform a quantitative assessment and compare the estimated fair value of the reporting unit to the carrying value. If the carrying value of a reporting unit exceeds its estimated fair value, the goodwill impairment is measured using the difference between the carrying value and the fair value of the reporting unit, however, any loss recognized cannot exceed the total amount of goodwill allocated to that reporting unit.

In determining the estimated fair values of reporting units in a quantitative goodwill impairment test, we generally use a blend, of the following recognized valuation methods: the income approach (discounted cash flows model) and the market valuation approach, which we believe compensates for the inherent risks of using either model on a stand-alone basis. 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: weighted average cost of capital; long-term rate of growth and profitability of the reporting unit; income tax rates and working capital effects. The market valuation approach indicates the fair value of the business based on a comparison to comparable publicly traded firms in similar lines of business and other precedent transactions. Our significant estimates in the market approach model include identifying similar companies with comparable business factors such as size, growth, profitability, risk and return on investment and assessing comparable revenue and/or income multiples in estimating the fair value of the reporting units. Valuations are performed by management or third party valuation specialists under management's supervision, where appropriate. We believe that the estimated fair values assigned to our reporting units in impairment tests are based on reasonable assumptions that marketplace participants would use. However, such assumptions are inherently uncertain and actual results could differ from those estimates. The use of different assumptions, estimates or judgments could trigger the need for an impairment charge, or materially increase or decrease the amount of any such impairment charge.

During the Company's annual goodwill impairment test during the fourth quarter of 2017, a qualitative assessment for all our reporting units' goodwill was performed. For fiscal year 2017, we determined the fair value of all our reporting units were significantly in excess of their carrying values. Accordingly, we did not recognize any impairment charges during the year ending December 31, 2017. As part of our qualitative assessment for our 2017 goodwill impairment analysis of our reporting units, the factors that we considered included, but were not limited to: (a) changes in macroeconomic conditions in the overall economy and the specific markets in which we operate, (b) our ability to access capital, (c) changes in the online travel industry, (d) changes in the level of competition, (e) evaluation of current and future forecasted financial results of the reporting units, (f) comparison of our current financial performance to historical and budgeted results of the reporting units, (g) change in excess of the Company’s market capitalization over its book value, factoring in the decline in the Company’s stock price during 2017, (h) changes in estimates, valuation inputs, and/or assumptions since the last quantitative analysis of the reporting units, (i) changes in the regulatory environment; and (j) changes in strategic outlook or organizational structure and leadership of the reporting units, and how these factors might impact specific performance in future periods. However, as we periodically reassess estimated future cash flows and asset fair values, changes in our estimates and assumptions may cause us to realize material impairment charges in the future.

Intangible Assets

Intangible assets with estimable useful lives, or definite-live intangibles, are carried at cost and are amortized on a straight-line basis over their estimated useful lives and reviewed for impairment upon certain triggering events. We routinely review the remaining estimated useful lives of definite-lived intangible assets. If we reduce the estimated useful life assumption, the remaining unamortized balance is amortized over the revised estimated useful life.

Intangible assets that have indefinite lives are not amortized and are tested for impairment annually during the fourth quarter, or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Similar to the qualitative assessment for goodwill, we may assess qualitative factors to determine if it is more likely than not that the implied fair value of the indefinite-lived intangible asset is less than its carrying amount. If we determine that it is not more likely than not that the implied fair value of the indefinite-lived intangible asset is less than its carrying amount, no further testing is necessary. If, however, we determine that it is more likely than not that the implied fair value of the indefinite-lived intangible asset is less than its carrying amount, we compare the implied fair value of the indefinite-lived asset with its carrying amount. If the carrying value of an individual indefinite-lived intangible asset exceeds its implied fair value, the individual asset is written down by an amount equal to such excess. The assessment of qualitative factors is optional and at our discretion. We may bypass the qualitative assessment for any indefinite-lived intangible asset in any period and resume performing the qualitative assessment in any subsequent period. We base our measurement of fair value of indefinite-lived intangible assets, using the relief-from-royalty method. This method assumes that the trade name and trademarks 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 future revenues, the appropriate royalty rate and the weighted average cost of capital, however, such assumptions are inherently uncertain and actual results could differ from those estimates. The use of different assumptions, estimates or judgments could trigger the need for an impairment charge, or materially increase or decrease the amount of any such impairment charge.

The carrying value of indefinite-lived intangible assets that is subject to annual assessment for impairment is $30 million at December 31, 2017 and consists of trademarks and tradenames. During the Company's annual indefinite-lived intangible impairment test during the fourth quarter of 2017, a qualitative assessment was performed. As part of our qualitative assessment we considered, amongst other factors, the amount of excess fair value of our trade names and trademarks to the carrying value of those same assets, using the results of our most recent quantitative assessment, while also considering changes in estimates and/or valuation input assumptions since the last quantitative analysis. After considering these factors and the impact that changes in such factors would have on the inputs used in our previous quantitative assessment, we determined that it was more likely than not that our indefinite-lived intangible assets were not impaired as of December 31, 2017.

Impairment of Long-Lived Assets

We periodically review the carrying amount of our definite-lived intangible assets and other long term assets, including property and equipment and website and internal use software, to determine whether current events or circumstances indicate that such carrying amounts may 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 assess the recoverability of the 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 of the 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, using an appropriate discount rate. Any impairment would be measured by the amount that the carrying values, of such asset groups, exceed their fair value and would be included in operating income on the consolidated statement of operations. Considerable management judgment is necessary to estimate the fair value of asset groups. Accordingly, actual results could vary significantly from such estimates. We have not identified any circumstances that would warrant an impairment charge for any recorded definite lived or other long term assets on our consolidated balance sheet at December 31, 2017.

Deferred Merchant Payables

In our Vacation Rentals free-to-list model and our Attractions businesses, we receive cash from travelers at the time of booking and we record these amounts, net of commissions, on our consolidated balance sheets as deferred merchant payables. We pay the suppliers, or the vacation rental owners and tour providers, respectively, after the travelers' use. Therefore, we receive cash from the traveler prior to paying the supplier and this operating cycle represents a working capital source or use of cash to us. Our deferred merchant payables balance was $156 million and $128 million at December 31, 2017 and 2016, respectively, on our consolidated balance sheets.

Foreign Currency Translation and Transaction Gains and Losses

Our consolidated financial statements are reported in U.S. dollars. Certain of our subsidiaries outside of the United States use the related local currency as their functional currency and not the U.S. dollar. Therefore assets and liabilities of our foreign subsidiaries are translated at the spot rate in effect at the applicable reporting date, and the consolidated statements of operations are translated at the average exchange rates in effect during the applicable period. The resulting unrealized cumulative translation adjustment is recorded as a component of accumulated other comprehensive income (loss) in stockholders' equity on our consolidated balance sheet.

We also have subsidiaries that have transactions in foreign currencies other than their functional currency. Transactions denominated in currencies other than the functional currency are recorded based on exchange rates at the time such transactions arise. Subsequent changes in exchange rates result in transaction gains and losses which are reflected in our consolidated statements of operations as unrealized (based on the applicable period-end exchange rate) or realized upon settlement of the transactions. Accordingly, we have recorded net foreign currency exchange gains of $1 million and losses of $4 million and $4 million for the years ended December 31, 2017, 2016 and 2015, respectively, in interest income and other, net on our consolidated statement of operations. These amounts also include transaction gains and losses, both realized and unrealized from forward contracts.

Fair Value Measurements and Disclosures

We apply fair value accounting for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. We measure assets and liabilities at fair value based on the expected exit price, which is the amount that would be received on the sale of an asset or amount paid to transfer a liability, as the case may be, in an orderly transaction between market participants in the principal or most advantageous market in which we would transact. As such, fair value may be based on assumptions that market participants would use in pricing an asset or liability at the measurement date. The authoritative guidance on fair value measurements establishes a consistent framework for measuring fair value on either a recurring or nonrecurring basis whereby inputs, used in valuation techniques, are assigned a hierarchical level. GAAP provides the following hierarchical levels of inputs used to measure fair value:

Level 1—Valuations are based on quoted market prices for identical assets and liabilities in active markets.

Level 2—Valuations are based on observable inputs other than quoted market prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3—Valuations are based on unobservable inputs reflecting our own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

Certain Risks and Concentrations

Our business is subject to certain risks and concentrations, including concentration related to dependence on our relationships with our customers. For the years ended December 31, 2017, 2016 and 2015 our two most significant travel partners, Expedia (and its subsidiaries) and Priceline (and its subsidiaries), each accounted for more than 10% of our consolidated revenue and combined accounted for 43%, 46% and 46%, respectively, of our consolidated revenue. Nearly all of this concentration of revenue is recorded in our Hotel segment for these reporting periods. Refer to "Note 17 – *Segment and Geographic Information"* for further disclosure on our concentrations for geographic revenue and products.

Financial instruments, which potentially subject us to concentration of credit risk, consist primarily of cash and cash equivalents, corporate debt securities, foreign currency exchange contracts, and accounts receivable. We maintain some cash and cash equivalents balances with financial institutions that are in excess of Federal Deposit Insurance Corporation insurance limits. Our cash and cash equivalents are primarily composed of bank account balances with financial institutions primarily denominated in U.S. dollars, Euros, British pound sterling, and Australian dollars, as well as, money market funds. We invest in highly-rated corporate debt securities, and our investment policy limits the amount of credit exposure to any one issuer, industry group and currency. Our credit risk related to corporate debt securities is also mitigated by the relatively short maturity period required by our investment policy. Foreign currency exchange contracts are transacted with various international financial institutions with high credit standings, which to date, have had maturities of less than 90 days. Our overall credit risk related to accounts receivable is mitigated by the relatively short collection period.

Contingent Liabilities

Periodically, we review the status of all significant outstanding matters to assess any 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, we record the estimated loss in our consolidated statements of operations. We provide disclosure in the notes to the consolidated financial statements for loss contingencies that do not meet both these conditions if there is a reasonable possibility that a loss may have been incurred that would be material to the financial statements. Significant judgment may be required to determine the probability that a liability has been incurred and whether such liability is reasonably estimable. We base accruals made on the best information available at the time which can be highly subjective. The final outcome of these matters could vary significantly from the amounts included in the accompanying consolidated financial statements.

Treasury Stock

Shares of our common stock repurchased are recorded at cost as treasury stock and result in the reduction of stockholders' equity in our consolidated balance sheet. We may reissue these treasury shares. When treasury shares are reissued, we use the average cost method for determining the cost of reissued shares. If the issuance price is higher than the cost, the excess of the issuance price over the cost is credited to additional paid-in-capital. If the issuance price is lower than the cost, the difference is first charged against any credit balance in additional paid-in-capital from the previous issuances of treasury stock and the remaining balance is charged to retained earnings.

Earnings Per Share ("EPS")

We compute basic earnings per share by dividing net income by the weighted average number of common and Class B common shares outstanding during the period. Diluted earnings per share include the potential dilution of common equivalent shares outstanding that could occur from stock-based awards and other stock-based commitments using the treasury stock method. We compute diluted earnings per share by dividing net income by the sum of the weighted average number of common and common equivalent shares outstanding during the period. In periods when we recognize a net loss, we exclude the impact of outstanding stock awards from the diluted loss per share calculation as their inclusion would have an antidilutive effect. For additional information on how we compute EPS, see Note 5 — *Earnings Per Share*.

New Accounting Pronouncements Not Yet Adopted

In May 2017, the Financial Accounting Standard Board ("FASB") issued new accounting guidance that clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as modifications which will reduce diversity in practice. Under the new guidance, an entity will not apply modification accounting to a share-based payment award if the award's fair value (or calculated value or intrinsic value, if those measurement methods are used), the award's vesting conditions, and the award's classification as an equity or liability instrument are the same immediately before and after the change. The guidance also states that an entity is not required to estimate the value of the award immediately before and after the change if the change does not affect any of the inputs to the model used to value the award. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, and will be applied prospectively to awards modified on or after the adoption date. Early adoption is permitted, including adoption in any interim period for which financial statements have not yet been issued or made available for issuance. We will adopt this new guidance on January 1, 2018. Upon adoption, we believe the new guidance will likely result in fewer changes to the terms of an award being accounted for as modifications.

In March 2017, the FASB issued new accounting guidance which shortens the amortization period for the premium paid on certain purchased callable debt securities to the earliest call date instead of the bond's maturity. The amendments do not require an accounting change for securities held at a discount; instead, the discount continues to be amortized to maturity. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, and will be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. We anticipate adopting this new guidance on January 1, 2019 and based on the composition of our current investment portfolio we do not expect the new guidance will have a material impact on our consolidated financial statements and related disclosures.

In January 2017, the FASB issued new accounting guidance to clarify the definition of a business and provide additional guidance to assist entities with evaluating whether transactions should be accounted for as asset acquisitions (or asset disposals) or business combinations (or disposals of a business). Under this new guidance, an entity first determines whether substantially all of the fair value of the assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets. If this criterion is met, the transaction should be accounted for as an asset acquisition as opposed to a business combination. This distinction is important because the accounting for an asset acquisition significantly differs from the accounting for a business combination. This new guidance eliminates the requirement to evaluate whether a market participant could replace missing elements (e.g.

inputs or processes), narrows the definition of outputs and requires that a business include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. This new guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those years. Early adoption is permitted including adoption in any interim or annual periods in which the financial statements have not been issued or made available for issuance. The new guidance will be applied prospectively to any transactions occurring within the period of adoption. We will adopt this new guidance on January 1, 2018. Upon adoption, the new guidance will impact how we assess any prospective acquisitions (or disposals) of assets or businesses.

In November 2016, the FASB issued new accounting guidance on the classification and presentation of restricted cash in the statement of cash flows to address the diversity in practice. This new guidance requires entities to show changes in cash, cash equivalents and restricted cash on a combined basis in the statement of cash flows. In addition, this accounting guidance requires a reconciliation of the total cash, cash equivalent and restricted cash in the statement of cash flows to the related captions in the balance sheet if cash, cash equivalents and restricted cash are presented in more than one line item in the balance sheet. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted, including adoption in an interim period, but any adjustments must be reflected as of the beginning of the fiscal year that includes that interim period. We will adopt this new guidance on January 1, 2018 and apply it retrospectively to all prior periods presented in the financial statements as required under the new guidance. We do not expect a material impact on our consolidated financial statements and related disclosures upon the adoption of this new guidance.

In October 2016, the FASB issued new accounting guidance on income tax accounting associated with intra-entity transfers of assets other than inventory. This accounting update, which is part of the FASB's simplification initiative, is intended to reduce diversity in practice and the complexity of tax accounting, particularly for those transfers involving intellectual property. This new guidance requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Early adoption is permitted as of the beginning of an annual reporting period for which interim or annual financial statements have not been issued. Upon our adoption of this new guidance on January 1, 2018, we are required to apply the new guidance only on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption, which we do not expect to be material to our consolidated financial statements and related disclosures.

In August 2016, the FASB issued new accounting guidance which clarifies how companies present and classify certain cash receipts and cash payments in the statement of cash flows. The new guidance specifically addresses the following cash flow topics in an effort to reduce diversity in practice: (1) debt prepayment or debt extinguishment costs; (2) settlement of zero-coupon bonds; (3) contingent consideration payments made after a business combination; (4) proceeds from the settlement of insurance claims; (5) proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies; (6) distributions received from equity method investees; (7) beneficial interests in securitization transactions; and (8) separately identifiable cash flows and application of the predominance principle. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted. Upon adoption, an entity may apply the new guidance only retrospectively to all prior periods presented in the financial statements. We will adopt this new guidance on January 1, 2018 and we do not expect this new guidance will have a material impact on our consolidated financial statements and related disclosures.

In June 2016, the FASB issued new accounting guidance on the measurement of credit losses for financial assets measured at amortized cost, which includes accounts receivable, and available-for-sale debt securities. For financial assets measured at amortized cost, this new guidance requires an entity to: (1) estimate its lifetime expected credit losses upon recognition of the financial assets and establish an allowance to present the net amount expected to be collected; (2) recognize this allowance and changes in the allowance during subsequent periods through net income; and (3) consider relevant information about past events, current conditions and reasonable and supportable forecasts in assessing the lifetime expected credit losses. For available-for-sale debt securities, this new guidance made several targeted amendments to the existing other-than-temporary impairment model, including: (1) requiring disclosure of the allowance for credit losses; (2) allowing reversals of the previously recognized credit losses until the entity has the intent to sell, is more-likely-than-not required to sell the securities or the maturity of the securities; (3) limiting impairment to the difference between the amortized cost basis and fair value; and (4) not allowing entities to consider the length of time that fair value has been less than amortized cost as a factor in evaluating whether a credit loss exists. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted, including interim periods within those fiscal years beginning after December 15, 2018. We are currently considering our timing of adoption and in the process of evaluating the impact of adopting this guidance on our consolidated financial statements and related disclosures.

In February 2016, the FASB issued new guidance related to accounting for leases. The new standard requires the recognition of assets (right-of-use-assets) and liabilities arising from lease transactions on the balance sheet and the disclosure of key information about leasing arrangements. Accordingly, a lessee will recognize a lease asset for its right to use the underlying asset and a lease liability for the corresponding lease obligation. Both the asset and liability will initially be measured at the present value of the future minimum lease payments over the lease term. The new guidance will classify leases as either finance or operating leases, with classification determining the presentation of expenses and cash flows on our consolidated financial statements. Initial costs directly attributable to negotiating and arranging the lease will be included in the asset. For leases with a term of 12 months or less, a lessee can make an accounting policy election by class of underlying asset to not recognize an asset and corresponding liability. The transition guidance also provides specific guidance for sale and leaseback transactions, build-to-suit leases and amounts previously recognized in accordance with the business combinations guidance for leases. We will also be required to provide additional qualitative and quantitative disclosures regarding the amount, timing and uncertainty of cash flows arising from leases which include, among other things, the computation and disclosure of our weighted average remaining lease term and discount rate, cash paid for amounts included in the measurement of lease liabilities, and supplemental non-cash information on lease liabilities arising from obtaining the right-of-use assets. These disclosures are intended to provide supplemental information to the amounts recorded in the financial statements so that users can better understand the nature of an entity’s leasing activities. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted, which will require the recognition and measurement of leases at the beginning of the earliest comparative period presented in the financial statements using a modified retrospective approach. We anticipate adopting this new guidance on January 1, 2019.

To date, we have made measurable progress toward evaluating the new lease guidance and are in the process of updating accounting policies, accounting position memos, and evaluating our existing population of contracts to ensure all contracts that meet the definition of a lease contract under the new standard are identified. We are also in the process of implementing additional lease software to support our accounting and reporting process, including the new quantitative and qualitative financial disclosure requirements. In addition, we are evaluating the impact of the system implementation and new accounting guidance on our internal controls. We will continue to provide updates of our assessment of the effect, that this new lease guidance will have on our consolidated financial statements, disclosures, systems and related internal controls, and will disclose any material effects, if any, when known.

In January 2016, the FASB issued a new accounting update which amends the guidance on the classification and measurement of financial instruments. Although the accounting update retains many current requirements, it significantly revises accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. The accounting update also amends certain fair value disclosures of financial instruments and clarifies that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale debt securities in combination with the entity’s evaluation of their other deferred tax assets. The update requires entities to carry all investments in equity securities, including other ownership interests such as partnerships, unincorporated joint ventures and limited liability companies at fair value, with fair value changes recognized through net income. This requirement does not apply to investments that qualify for equity method accounting, investments that result in consolidation of the investee or investments in which the entity has elected the practicability exception to fair value measurement. Under current GAAP, available-for-sale investments in equity securities, with a readily determinable fair value, are re-measured to fair value at each reporting period with changes in fair value recognized in accumulated other comprehensive income (loss). However, under the new guidance, fair value adjustments will be recognized through net income. For equity securities currently accounted for under the cost method (as they do not have a readily determinable fair value), the new guidance requires those equity investments to be carried at fair value with changes in net income, unless an entity elects to measure those investments, at cost less impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. The Company intends to elect this measurement alternative for equity securities without a readily determinable fair value. Additionally, this accounting update will simplify the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment. When a qualitative assessment indicates that impairment exists, an entity is required to measure the investment at fair value. In addition, this accounting update eliminates the requirement for public business entities to disclose the methods and significant assumptions used to estimate the fair value that is currently required to be disclosed for financial instruments measured at amortized cost in the balance sheet. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted for the provision to record fair value changes for financial liabilities under the fair value option resulting from instrument-specific credit risk in other comprehensive income. We will adopt this new guidance on January 1, 2018 on a modified retrospective basis, which requires an entity to recognize the cumulative effect of adopting this guidance as an adjustment to the opening balance of retained earnings, which we do not expect to be material. We also do not expect a material impact on our consolidated financial statements and related disclosures upon the adoption of this new guidance.

In May 2014, the FASB issued new accounting guidance on revenue from contracts with customers which will replace numerous requirements in GAAP, and provide companies with a single revenue recognition model for recognizing revenue from contracts with customers. The core principle of the new standard 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 to which the company expects to be entitled in exchange for those goods or services. This guidance also requires additional disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. In addition, the FASB has also issued several amendments to the standard, which clarify certain aspects of the guidance, including principal versus agent considerations and identifying performance obligations.

The two permitted transition methods under this new accounting guidance are the full retrospective method, in which case the guidance would be applied to each prior reporting period presented and the cumulative effect of applying the guidance would be recognized at the earliest period shown, or the modified retrospective method, in which case the cumulative effect of applying the guidance would be recognized at the date of initial application. We will adopt this new guidance on January 1, 2018 under the modified retrospective method applied to those contracts which were not completed as of that date. Upon adoption, we will recognize the cumulative effect of adopting this guidance as an adjustment to our opening balance of retained earnings. We do not expect this adjustment to be material. Prior periods will not be retrospectively adjusted, however, revenues for 2018 will be reported on the new basis and also disclosed on the historical basis.

We have evaluated our revenue streams and based on the Company's analysis; the adoption of this new revenue guidance will result primarily in immaterial timing changes in recognition of revenue to certain revenue streams, such as for our instant booking revenue recorded under the consumption model, which will be recognized at the transaction booking date for a hotel accommodation rather than upon completion of the stay by the traveler. We expect the adoption of this new revenue standard will not have a material impact, either on an annual or quarterly basis, to our consolidated financial statements on a go-forward basis. Our systems and internal controls were not significantly impacted related to the identified accounting changes. While we have made the necessary changes to our accounting policies and internal processes to support the new revenue recognition standard, we are continuing our assessment of potential changes to our disclosures under the new guidance.

Recently Adopted Accounting Pronouncements

On December 22, 2017, the SEC published Staff Accounting Bulletin (SAB) No. 118, which expresses views of the staff regarding application of FASB Accounting Standards Codification (“ASC”) Topic 740, *Income Taxes*, in the reporting period that includes December 22, 2017, the date on which the 2017 Tax Act was signed into law. The 2017 Tax Act changes existing United States tax law and includes numerous provisions that will affect businesses. The 2017 Tax Act, for instance, introduces changes that impact U.S. corporate tax rates, business-related exclusions, and deductions and credits. The 2017 Tax Act will also have international tax consequences for many companies that operate internationally. Specifically, the staff issued this SAB to address situations where the accounting under

ASC Topic 740 is incomplete for certain income tax effects of the 2017 Tax Act upon issuance of an entity's financial statements for the reporting period in which the 2017 Tax Act was enacted. A company would report provisional amounts for the specific income tax effects of the 2017 Tax Act for which the accounting under FASB ASC Topic 740 will be incomplete but a reasonable estimate can be determined. Such provisional amounts would be subject to adjustment during a "measurement period," i.e., begins on December 22, 2017 and ends when a company has obtained, prepared, and analyzed the information that was needed in order to complete the accounting requirements under ASC Topic 740, until the accounting under FASB ASC Topic 740 is complete and in no circumstances should the measurement period extend beyond one year from the enactment date. Additionally, supplemental disclosures should accompany the provisional amounts, including the reasons for the incomplete accounting, additional information or analysis that is needed, and other information relevant to why the registrant was not able to complete the accounting required under FASB ASC Topic 740 in a timely manner. For any specific income tax effects of the 2017 Tax Act for which a reasonable estimate cannot be determined, the company would continue to apply FASB ASC Topic 740 based on the provisions of the tax laws that were in effect immediately prior to the 2017 Tax Act being enacted, and would report provisional amounts in the first reporting period in which a reasonable estimate can be determined. Refer to "Note 10 - *Income Taxes"* for further discussion on the impact of the 2017 Tax Act on our consolidated financial statements and related disclosures.

In January 2017, the FASB issued new accounting guidance to simplify the accounting for goodwill impairment. The new guidance removes step two of the goodwill impairment test, which measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill, which requires a hypothetical purchase price allocation, with the carrying amount of that reporting unit's goodwill. Under this new guidance, an entity should perform its annual, or interim, quantitative goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge 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. All other goodwill impairment guidance will remain largely unchanged. Entities will continue to have the option to perform a qualitative assessment to determine if a quantitative impairment test is necessary. The new guidance is effective for annual and interim periods in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests occurring after January 1, 2017. The new guidance will be applied prospectively. We early adopted this new guidance in the fourth quarter of 2017. The adoption of this new guidance had no impact on our annual goodwill impairment analysis, or on our consolidated financial statements and related disclosures.

In October 2016, the FASB issued new accounting guidance which amends the consolidation guidance on how a reporting entity that is the single decision maker of a variable interest entity should treat indirect interests in the entity held through related parties that are under common control within the reporting entity when determining whether it is the primary beneficiary of that variable interest entity. We adopted this new guidance on January 1, 2017, on a retrospective basis, with no impact on our consolidated financial statements and related disclosures.

NOTE 3: ACQUISITIONS AND DISPOSITIONS

During the years ended December 31, 2016 and 2015, we acquired a number of businesses in which business combinations were accounted for as purchases of businesses under the acquisition method. The fair value of purchase consideration has been allocated to tangible and identifiable intangible assets acquired and liabilities assumed, based on their respective fair values on the acquisition date, with the remaining amount recorded to goodwill. Acquired goodwill represents the premium we paid over the fair value of the net tangible and intangible assets acquired. We paid a premium in each of these transactions for a number of reasons, including expected operational synergies, the assembled workforces, and the future development initiatives of the assembled workforces. The results of each of these acquired businesses have been included in the consolidated financial statements beginning on the respective acquisition dates. Pro-forma results of operations for these acquisitions have not been presented as the financial impact to our consolidated financial statements, both individually and in aggregate, would not be materially different from historical results. For both the years ended December 31, 2016 and 2015, acquisition-related costs were expensed as incurred and were $1 million, respectively, which are included in general and administrative expenses on our consolidated statements of operations.

2016 Acquisitions of Businesses

During the year ended December 31, 2016, we completed five acquisitions with a total purchase price of $34 million. The Company paid net cash consideration of $28 million, which is net of $4 million of cash acquired, and includes $2 million in future holdback payments, which we currently expect to settle with Company common stock over the next three years. The cash consideration was paid primarily from our U.S. cash. We acquired 100% of the outstanding capital stock of the following companies: Tous Au Restaurant, a leading restaurant event week brand in France, purchased in January 2016; HouseTrip, a European-based vacation rental website, purchased in April 2016; Citymaps, a social mapping platform, purchased in August 2016; Sneat, a provider of a mobile reservation platform for restaurants in France, purchased in October 2016; and Couverts, a provider of an online and mobile reservations platform for restaurants in the Netherlands, purchased in October 2016.

The aggregate purchase price consideration of $34 million was allocated to the fair value of assets acquired and liabilities assumed. The following summarizes the final allocation, in millions:

	Total
Goodwill (1)	$ 17
Intangible assets (2)	25
Net tangible assets (liabilities) (3)	(8)
Total purchase price consideration (4)	$ 34

(1) Goodwill is not deductible for tax purposes.
(2) Identifiable definite-lived intangible assets acquired during 2016 were comprised of trade names of $4 million with a weighted average life of 10 years, customer lists and supplier relationships of $4 million with a weighted average life of 6 years, subscriber relationships of $5 million with a weighted average life of approximately 7 years, and technology and other of $12 million with a weighted average life of approximately 5 years. The overall weighted-average life of the identifiable definite-lived intangible assets acquired in the purchase of these businesses during 2016 was 6 years, and will be amortized on a straight-line basis over their estimated useful lives from acquisition date.
(3) Primarily includes cash acquired of $4 million, accounts receivable of $2 million, and liabilities assumed, including accrued expenses and deferred merchant payables of $3 million and $10 million, respectively, which reflect their respective fair values at acquisition.
(4) Subject to adjustment based on indemnification obligations for general representations and warranties of certain acquired company stockholders.

2016 Other Investments

During the year ended December 31, 2016, we also invested a total of $14 million in the equity securities of privately-held companies. The cash consideration was paid primarily from our non-U.S. subsidiaries. These investments were recorded to other long-term assets on our consolidated balance sheet on the acquisition date as cost method investments.

2015 Acquisitions of Businesses

During the year ended December 31, 2015, we completed three acquisitions for a total purchase price consideration of $28 million and paid in cash. The cash consideration was paid primarily from our non-U.S. subsidiaries. We acquired 100% of the outstanding capital stock of the following companies: ZeTrip, a personal journal app that helps users log activities, including places they have visited and photos they have taken, purchased in January 2015; BestTables, a provider of an online and mobile reservations platform for restaurants in Portugal and Brazil, purchased in March 2015; and Dimmi, a provider of an online and mobile reservations platform for restaurants in Australia, purchased in May 2015.

The aggregate purchase price consideration of $28 million was allocated to the fair value of assets acquired and liabilities. The following summarizes the final allocation, in millions:

	Total
Goodwill (1)	$ 17
Intangible assets (2)	12
Net tangible assets (liabilities)	1
Deferred tax liabilities, net	(2)
Total purchase price consideration	$ 28

(1) Goodwill is not deductible for tax purposes.

(2) Identifiable definite-lived intangible assets acquired during 2015 were comprised of trade names of $2 million with a weighted average life of approximately 10 years, customer lists and supplier relationships of $7 million with a weighted average life of approximately 6 years and technology and other of $3 million with a weighted average life of approximately 2 years. The overall weighted-average life of the identifiable definite-lived intangible assets acquired in the purchase of these businesses during 2015 was 6 years, and will be amortized on a straight-line basis over their estimated useful lives from acquisition date.

2015 Sale of Business

In August 2015, we sold 100% interest in one of our Chinese subsidiaries to an unrelated third party for $28 million in cash consideration. Accordingly, we deconsolidated $11 million of assets (which included $3 million of cash sold) and $4 million of liabilities from our consolidated balance sheet and recognized a $20 million gain on sale of subsidiary on our consolidated statement of operations in interest income and other, net during the year ended December 31, 2015.

NOTE 4: STOCK BASED AWARDS AND OTHER EQUITY INSTRUMENTS

Stock-based Compensation Expense

The following table presents the amount of stock-based compensation expense related to stock-based awards, primarily stock options and RSUs, on our consolidated statements of operations during the periods presented:

	Year ended December 31,		
	2017	2016	2015
		(in millions)	
Selling and marketing	$ 21	$ 20	$ 16
Technology and content	40	40	28
General and administrative	35	25	28
Total stock-based compensation expense	96	85	72
Income tax benefit from stock-based compensation expense	(28)	(31)	(26)
Total stock-based compensation expense, net of tax effect	$ 68	$ 54	$ 46

During the years ended December 31, 2017, 2016 and 2015, we capitalized $13 million, $12 million and $8 million, respectively, of stock-based compensation expense as internal-use software and website development costs.

Stock and Incentive Plans

On December 20, 2011, our 2011 Stock and Annual Incentive Plan became effective and we filed Post-Effective Amendment No. 1 on Form S-8 to Registration Statement on Form S-4 (File No. 333-178637) (the "Prior Registration Statement") with the SEC, registering a total of 17,500,000 shares of our common stock, of which 17,400,000 shares were issuable in connection with grants of equity-based awards under our 2011 Incentive Plan (7,400,000 of which shares were originally registered on the Form S-4 and 10,000,000 of which shares were first registered on the Prior Registration Statement) and 100,000 shares were issuable under our Deferred Compensation Plan for Non-Employee Directors (refer to "Note 14— *Employee Benefit Plans"* below for information on our Deferred Compensation Plan for Non-Employee Directors). At our annual meeting of stockholders held on June 28, 2013, our stockholders approved an amendment to our 2011 Stock and Annual Incentive Plan to, among other things, increase the aggregate number of shares of common stock authorized for issuance thereunder by 15,000,000 shares. We refer to our 2011 Stock and Annual Incentive Plan, as amended, the "2011 Incentive Plan".

Pursuant to the 2011 Incentive Plan, we may, among other things, grant RSUs, restricted stock, stock options and other stock-based awards to our directors, officers, employees and consultants. The summary of the material terms of the 2011 Incentive Plan is qualified in its entirety by the full text of the 2011 Incentive Plan previously filed.

As of December 31, 2017, the total number of shares reserved for future stock-based awards under the 2011 Incentive Plan is approximately 9.4 million shares. All shares of common stock issued in respect of the exercise of options or other equity awards since Spin-Off have been issued from authorized, but unissued common stock.

Stock Based Award Activity and Valuation

2017 Stock Option Activity

During the year ended December 31, 2017, we have issued 2,333,361 of service-based non-qualified stock options from the 2011 Incentive Plan. These stock options generally have a term of ten years from the date of grant and typically vest equally over a four-year requisite service period.

A summary of our stock option activity is presented below:

	Options Outstanding (in thousands)	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in millions)
Options outstanding at December 31, 2016	5,818	$ 57.60		
Granted (1)	2,333	40.03		
Exercised (2)	(496)	29.37		
Cancelled or expired	(802)	65.13		
Options outstanding as of December 31, 2017	6,853	$ 52.78	6.5	$ 3
Exercisable as of December 31, 2017	3,340	$ 52.69	4.4	$ 3
Vested and expected to vest after December 31, 2017 (3)	6,853	$ 52.78	6.5	$ 3

(1) Inclusive of 780,000 stock options awarded to our Chief Executive Officer and President, or CEO, during November 2017. The estimated grant-date fair value per option, using a Black-Scholes option pricing model was $17.33. These stock options shall vest in equal installments on each of August 1, 2021 and August 1, 2022, subject to the CEO's continuous employment with, or performance of services for, the Company. The estimated grant-date fair value of this award will be amortized on a straight-line basis over the requisite service period through August 1, 2022.

(2) Inclusive of 294,410 options, which were not converted into shares due to net share settlement in order to cover the aggregate exercise price and the required amount of employee withholding taxes. Potential shares which had been convertible under stock options that were withheld under net share settlement remain in the authorized but unissued pool under the 2011 Incentive Plan and can be reissued by the Company. Total payments for the employees' tax obligations to the taxing authorities due to net share settlements are reflected as a financing activity within the consolidated statements of cash flows.
(3) The Company accounts for forfeitures as they occur, rather than estimate expected forfeitures as allowed under GAAP and therefore do not include a forfeiture rate in our vested and expected to vest calculation unless necessary for a performance condition award.

Aggregate intrinsic value represents the difference between the closing stock price of our common stock and the exercise price of outstanding, in-the-money options. Our closing stock price as reported on NASDAQ as of December 31, 2017 was $34.46. The total intrinsic value of stock options exercised for the years ended December 31, 2017, 2016 and 2015 were $8 million, $24 million, and $149 million, respectively.

The fair value of stock option grants under the 2011 Incentive Plan has been estimated at the date of grant using the Black–Scholes option pricing model with the following weighted average assumptions for the periods presented:

	December 31,		
	2017	2016	2015
Risk free interest rate	2.02%	1.20%	1.58%
Expected term (in years)	6.13	4.85	5.42
Expected volatility	42.14%	41.81%	41.79%
Expected dividend yield	— %	— %	— %

The weighted-average grant date fair value of options granted was $16.50, $22.95, and $33.02 for the years ended December 31, 2017, 2016 and 2015, respectively. The total fair value of stock options vested for the years ended December 31, 2017, 2016 and 2015 were $40 million, $28 million, and $36 million, respectively. Cash received from stock option exercises for the years ended December 31, 2017, 2016 and 2015 were $3 million, $7 million, and $12 million, respectively.

On June 5, 2017, the Section 16 Committee of our Board of Directors approved an amendment to the nonqualified stock option award (the "Option") granted on August 28, 2013 to Stephen Kaufer, the Company's CEO. The amendment provides that the Option will expire on the tenth anniversary, instead of the seventh anniversary, of the grant date. Vesting conditions under the Option were not affected by this amendment. As a result of the modification, incremental fair value of $5 million will be recognized to stock-based compensation expense on a straight-line basis over the remaining vesting term, which is through August 2018.

2017 RSU Activity

During the year ended December 31, 2017, we issued 5,042,160 RSUs under the 2011 Incentive Plan, which typically vest over a four-year requisite service period.

A summary of our RSU activity, including service based awards and performance-based awards, is presented below:

	RSUs Outstanding (in thousands)	Weighted Average Grant-Date Fair Value Per Share	Aggregate Intrinsic Value (in millions)
Unvested RSUs outstanding as of December 31, 2016	2,856	$ 69.35	
Granted (1)(2)	5,042	41.09	
Vested and released (3)	(1,030)	67.25	
Cancelled	(853)	52.64	
Unvested RSUs outstanding as of December 31, 2017	6,015	$ 48.14	$ 207
Expected to vest after December 31, 2017 (4)	6,015	$ 48.14	$ 207

(1) Includes the following RSU grants awarded to our CEO, during November 2017: 1) 426,000 service-based RSUs; and 2) 213,000 market-based RSUs. The service-based RSU award provides for vesting in two equal annual installments on each of August 1, 2021 and August 1, 2022, subject to the CEO's continuous employment with, or performance of services for, the Company. The estimated grant-date fair value per RSU, based on the quoted price of our common stock on the date of grant, was $34.71. The estimated grant-date fair value of this award will be amortized on a straight-line basis over the requisite service period through August 1, 2022. The market-based RSU award provides for vesting based upon the Company's total shareholder return, or TSR, performance over the period commencing January 1, 2018 through December 31, 2020 relative to the TSR performance of the Nasdaq Composite Total Return Index. A Monte-Carlo simulation model, which simulated the present value of the potential outcomes of future stock prices and TSR of the Company and the Nasdaq Composite Total Return Index over the performance period, was used to calculate the grant-date fair value of these awards, or $30.04 per RSU. The estimated grant-date fair value of this award will be amortized on a straight-line basis over the requisite service period through December 31, 2020. Based upon actual attainment relative to the target performance metric, the CEO has the ability to receive up to 125% of the target number of market-based RSUs originally granted, or to be issued none at all.

(2) Excludes a performance-based RSU grant for 213,000 shares awarded to our CEO during November 2017. This award provides for vesting based on the extent to which the Company achieves certain financial and/or the CEO achieves certain strategic performance metrics relative to the targets to be established by the Company's Compensation Committee. One quarter of these RSUs may vest and settle annually based on actual performance relative to the targets established annually for each of the four fiscal years ending December 31, 2018; December 31, 2019; December 31, 2020 and December 31, 2021. The estimated grant-date fair value per RSU will be calculated upon the establishment of annual performance targets and each tranche will be amortized on a straight-line basis over its requisite service period. At any point in time during the vesting period, the award's expense to date will at least equal the portion of the grant-date fair value that is expected to vest at that date. Based upon actual attainment relative to the target performance metrics, the CEO has the ability to receive up to 125% of the target number originally granted, or to be issued none at all.

(3) Inclusive of 301,932 RSUs withheld to satisfy required employee tax withholding requirements due to net share settlement. Potential shares which had been convertible under RSUs that were withheld under net share settlement remain in the authorized but unissued pool under the 2011 Incentive Plan and can be reissued by the Company. Total payments for the employees' tax obligations to the taxing authorities due to net share settlements are reflected as a financing activity within the consolidated statements of cash flows.

(4) The Company accounts for forfeitures as they occur, rather than estimate expected forfeitures as allowed under GAAP and therefore do not include a forfeiture rate in our expected to vest calculation unless necessary for a performance condition award, respectively.

Total current income tax benefits associated with the exercise or settlement of TripAdvisor stock-based awards held by our employees during the years ended December 31, 2017, 2016, and 2015 were $27 million, $21 million and $63 million, respectively.

Unrecognized Stock-Based Compensation

A summary of our remaining unrecognized compensation expense and the weighted average remaining amortization period at December 31, 2017 related to our non-vested stock options and RSU awards is presented below (in millions, except in years information):

	Stock Options	RSUs
Unrecognized compensation expense	$ 52	$ 222
Weighted average period remaining (in years)	2.9	3.0

NOTE 5: EARNINGS PER SHARE

Basic Earnings Per Share Attributable to Common Stockholders

We compute basic earnings per share, or Basic EPS, by dividing net income by the weighted average number of common shares outstanding during the period. We compute the weighted average number of common shares outstanding during the reporting period using the total of common stock and Class B common stock outstanding as of the last day of the previous year end reporting period plus the weighted average of any additional shares issued and outstanding less the weighted average of any common shares repurchased during the reporting period.

Diluted Earnings Per Share Attributable to Common Stockholders

Diluted earnings per share, or Diluted EPS, include the potential dilution of common equivalent shares outstanding that could occur from stock-based awards and other stock-based commitments using the treasury stock method. We compute Diluted EPS by dividing net income (loss) by the sum of the weighted average number of common and common equivalent shares outstanding during the period. We computed the weighted average number of common and common equivalent shares outstanding during the period using the sum of (i) the number of shares of common stock and Class B common stock used in the basic earnings per share calculation as indicated above, and (ii) if dilutive, the incremental weighted average common stock that we would issue upon the assumed exercise of outstanding common equivalent shares related to stock options and the vesting of restricted stock units using the treasury stock method, and (iii) if dilutive, performance based awards based on the number of shares that would be issuable as of the end of the reporting period assuming the end of the reporting period was also the end of the contingency period.

Under the treasury stock method, the assumed proceeds calculation includes the actual proceeds to be received from the employee upon exercise of outstanding equity awards and the average unrecognized compensation cost during the period. The treasury stock method assumes that a company uses the proceeds from the exercise of an equity award to repurchase common stock at the average market price for the reporting period.

In periods of a net loss, common equivalent shares are excluded from the calculation of Diluted EPS as their inclusion would have an antidilutive effect. Accordingly, for periods in which we report a net loss, Diluted EPS is the same as Basic EPS, since dilutive common equivalent shares are not assumed to have been issued if their effect is anti-dilutive.

Below is a reconciliation of the weighted average number of shares of common stock outstanding in calculating Diluted EPS (shares in thousands and dollars in millions, except per share amounts) for the periods presented:

	Year ended December 31,		
	2017	2016	2015
Numerator:			
Net income (loss)	$ (19)	$ 120	$ 198
Denominator:			
Weighted average shares used to compute Basic EPS	140,445	145,443	143,836
Weighted average effect of dilutive securities:			
Stock options	-	1,129	1,839
RSUs	-	321	292
Weighted average shares used to compute Diluted EPS	140,445	146,893	145,967
Basic EPS	$ (0.14)	$ 0.83	$ 1.38
Diluted EPS	$ (0.14)	$ 0.82	$ 1.36

Potential common shares, consisting of outstanding stock options and RSUs, totaling approximately 12.5 million, 3.9 million, and 2.7 million, respectively, for the years ending December 31, 2017, 2016 and 2015, have been excluded from the calculations of Diluted EPS because their effect would have been antidilutive. In addition, potential common shares of approximately 0.6 million, 0.1 million, and 0.1 million, respectively, for the years ending December 31, 2017, 2016 and 2015, consisting of performance-based options and RSUs, for which all targets required to trigger vesting had not been achieved, were excluded from the calculation of weighted average shares used to compute Diluted EPS for those reporting periods.

The earnings per share amounts are the same for common stock and Class B common stock because the holders of each class are legally entitled to equal per share distributions whether through dividends or in liquidation.

NOTE 6: FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

Cash, Cash Equivalents and Marketable Securities

The following tables show our cash and available-for-sale securities' amortized cost, gross unrealized gains, gross unrealized losses and fair value by fair value hierarchy and significant investment category recorded as cash and cash equivalents or short and long-term marketable securities as of the dates presented (in millions):

	December 31, 2017						
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cash and Cash Equivalents	Short-Term Marketable Securities	Long-Term Marketable Securities
Cash	$ 663	$ —	$ —	$ 663	$ 663	$ —	$ —
Level 1:							
Money market funds	1	—	—	1	1	—	—
Level 2:							
U.S. agency securities	11	—	—	11	—	6	5
U.S. treasury securities	1	—	—	1	—	1	—
Certificates of deposit	2	—	—	2	—	2	—
Commercial paper	11	—	—	11	9	2	—
Corporate debt securities	46	—	—	46	—	24	22
Subtotal	71	—	—	71	9	35	27
Total	$ 735	$ —	$ —	$ 735	$ 673	$ 35	$ 27

	December 31, 2016						
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cash and Cash Equivalents	Short-Term Marketable Securities	Long-Term Marketable Securities
Cash	$ 595	$ —	$ —	$ 595	$ 595	$ —	$ —
Level 1:							
Money market funds	17	—	—	17	17	—	—
Level 2:							
U.S. agency securities	23	—	—	23	—	21	2
U.S. treasury securities	8	—	—	8	—	8	—
Certificates of deposit	16	—	—	16	—	15	1
Commercial paper	5	—	—	5	—	5	—
Corporate debt securities	82	—	—	82	—	69	13
Subtotal	134	—	—	134	—	118	16
Total	$ 746	$ —	$ —	$ 746	$ 612	$ 118	$ 16

Our cash and cash equivalents consist of cash on hand in global financial institutions, money market funds and marketable securities, with maturities of 90 days or less at the date purchased. The remaining maturities of our long-term marketable securities range from one to three years and our short-term marketable securities include maturities that were greater than 90 days at the date purchased and had 12 months or less remaining at December 31, 2017 and 2016, respectively.

We classify our cash equivalents and marketable securities within Level 1 and Level 2 as we value our cash equivalents and marketable securities using quoted market prices (Level 1) or alternative pricing sources (Level 2). The valuation technique we used to measure the fair value of money market funds were derived from quoted prices in active markets for identical assets or liabilities. Fair values for Level 2 investments are considered “Level 2” valuations because they are obtained from independent pricing sources for identical or comparable instruments, rather than direct observations of quoted prices in active markets. Our procedures include controls to ensure that appropriate fair values are recorded, including comparing the fair values obtained from our independent pricing services against fair values obtained from another independent source.

There were no material realized gains or losses related to sales of our marketable securities for the years ended December 31, 2017, 2016, and 2015. There were also no material unrealized gains or losses related to our marketable securities held at December 31, 2017 and 2016. We consider any individual investments in an unrealized loss position to be temporary in nature and do not consider any of our investments other-than-temporarily impaired as of December 31, 2017.

Derivative Financial Instruments

Our forward contracts, which we have entered into to date, have not been designated as hedges and have had maturities of less than 90 days. Consequently, any gain or loss resulting from the change in fair value has been recognized in our consolidated statement of operations. We recorded a net loss of $1 million for the year ended December 31, 2017, and a net gain of $2 million for both the years ended December 31, 2016 and 2015, respectively, related to our forward contracts in our consolidated statements of operations in interest income and other, net.

The following table shows the notional principal amounts of our outstanding derivative instruments that are not designated as hedging instruments for the periods presented:

	December 31, 2017	December 31, 2016
	(in millions)	
Foreign currency exchange-forward contracts (1)(2)	$ —	$ 6

(1) Derivative contracts address foreign currency exchange fluctuations for the Euro versus the U.S. dollar. The Company had no outstanding derivative contracts as of December 31, 2017 and two outstanding derivative contracts as of December 31, 2016.

(2) The fair value of our outstanding derivatives as of December 31, 2016 was not material and was reported as an asset in prepaid expenses and other current assets on our consolidated balance sheet. We measure the fair value of our outstanding or unsettled derivatives using Level 2 fair value inputs, as we use a pricing model that takes into account the contract terms as well as current foreign currency exchange rates in active markets.

Counterparties to foreign currency exchange derivatives consist of major international financial institutions. We monitor our positions and the credit ratings of the counterparties involved and, by policy limits, the amount of credit exposure to any one party. While we may be exposed to potential losses due to the credit risk of non-performance by these counterparties, losses are not anticipated and any credit risk amounts associated with our outstanding or unsettled derivative instruments are deemed to be not material for any period presented.

Other Financial Instruments

Other financial assets and liabilities not measured at fair value on a recurring basis, or carried at cost, include accounts receivable, accounts payable, deferred merchant payables, short-term debt, accrued and other current liabilities and long-term debt. With the exception of long-term debt, the carrying amount approximates fair value because of the short maturity of these instruments as reported on our consolidated balance sheets as of December 31, 2017 and December 31, 2016, respectively. The carrying value of the long-term debt from our 2015 Credit Facility bears interest at a variable rate and therefore is also considered to approximate fair value.

We also hold investments in equity securities of privately-held companies with a total carrying value of $12 million and $14 million at December 31, 2017 and 2016, respectively. These investments are accounted for under the cost method and included in other long-term assets on our consolidated balance sheet. Under cost method accounting, investments are carried at cost and are adjusted only for other-than-temporary declines in fair value, certain distributions, and additional investments. The Company evaluates its investments at each reporting period or on a quarterly basis, to determine if any indicators of other-than-temporary impairment exist. Accordingly, we recognized a loss of $2 million related to the investment in one of these privately-held companies during the year ended December 31, 2017, which is included in interest income and other, net on our consolidated statement of operations. We did not have any losses or impairments related to our cost method investments during the year ended December 31, 2016.

The Company did not have any recurring assets or liabilities measured at fair value that would be considered Level 3 at December 31, 2017 and December 31, 2016.

NOTE 7: PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following for the periods presented:

	December 31, 2017	December 31, 2016
	(in millions)	
Capitalized software and website development	$ 213	$ 153
Building (1)	123	123
Leasehold improvements	39	39
Computer equipment and purchased software	46	37
Furniture, office equipment and other	19	19
	440	371
Less: accumulated depreciation	(177)	(111)
Total	$ 263	$ 260

(1) The Company is deemed for accounting purposes to be the owner of its corporate headquarters building under GAAP, and depreciates the asset over its estimated useful life of 40 years on a straight-line basis. Refer to "Note 13 – *Commitments and Contingencies*," for additional information on our corporate headquarters lease.

As of December 31, 2017 and December 31, 2016, the carrying value of our capitalized software and website development costs, net of accumulated amortization, were $97 million and $86 million, respectively. For the years ended December 31, 2017, 2016 and 2015, we capitalized $65 million, $62 million and $52 million, respectively, related to software and website development costs. For the years ended December 31, 2017, 2016 and 2015, we recorded amortization of capitalized software and website development costs of $54 million, $46 million and $37 million, respectively, which is included in depreciation expense on our consolidated statements of operations for those years.

NOTE 8: GOODWILL AND INTANGIBLE ASSETS, NET

The following table summarizes our goodwill activity by reportable segment for the periods presented:

	Hotel	Non-Hotel	Consolidated
		(in millions)	
Balance as of December 31, 2015	$ 442	$ 290	$ 732
Acquisitions (1)	10	7	17
Other adjustments (2)	(1)	(12)	(13)
Balance as of December 31, 2016	$ 451	$ 285	$ 736
Other adjustments (2)	-	22	22
Balance as of December 31, 2017	$ 451	$ 307	$ 758

(1) The additions to goodwill relate to our business acquisitions. Refer to "Note 3— *Acquisitions and Dispositions*," for further information.
(2) Primarily related to impact of changes in foreign currency exchange rates to goodwill.

Intangible assets, which were acquired in business combinations and recorded at fair value on the date of purchase, consist of the following for the periods presented:

	December 31,	
	2017	2016
	(in millions)	
Intangible assets with definite lives	$ 224	$ 217
Less: accumulated amortization	(112)	(80)
Intangible assets with definite lives, net	112	137
Intangible assets with indefinite lives	30	30
Total	$ 142	$ 167

Amortization expense was $32 million, $32 million, and $36 million, respectively, for the years ended December 31, 2017, 2016 and 2015. Our indefinite-lived intangible assets relate to trade names and trademarks. There were no impairment charges recognized to our consolidated statement of operations during the years ended December 31, 2017, 2016 and 2015 related to our goodwill or intangible assets.

The following table presents the components of our intangible assets with definite lives for the periods presented:

	Weighted Average Remaining Life (in years)	December 31, 2017 Gross Carrying Amount	December 31, 2017 Accumulated Amortization	December 31, 2017 Net Carrying Amount	December 31, 2016 Gross Carrying Amount	December 31, 2016 Accumulated Amortization	December 31, 2016 Net Carrying Amount
			(in millions)			(in millions)	
Trade names and trademarks	6.8	$ 58	$ (20)	$ 38	$ 56	$ (14)	$ 42
Customer lists and supplier relationships	3.6	87	(43)	44	84	(31)	53
Subscriber relationships	4.3	35	(22)	13	33	(15)	18
Technology and other	2.6	44	(27)	17	44	(20)	24
Total	4.6	$ 224	$ (112)	$ 112	$ 217	$ (80)	$ 137

Refer to "Note 3— *Acquisitions and Dispositions*" above for a discussion of definite lived intangible assets acquired in business combinations during the years ended December 31, 2016 and 2015.

Our definite-lived intangible assets are being amortized on a straight-line basis. The straight-line method of amortization is currently our best estimate, or approximates to date, the distribution of the economic use of these intangible assets.

The estimated amortization expense for intangible assets with definite lives for each of the next five years, and the expense thereafter, assuming no subsequent impairment of the underlying assets or change in estimate of remaining lives, is expected to be as follows (in millions):

2018	$ 31
2019	27
2020	22
2021	14
2022	7
2023 and thereafter	11
Total	$ 112

NOTE 9: DEBT

The Company's outstanding debt consisted of the following for the periods presented:

	December 31, 2017	December 31, 2016
	(in millions)	
Short-Term Debt:		
Chinese Credit Facilities	$ 7	$ 7
2016 Credit Facility	-	73
Total Short-Term Debt (1)	$ 7	$ 80
Long-Term Debt:		
2015 Credit Facility	$ 230	$ 91
Total Long-Term Debt	$ 230	$ 91

(1) The weighted-average interest rate on short-term debt was 5.0% as of December 31, 2017 and 2.1% as of December 31, 2016.

2011 Credit Facility

In December 2011, we entered into a credit agreement (the "2011 Credit Facility") with a group of lenders, which provided $600 million of borrowing including:

- a term loan facility in an aggregate principal amount of $400 million with a term of five years due December 2016 ("Term Loan"); and
- a revolving credit facility in an aggregate principal amount of $200 million available in U.S. dollars, Euros and British pound sterling with a term of five years expiring December 2016.

In June 2015, the entire outstanding principal on our Term Loan in the amount of $290 million was repaid with borrowings from our 2015 Credit Facility (described below) and the 2011 Credit Facility was subsequently terminated. During the year ended December 31, 2015, we recorded total interest and commitment fees on our 2011 Credit Facility of $3 million to interest expense on our consolidated statements of operations. There was no resulting loss on early extinguishment of this debt.

2015 Credit Facility

In June 2015, we entered into a five year credit agreement with a group of lenders which, among other things, provided for a $1 billion unsecured revolving credit facility (the "2015 Credit Facility") and immediately borrowed $290 million. In May 2017, the 2015 Credit Facility was amended to, among other things, (i) increase the aggregate amount of revolving loan commitments available from $1.0 billion to $1.2 billion; and (ii) extend the maturity date of the 2015 Credit Facility from June 26, 2020 to May 12, 2022 (the "First Amendment"). Borrowings under the 2015 Credit Facility generally bear interest, at the Company's option, at a rate per annum equal to either (i) the Eurocurrency Borrowing rate, or the adjusted LIBO rate for the interest period in effect for such borrowing; plus an applicable margin ranging from 1.25% to 2.00% ("Eurocurrency Spread"), based on the Company's leverage ratio; or (ii) the Alternate Base Rate ("ABR") Borrowing, which is the greatest of (a) the Prime Rate in effect on such day, (b) the New York Fed Bank Rate in effect on such day plus 1/2 of 1.00% per annum and (c) the Adjusted LIBO Rate (or LIBO rate multiplied by the Statutory Reserve Rate) for an interest period of one month plus 1.00%; in addition to an applicable margin ranging from 0.25% to 1.00% ("ABR Spread"), based on the Company's leverage ratio. The Company may borrow from the revolving credit facility in U.S dollars, Euros and British pound sterling.

During the year ended December 31, 2017, the Company borrowed an additional $435 million and repaid $296 million of our outstanding borrowings under the 2015 Credit Facility. These net borrowings during the year were primarily used to repurchase shares of our outstanding common stock under the Company's repurchase program, which is described in "Note 15 - *Stockholders Equity*". During the year ended December 31, 2016, the Company borrowed an additional $101 million and repaid $210 million of our outstanding borrowings on the 2015 Credit Facility.

As of December 31, 2017, based on the Company's leverage ratio, our borrowings bear interest at LIBO rate; plus an applicable margin of 1.25%, or the Eurocurrency Spread. The Company was borrowing under a one-month interest rate period or a weighted average rate of 2.74% per annum as of December 31, 2017, using a one-month interest period Eurocurrency Spread, which will reset periodically. Interest will be payable on a monthly basis while the Company is borrowing under the one-month interest rate period. We are also required to pay a quarterly commitment fee, at an applicable rate ranging from 0.15% to 0.30%, on the daily unused portion of the revolving credit facility for each fiscal quarter and additional fees in connection with the issuance of letters of credit. As of December 31, 2017, our unused revolver capacity was subject to a commitment fee of 0.15%, given the Company's leverage ratio. The 2015 Credit Facility includes $15 million of borrowing capacity available for letters of credit and $40 million for Swing Line borrowings on same-day notice. As of December 31, 2017, we had issued $3 million of outstanding letters of credit under the 2015 Credit Facility. We recorded total interest expense and commitment fees on our 2015 Credit Facility of $6 million, $4 million and $2 million for the years ended December 31, 2017, 2016 and 2015, respectively, to interest expense on our consolidated statements of operations. All unpaid interest and commitment fee amounts as of December 31, 2017 and December 31, 2016, respectively, were not material.

We also incurred lender fees and debt financing costs totaling $3 million in connection with entering into the 2015 Credit Facility in June 2015, which were capitalized as deferred financing costs and recorded to other long-term assets on the consolidated balance sheet. In connection with the First Amendment, in May 2017, we incurred additional lender fees and debt financing costs totaling $2 million, which were capitalized as deferred financing costs and recorded to other long-term assets on the consolidated balance sheet. As of December 31, 2017, the Company has $3 million remaining in deferred financing costs in connection with the 2015 Credit Facility. These costs are being amortized over the remaining term on a straight line basis and recorded to interest expense on our consolidated statements of operations. The resulting write down of previous deferred financing costs as a result of the First Amendment was not material.

There is no specific repayment date prior to the maturity date for borrowings under this credit agreement. We may voluntarily repay any outstanding borrowing under the 2015 Credit Facility at any time without premium or penalty, other than customary breakage costs with respect to Eurocurrency loans. Additionally, the Company believes that the likelihood of the lender exercising any subjective acceleration rights, which would permit the lenders to accelerate repayment of any outstanding borrowings, is remote. As such, we classify borrowings under this facility as long-term debt. The 2015 Credit Facility contains a number of covenants that, among other things, restrict our ability to: incur additional indebtedness, create liens, enter into sale and leaseback transactions, engage in mergers or consolidations, sell or transfer assets, pay dividends and distributions, make investments, loans or advances, prepay certain subordinated indebtedness, make certain acquisitions, engage in certain transactions with affiliates, amend material agreements governing certain subordinated indebtedness, and change our fiscal year. The 2015 Credit Facility also requires us to maintain a maximum leverage ratio and contains certain customary affirmative covenants and events of default, including a change of control. If an event of default occurs, the lenders under the 2015 Credit Facility will be entitled to take various actions, including the acceleration of all amounts due under the 2015 Credit Facility. As of December 31, 2017, we were in compliance with all of our debt covenants.

2016 Credit Facility

In September 2016, we entered into an uncommitted facility agreement which provides for a $73 million unsecured revolving credit facility (the “2016 Credit Facility”) with no specific expiration date. The 2016 Credit Facility is available at the Lender’s discretion and can be canceled at any time. Repayment terms for borrowings under the 2016 Credit Facility are generally one to six month periods, or such other periods as the parties may mutually agree, and bear interest at LIBOR plus 112.5 basis points. The Company may borrow from the 2016 Credit Facility in U.S dollars only and we may voluntarily repay any outstanding borrowing at any time without premium or penalty. Any overdue amounts under or in respect of the 2016 Credit Facility not paid when due shall bear interest in the case of principal at the applicable interest rate plus 1.50% per annum. In connection with the 2016 Credit Facility, any lender fees and debt financing costs paid were not material. There are no specific financial or incurrence covenants.

We borrowed $73 million from this uncommitted credit facility in September 2016 and repaid the full amount during the first three months of 2017. These funds were used for general working capital needs of the Company, primarily for partial repayment of our 2015 Credit Facility and recorded in current portion of debt on our consolidated balance sheet at December 31, 2016. We had no outstanding borrowings under this 2016 Credit Facility as of December 31, 2017. During the years ended December 31, 2017 and 2016, total interest recorded with respect to our 2016 Credit Facility to interest expense on our consolidated statement of operations were not material.

Chinese Credit Facilities

In addition to our 2015 Credit Facility and 2016 Credit Facility, we maintain two credit facilities in China (jointly, the “Chinese Credit Facilities”).

We are parties to a $30 million, one-year revolving credit facility with Bank of America (the “Chinese Credit Facility—BOA”) that is currently subject to review on a periodic basis with no specific expiration period. Borrowings under our Chinese Credit Facility – BOA generally bear interest at a rate based on People’s Bank of China benchmark, including certain adjustments which may be made in accordance with the market condition at the time of borrowing. As of December 31, 2017 and 2016, there were no outstanding borrowings under our Chinese Credit Facility—BOA.

We are also parties to a RMB 70,000,000 (approximately $10 million) one-year revolving credit facility with J.P. Morgan Chase Bank ("Chinese Credit Facility-JPM"). Our Chinese Credit Facility—JPM generally bears interest at a rate based on People's Bank of China benchmark, including certain adjustments which may be made in accordance with the market condition at the time of borrowing. As of both December 31, 2017 and December 31, 2016, we had $7 million of outstanding borrowings from the Chinese Credit Facility – JPM at a weighted average rate of 5.00% and 4.35%, respectively.

NOTE 10: INCOME TAXES

The following table presents a summary of our domestic and foreign income before income taxes:

	Year Ended December 31,		
	2017	2016	2015
		(in millions)	
Domestic	$ 81	$ 64	$ 67
Foreign	29	87	172
Total	$ 110	$ 151	$ 239

The following table presents a summary of the components of our provision for income taxes:

	Year Ended December 31,		
	2017	2016	2015
		(in millions)	
Current income tax expense:			
Federal	$ 93	$ 38	$ 48
State	1	2	8
Foreign	6	11	22
Current income tax expense	100	51	78
Deferred income tax expense (benefit):			
Federal	25	(12)	(29)
State	2	(3)	(2)
Foreign	2	(5)	(6)
Deferred income tax expense (benefit):	29	(20)	(37)
Provision for income taxes	$ 129	$ 31	$ 41

The Company reduced its current income tax payable by $27 million, $21 million and $63 million for the years ended December 31, 2017, 2016 and 2015, respectively, for tax deductions attributable to the exercise or settlement of the Company's stock-based awards.

The significant components of our deferred tax assets and deferred tax liabilities as of December 31, 2017 and 2016 are as follows:

	December 31, 2017	December 31, 2016
	(in millions)	
Deferred tax assets:		
Stock-based compensation	$ 36	$ 52
Net operating loss carryforwards	56	46
Provision for accrued expenses	4	12
Deferred rent	3	5
Lease financing obligation	22	33
Foreign advertising spend	13	10
Deferred expense related to cost-sharing arrangement	26	30
Interest carryforward	7	—
Charitable contribution carryforward	—	20
Other	7	7
Total deferred tax assets	$ 174	$ 215
Less: valuation allowance	(55)	(27)
Net deferred tax assets	$ 119	$ 188
Deferred tax liabilities:		
Intangible assets	$ (59)	$ (83)
Property and equipment	(21)	(28)
Prepaid expenses	(4)	(6)
Building - corporate headquarters	(20)	(31)
Deferred income related to cost-sharing arrangement	(13)	(10)
Total deferred tax liabilities	$ (117)	$ (158)
Net deferred tax asset (liability)	$ 2	$ 30

At December 31, 2017, we had federal, state and foreign net operating loss carryforwards (“NOLs”) of approximately $9 million, $41 million and $171 million, respectively. If not utilized, the federal and state NOLs will expire at various times between 2020 and 2037 and the foreign NOLs will expire at various times between 2018 and 2028.

As of December 31, 2017, we had a valuation allowance of approximately of $55 million related to certain NOL carryforwards for which it is more likely than not, the tax benefit will not be realized. This amount represented an overall increase of $28 million over the amount recorded as of December 31, 2016. The increase is primarily related to additional foreign net operating losses. Except for such foreign deferred tax assets, we expect to realize all of our deferred tax assets based on a strong history of earnings in the U.S. and other jurisdictions, as well as future reversals of taxable temporary differences.

A reconciliation of the provision for income taxes to the amounts computed by applying the statutory federal income tax rate to income before income taxes is as follows:

	Year Ended December 31,		
	2017	2016	2015
		(in millions)	
Income tax expense at the federal statutory rate of 35%	$ 38	$ 53	$ 84
Foreign rate differential	(25)	(35)	(53)
State income taxes, net of effect of federal tax benefit	5	4	4
Unrecognized tax benefits and related interest	12	11	12
Change in cost-sharing treatment of stock-based compensation	(5)	(6)	(13)
Non-deductible transaction costs	—	—	1
Impacts related to the 2017 Tax Act	73	—	—
Research tax credit	(8)	(10)	(3)
Stock-based compensation	13	2	2
Change in valuation allowance	25	9	5
Other, net	1	3	2
Provision for income taxes	$ 129	$ 31	$ 41

During 2011, the Singapore Economic Development Board accepted our application to receive a tax incentive under the International Headquarters Award. This incentive provides for a reduced tax rate on qualifying income of 5% as compared to Singapore's statutory tax rate of 17% and is conditional upon our meeting certain employment and investment thresholds. This agreement has been extended until June 30, 2021 as we have met certain employment and investment thresholds. This benefit resulted in a decrease to our 2017 provision for income tax expense of $1 million.

The 2017 Tax Act was signed into United States tax law on December 22, 2017. The 2017 Tax Act significantly changes the U.S. corporate income tax regime by, among other things, lowering the U.S. corporate tax rate from 35% to 21% effective January 1, 2018. The 2017 Tax Act also provides for a mandatory one-time tax on the deemed repatriation of accumulative foreign earnings of foreign subsidiaries (the "Transition Tax"), as well as prospective changes beginning in 2018, including additional limitations on executive compensation. Under GAAP, the effects of changes in tax rates and laws are recognized in the period in which the new legislation is enacted.

On December 22, 2017, the Securities and Exchange Commission issued SAB 118, which allows us to record provisional amounts during a measurement period not to extend beyond one year of the enactment date. The measurement period is deemed to have ended earlier when the registrant has obtained, prepared, and analyzed the information necessary to finalize its accounting. During the measurement period, impacts of the law are expected to be recorded at the time a reasonable estimate for all or a portion of the effects can be made, and provisional amounts can be recognized and adjusted as information becomes available, prepared, or analyzed.

SAB 118 summarizes a three-step process to be applied at each reporting period to account for and qualitatively disclose: (1) the effects of the change in tax law for which accounting is complete; (2) provisional amounts (or adjustments to provisional amounts) for the effects of the tax law where accounting is not complete, but that a reasonable estimate has been determined; and (3) a reasonable estimate cannot yet be made and therefore taxes are reflected in accordance with law prior to the enactment of the 2017 Tax Act.

Our financial results, including an estimate of $67 million of Transition Tax, and $6 million recorded due to a remeasurement of our net deferred tax assets, reflect provisional amounts for those specific income tax effects of the 2017 Tax Act for which the accounting under ASC Topic 740 is incomplete but a reasonable estimate could be determined. The Company has not obtained, prepared and analyzed the information necessary to finalize its computations and accounting for the Transition Tax. Since there is ongoing guidance and accounting interpretation expected over the next 12 months, we consider the accounting of the Transition Tax, deferred tax remeasurements, and other items to be provisional due to the forthcoming guidance and our ongoing analysis of final year-end data and tax positions.

Other significant provisions that are not yet effective but may impact income taxes in future years include: an exemption from U.S. tax on dividends of future foreign earnings, limitations on the deductibility of certain executive compensation, an incremental tax (base erosion anti-abuse tax or "BEAT") on excessive amounts paid to foreign related parties, deductions related to foreign derived intangible income, and a minimum tax on certain foreign earnings in excess of 10 percent of the foreign subsidiaries tangible assets (i.e., global intangible low-taxed income or "GILTI"). We are still evaluating whether to make a policy election to treat the GILTI tax as a period expense or to provide U.S. deferred taxes on foreign temporary differences that are expected to generate GILTI income when they reverse in future years.

By virtue of previously filed consolidated income tax returns filed with Expedia, we are currently under an IRS audit for the 2009, 2010, and short-period 2011 tax years, and have various ongoing state income tax audits. We are separately under examination by the IRS for the short-period 2011, 2012 and 2013 tax years and have commenced an employment tax audit with the IRS for the 2013 and 2014 tax years. These audits include questioning of the timing and the amount of income and deductions and the allocation of income among various tax jurisdictions. These examinations may lead to proposed or ordinary course adjustments to our taxes. We are no longer subject to tax examinations by tax authorities for years prior to 2009. As of December 31, 2017, no material assessments have resulted, except as noted below regarding our 2009 and 2010 IRS audit with Expedia.

In January 2017, as part of the Company's IRS audit of Expedia, we received Notices of Proposed Adjustment from the IRS for the 2009 and 2010 tax years. These proposed adjustments are related to certain transfer pricing arrangements with our foreign subsidiaries, and would result in an increase to our worldwide income tax expense in an estimated range of $10 million to $14 million after consideration of competent authority relief, exclusive of interest and penalties. We disagree with the proposed adjustments and we intend to defend our position through applicable administrative and, if necessary, judicial remedies. Our policy is to review and update tax reserves as facts and circumstances change. Based on our interpretation of the regulations and available case law, we believe the position we have taken with regard to transfer pricing with our foreign subsidiaries is sustainable. In addition to the risk of additional tax for 2009 and 2010 transactions, if the IRS were to seek transfer pricing adjustments of a similar nature for transactions in subsequent years, we would be subject to significant additional tax liabilities.

In July 2015, the United States Tax Court (the "Court") issued an opinion favorable to Altera Corporation ("Altera") with respect to Altera's litigation with the IRS. This opinion was submitted as a final decision under Tax Court Rule 155 during December 2015. The litigation relates to the treatment of stock-based compensation expense in an inter-company cost-sharing arrangement with Altera's foreign subsidiary. In its opinion, the Court accepted Altera's position of excluding stock based compensation from its inter-company cost-sharing arrangement. The IRS appealed the Court decision on February 19, 2016. At this time, the U.S. Department of the Treasury has not withdrawn the requirement from its regulations to include stock-based compensation in intercompany cost-sharing arrangements. The Company recorded a tax benefit of $5 million and $6 million in its consolidated statements of operations for the years ended December 31, 2017 and 2016, respectively. The Company will continue to monitor this matter and related potential impacts to its consolidated financial statements.

Cumulative undistributed earnings of foreign subsidiaries totaled approximately $882 million as of December 31, 2017. Subsequent to December 31, 2017, on February 2, 2018, TripAdvisor made a one-time repatriation of $325 million of foreign earnings to the United States primarily to repay our remaining outstanding debt under the 2015 Credit Facility. Refer to "Note 20— *Subsequent Events*" for additional information on this repatriation. TripAdvisor intends to indefinitely reinvest the remaining foreign undistributed earnings of $557 million although we will continue to evaluate the impact of the 2017 Tax Act on our capital deployment within and outside the U.S. Should we distribute, or be treated under certain U.S. tax rules as having distributed, the earnings of foreign subsidiaries in the form of dividends or otherwise, we may be subject to U.S. income taxes or tax benefits. The amount of any unrecognized deferred income tax on this temporary difference is not material. The majority of cash on hand is denominated in U.S. dollars.

A reconciliation of the beginning and ending amount of gross unrecognized tax benefits (excluding interest and penalties) is as follows:

	December 31, 2017	December 31, 2016	December 31, 2015
	(in millions)		
Balance, beginning of year	$ 105	$ 89	$ 67
Increases to tax positions related to the current year	17	16	15
Increases to tax positions related to the prior year	1	1	7
Reductions due to lapsed statute of limitations	—	(1)	—
Decreases to tax positions related to the prior year	—	—	—
Settlements during current year	—	—	—
Balance, end of year	$ 123	$ 105	$ 89

As of December 31, 2017, we had $123 million of unrecognized tax benefits, net of interest, which is classified as long-term and included in other long-term liabilities and deferred income taxes, net on our consolidated balance sheet. The amount of unrecognized tax benefits, if recognized, would reduce income tax expense by $78 million, due to correlative adjustments in other tax jurisdictions. We recognize interest and penalties related to unrecognized tax benefits in income tax expense on our consolidated statement of operations. As of December 31, 2017 and 2016, total gross interest accrued was $13 million and $9 million, respectively. We do not anticipate any material changes in the next fiscal year.

NOTE 11: ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consisted of the following for the periods presented:

	December 31, 2017	December 31, 2016
	(in millions)	
Accrued employee salary, bonus, and related benefits	$ 60	$ 53
Accrued marketing costs	39	37
Other	37	37
Total	$ 136	$ 127

NOTE 12: OTHER LONG-TERM LIABILITIES

Other long-term liabilities consisted of the following for the periods presented:

	December 31, 2017	December 31, 2016
	(in millions)	
Unrecognized tax benefits (1)	$ 127	$ 108
Long-term income taxes payable (2)	61	$ -
Financing obligation, net of current portion (3)	84	84
Other (4)	21	18
Total	$ 293	$ 210

(1) Refer to "Note 10—*Income Taxes*" for additional information on our unrecognized tax benefits. Amount includes accrued interest related to this liability.
(2) Amount relates to the long-term portion of Transition Tax related to 2017 Tax Act at December 31, 2017. Refer to "Note 10 – *Income Taxes*," for additional information.
(3) Refer to "Note 13 – *Commitments and Contingencies*," for additional information on our corporate headquarters lease.
(4) Amounts primarily consist of long-term deferred rent balances related to our operating leases for office space.

NOTE 13: COMMITMENTS AND CONTINGENCIES

We have material commitments and obligations that include office space leases, and expected interest and commitment fees on long-term debt, which are not accrued on the consolidated balance sheet at December 31, 2017 but we expect to require future cash outflows.

The following table summarizes our material commitments and obligations as of December 31, 2017:

		By Period			
	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
			(in millions)		
Property leases, net of sublease income (1)	$ 228	$ 28	$ 53	$ 51	$ 96
Expected interest and commitment fee payments on 2015 Credit Facility (2)	34	7	16	11	—
Total (3)	$ 262	$ 35	$ 69	$ 62	$ 96

(1) Estimated future minimum rental payments under operating leases with non-cancelable lease terms, including our corporate headquarters lease in Needham, MA.

(2) Expected interest payments on the 2015 Credit Facility are based on the effective interest rate and outstanding borrowings as of December 31, 2017, but could change significantly in the future. Amounts assume that our existing debt is repaid at the end of the credit agreement and do not assume additional borrowings or refinancing of existing debt. Expected commitment fee payments are based on the unused portion of credit facility, issued letters of credit, and current effective commitment fee rate as of December 31, 2017; however, these variables could change significantly in the future. Refer to "Note 9— *Debt*" and "Note 20— *Subsequent Events*" for additional information on our 2015 Credit Facility and subsequent repayment of our outstanding borrowings on our 2015 Credit Facility in 2018, respectively.

(3) Excluded from the table was $127 million of unrecognized tax benefits, including accrued interest, that we have recorded in other long-term liabilities on our consolidated balance sheet for which we cannot make a reasonably reliable estimate of the amount and period of payment. We do not anticipate any material changes in the next year. Also excluded from the table was $61 million of estimated Transition Tax related to 2017 Tax Act recorded in long-term liabilities on the consolidated balance sheet at December 31, 2017, that we believe the majority will be paid more than five years from December 31, 2017. Refer to "Note 10 – *Income Taxes*," for additional information on these amounts.

Office Lease Commitments

We have contractual obligations in the form of operating leases for office space for which we record the related expense on a monthly basis. Certain leases contain periodic rent escalation adjustments and renewal options. Rent expense related to such leases is recorded on a straight-line basis. Office lease commitments expire at various dates with the latest maturity in December 2030. For the years ended December 31, 2017, 2016 and 2015, we recorded rental expense of $18 million, $18 million and $19 million, respectively, net of sublease income of $3 million, $2 million and $1 million, respectively.

Corporate Headquarters Lease

In June 2013, we entered into a lease, for a new corporate headquarters (the "Lease"). Pursuant to the Lease, the landlord built an approximately 280,000 square foot rental building in Needham, Massachusetts (the "Premises"), and leased the Premises to the Company as our new corporate headquarters for an initial term of 15 years and 7 months or through December 2030. The Company also has an option to extend the term of the Lease for two consecutive terms of five years each.

Because we were involved in the construction project and were responsible for paying a portion of the costs of normal finish work and structural elements of the Premises, the Company was deemed for accounting purposes to be the owner of the Premises during the construction period under build to suit lease accounting guidance under GAAP. Therefore, the Company recorded project construction costs during the construction period incurred by the landlord as a construction-in-progress asset and a related construction financing obligation on our consolidated balance sheets. The amounts that the Company has paid or incurred for normal tenant improvements and structural improvements had also been recorded to the construction-in-progress asset.

Upon completion of construction at end of the second quarter of 2015, we evaluated the construction-in-progress asset and construction financing obligation for de-recognition under the criteria for "sale-leaseback" treatment under GAAP. We concluded that we have forms of continued economic involvement in the facility, and therefore did not meet the provisions for sale-leaseback accounting. This determination was based on the Company's continuing involvement with the property in the form of non-recourse financing to the lessor. Therefore, the Lease is accounted for as a financing obligation. Accordingly, we began depreciating the building asset over its estimated useful life and incurring interest expense related to the financing obligation imputed using the effective interest rate method. We bifurcate our lease payments pursuant to the Premises into: (i) a portion that is allocated to the building (a reduction to the financing obligation) and; (ii) a portion that is allocated to the land on which the building was constructed. The portion of the lease obligations allocated to the land is treated as an operating lease that commenced in 2013. The lease costs allocated to the land are recognized as rent expense on a straight-line basis over the term of the lease and are recorded in general and administrative expense in the consolidated statements of operations. The financing obligation is considered a long-term finance lease obligation and is recorded to other long-term liabilities on our consolidated balance sheet. At the end of the lease term, the carrying value of the building asset and the remaining financing obligation are expected to be equal, at which time we may either surrender the leased asset as settlement of the remaining financing obligation or extend the initial term of the lease for the continued use of the asset. In the years ended December 31 2017, 2016, and 2015, the Company recorded $7 million, $7 million, and $4 million of interest expense, respectively, $3 million, $3 million, and $2 million of depreciation expense, respectively, and $2 million, $2 million, $1 million, of rent expense in general and administrative expense on our consolidated statements of operations, respectively, related to the Premises.

Additional United States and International Locations

We also lease an aggregate of approximately 450,000 square feet of office space at approximately 40 other locations across North America, Europe and Asia Pacific, in cities such as, New York, Boston, London, Sydney, Barcelona, Paris, and Beijing, primarily for our sales offices, subsidiary headquarters, and international management teams, pursuant to leases with various expiration dates, with the latest expiring in June 2027.

As of December 31, 2017, future minimum commitments under our corporate headquarters lease and other non-cancelable operating leases for office space with terms of more than one year and contractual sublease income were as follows:

Year	Corporate Headquarters Lease (1)	Other Operating Leases	Sublease Income	Total Lease Commitments (Net of Sublease Income)
		(in millions)		
2018	$ 9	$ 22	$ (3)	$ 28
2019	9	21	(3)	27
2020	9	19	(2)	26
2021	10	17	(2)	25
2022	10	17	(1)	26
Thereafter	77	19	—	96
Total	$ 124	$ 115	$ (11)	$ 228

(1) Amount includes an $84 million financing obligation, which we have recorded in other long-term liabilities on our consolidated balance sheet at December 31, 2017, related to our corporate headquarters lease.

Letters of Credit

As of December 31, 2017, we have issued unused letters of credit totaling approximately $3 million, related to our property leases, which includes $1 million delivered to the landlord of our corporate headquarters as security deposit, which amount is subject to increase under certain circumstances.

Legal Proceedings

In the ordinary course of business, we are parties to regulatory and legal matters arising out of our operations. These matters may involve claims involving alleged infringement of third-party intellectual property rights (including patent infringement), defamation, taxes, regulatory compliance, privacy issues and other claims. Periodically, we review the status of all significant outstanding matters to assess any 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, we record the estimated loss in our consolidated statements of operations. We provide disclosures in the notes to the consolidated financial statements for loss contingencies that do not meet both of these conditions if there is a reasonable probability that a loss may have been incurred and whether such loss is reasonably estimable. We base accruals made on the best information available at the time which can be highly subjective. Although occasional adverse decisions or settlements may occur, the Company does not believe that the final disposition of any of these matters will have a material adverse effect on the business. However, the final outcome of these matters could vary significantly from our estimates. Finally, there may be claims or actions pending or threatened against us of which we are currently not aware and the ultimate disposition of which could have a material adverse effect on us.

Income Taxes

As described above, we are also under audit by the IRS and various other domestic and foreign tax authorities with regards to income tax matters. We have reserved for potential adjustments to our provision for income taxes that may result from examinations by, or any negotiated agreements with, these tax authorities. Although we believe our tax estimates are reasonable, the final determination of audits could be materially different from our historical income tax provisions and accruals. The results of an audit could have a material effect on our financial position, results of operations, or cash flows in the period for which that determination is made.

We continue to accumulate cash flows, in foreign jurisdictions which we consider indefinitely reinvested, although we will continue to evaluate the impact of the 2017 Tax Act on our capital deployment within and outside the U.S. Any repatriation of funds currently held in foreign jurisdictions may result in higher effective tax rates and incremental cash tax payments. Refer to "Note 10— *Income Taxes*" above for further information on potential contingencies surrounding income taxes.

NOTE 14: EMPLOYEE BENEFIT PLANS

Retirement Savings Plan

The TripAdvisor Retirement Savings Plan (the "401(k) Plan"), qualifies under Section 401(k) of the Internal Revenue Code. The 401(k) Plan allows participating employees, most of our U.S. employees, to make contributions of a specified percentage of their eligible compensation. Participating employees may contribute up to 50% of their eligible salary on a pre-tax basis, but not more than statutory limits. Employee-participants age 50 and over may also contribute an additional amount of their salary on a pre-tax tax basis up to the IRS Catch-Up Provision Limit, or catch-up contributions. Employees may also contribute into the 401(k) Plan on an after-tax basis up to an annual maximum of 10%. The 401(k) Plan has an automatic enrollment feature at 6% pre-tax. We match 50% of the first 6% of employee contributions to the plan for a maximum employer contribution of 3% of a participant's eligible earnings. The "catch up contributions", are not eligible for employer matching contributions. The matching contributions portion of an employee's account, vests after two years of service. The Plan also permits certain after-tax Roth 401(k) contributions. Additionally, at the end of the 401(k) Plan year, we make a discretionary matching contribution to eligible participants. This additional discretionary matching employer contribution referred to as "true up" is limited to match only contributions up to 3% of eligible compensation.

We also have various defined contribution plans for our international employees. Our contribution to the 401(k) Plan and our international defined contribution plans which are recorded in our consolidated statement of operations for the years ended December 31, 2017, 2016 and 2015 were $9 million, $9 million, and $7 million, respectively.

TripAdvisor, Inc. Deferred Compensation Plan for Non-Employee Directors

The Company also has a Deferred Compensation Plan for Non-Employee Directors (the "Plan"). Under the Plan, eligible directors who defer their directors' fees may elect to have such deferred fees (i) applied to the purchase of share units, representing the number of shares of our common stock that could have been purchased on the date such fees would otherwise be payable, or (ii) credited to a cash fund. The cash fund will be credited with interest at an annual rate equal to the weighted average prime or base lending rate of a financial institution selected in accordance with the terms of the Plan and applicable law. Upon termination of service as a director of TripAdvisor, a director will receive (i) with respect to share units, such number of shares of our common stock as the share units represent, and (ii) with respect to the cash fund, a cash payment. Payments upon termination will be made in either one lump sum or up to five annual installments, as elected by the eligible director at the time of the deferral election.

Under the 2011 Incentive Plan, 100,000 shares of TripAdvisor common stock are available for issuance to non-employee directors. From the inception of the Plan through December 31, 2017, a total of 3,336 shares have been reserved for such purpose.

TripAdvisor, Inc. Executive Severance Plan and Summary Plan Description

Effective August 7, 2017, the Company adopted an Executive Severance Plan and Summary Plan Description (the "Severance Plan") applicable to certain employees of the Company and its subsidiaries. The Severance Plan formalizes and standardizes the Company's severance practices for certain designated employees (each, a "Participant" and, collectively, the "Participants"). Participants covered by the Severance Plan generally will be eligible to receive severance benefits in the event of a termination by the Company without Cause or, under certain circumstances, by the Participant for Good Reason. The severance benefits differ if there is a termination of employment in connection with a Change in Control. The severance benefits provided pursuant to the Severance Plan are determined based on the job classification of the Participants (as reflected in internal job profile designations) and, in certain cases, their years of service with the Company.

Under the Severance Plan, in the event of a termination by the Company without Cause more than three months prior to a Change in Control or more than twelve (12) months following a Change in Control, the severance benefits for the Participant generally shall consist of the following:

- continued payment of base salary for a period of six to eighteen (18) months following the date of such Participant's termination of employment; and
- continuation of coverage under the Company's health insurance plan through the Company's payment of COBRA premiums for a period of six to eighteen (18) months following the date of such Participant's termination of employment.

Under the Severance Plan, in the event of a termination by the Company without Cause or by the Participant for Good Reason, in each case within three months prior to or twelve (12) months following a Change in Control, the severance benefits for the Participant shall consist of the following:

- payment of a lump sum amount equal to (i) twelve (12) to twenty four (24) months of the Participant's Base Salary, plus (ii) the Participant's Target Bonus multiplied by 1, 1.5 or 2; and
- payment of a lump sum amount equal to the premiums required to continue the Participant's medical coverage under the Company's health insurance plan for a period of twelve (12) to twenty four (24) months.

The foregoing summary is qualified in its entirety by reference to the Executive Severance Plan and Summary Plan Description incorporated herein by reference as Exhibit 10.22 to this Annual Report on Form 10-K. During the year end December 31, 2017, we recorded $1 million of severance under the Severance Plan in our consolidated statement of operations.

NOTE 15: STOCKHOLDERS' EQUITY

Preferred Stock

In addition to common stock, we are authorized to issue up to 100 million preferred shares, with $ 0.001 par value per share, with terms determined by our Board of Directors, without further action by our stockholders. At December 31, 2017, no preferred shares had been issued.

Common Stock and Class B Common Stock

Our authorized common stock consists of 1.6 billion shares of common stock with par value of $0.001 per share, and 400 million shares of Class B common stock with par value of $0.001 per share. Both classes of common stock qualify for and share equally in dividends, if declared by our Board of Directors. Common stock is entitled to one vote per share and Class B common stock is entitled to 10 votes per share on most matters. Holders of TripAdvisor common stock, acting as a single class, are entitled to elect a number of directors equal to 25% percent of the total number of directors, rounded up to the next whole number, which was three directors as of December 31, 2017. Class B common stockholders may, at any time, convert their shares into common stock, on a one for one share basis. Upon conversion, the Class B common stock is retired and is not available for reissue. In the event of liquidation, dissolution, distribution of assets or winding-up of TripAdvisor the holders of both classes of common stock have equal rights to receive all the assets of TripAdvisor after the rights of the holders of the preferred stock have been satisfied. There were 135,617,263 and 126,142,773 shares of common stock issued and outstanding, respectively, and 12,799,999 shares of Class B common stock issued and outstanding at December 31, 2017.

Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive loss is primarily comprised of accumulated foreign currency translation adjustments, as follows for the periods presented:

	December 31, 2017	December 31, 2016
	(in millions)	
Cumulative foreign currency translation adjustments (1)	$ (42)	$ (77)
Total accumulated other comprehensive loss (2)	$ (42)	$ (77)

(1) Due to our intention to indefinitely reinvest foreign subsidiary earnings; deferred taxes are not provided on foreign currency translation adjustments.
(2) Our accumulated net unrealized gain (loss) on available for sale securities was not material as of December 31, 2017 and December 31, 2016.

Treasury Stock

On February 15, 2013, our Board of Directors authorized the repurchase of $250 million of our shares of common stock under a share repurchase program. During the year ended December 31, 2015, we did not repurchase any shares of outstanding common stock under the share repurchase program. During the year ended December 31, 2016, we repurchased 2,002,356 shares of outstanding common stock under the share repurchase program at an average cost of $52.35 per share. As of December 31, 2016, we had repurchased a total of 4,123,065 shares of outstanding common stock under the share repurchase program at an average cost of $60.63 per share and completed our share repurchase program authorized by our Board of Directors.

On January 25, 2017, our Board of Directors authorized an additional repurchase of $250 million of our shares of common stock under a new share repurchase program. Our Board of Directors authorized and directed management, working with the Executive Committee of our Board of Directors to affect the share repurchase program in compliance with applicable legal requirements. During the year ended December 31, 2017, we repurchased a total of 6,079,003 shares of the Company's outstanding common stock at an average share price of $41.13, or $250 million in the aggregate, and completed this share repurchase program. As of December 31, 2017, there were 9,474,490 shares of the Company's common stock held in treasury with an aggregate cost of $447 million.

In December 2015, we issued 801,042 treasury shares to the Foundation in settlement of all future pledge obligations. Refer to "Note 17 – *Segment and Geographic Information*," for a discussion of this transaction.

Dividends

During the years ended December 31, 2017, 2016, and 2015, our Board of Directors did not declare any dividends on our outstanding common stock and do not expect to pay any dividends for the foreseeable future.

NOTE 16: RELATED PARTY TRANSACTIONS

Relationship between Expedia and TripAdvisor

Upon consummation of the Spin-Off, Expedia was considered a related party under GAAP based on a number of factors, including, among others, common ownership of our shares and those of Expedia. However, we no longer consider Expedia a related party. For purposes of governing certain of the ongoing relationships between us and Expedia at and after the Spin-Off, and to provide for an orderly transition, we and Expedia entered into various agreements at the time of the Spin-Off, which TripAdvisor has satisfied its obligations. However, TripAdvisor continues to be subject to certain post-spin obligations under the Tax Sharing Agreement.

Under the Tax Sharing Agreement between us and Expedia, we are generally required to indemnify Expedia for any taxes resulting from the Spin-Off (and any related interest, penalties, legal and professional fees, and all costs and damages associated with related stockholder litigation or controversies) to the extent such amounts resulted from (i) any act or failure to act by us described in the covenants in the tax sharing agreement, (ii) any acquisition of our equity securities or assets or those of a member of our group, or (iii) any failure of the representations with respect to us or any member of our group to be true or any breach by us or any member of our group of any covenant, in each case, which is contained in the separation documents or in the documents relating to the IRS private letter ruling and/or the opinion of counsel. The full text of the Tax Sharing Agreement is incorporated by reference in this Annual Report on Form 10-K as Exhibit 10.2. Refer to "Note 10— *Income Taxes*" above for information regarding the status of completed and ongoing IRS audits of our consolidated income tax returns with Expedia to date.

Relationship between Liberty TripAdvisor Holdings, Inc. and TripAdvisor

We consider Liberty TripAdvisor Holdings, Inc. ("LTRIP") a related party. As of December 31, 2017, LTRIP beneficially owned approximately 18.2 million shares of our common stock and 12.8 million shares of our Class B common stock, which constitute 14.4% of the outstanding shares of common stock and 100% of the outstanding shares of Class B common stock. Assuming the conversion of all of LTRIP's shares of Class B common stock into common stock, LTRIP would beneficially own 22.3% of the outstanding common stock. Because each share of Class B common stock generally is entitled to ten votes per share and each share of common stock is entitled to one vote per share, LTRIP may be deemed to beneficially own equity securities representing 57.5% of our voting power. Refer to "Note 1— *Organization and Business Description*" above, which describes the evolution of our relationship with LTRIP.

We had no related party transactions with LTRIP during the years ended December 31, 2017, 2016 or 2015.

NOTE 17: SEGMENT AND GEOGRAPHIC INFORMATION

Our reporting structure includes two reportable segments: Hotel and Non-Hotel.

Hotel

Our Hotel segment includes revenue generated from the following sources:

- ***TripAdvisor-branded Click-based and Transaction Revenue.*** Our largest source of Hotel segment revenue is generated from click-based advertising on TripAdvisor-branded websites, which is primarily comprised of contextually-relevant booking links to our travel partners' sites. Our click-based travel partners are predominantly online travel agencies, or OTAs, and direct suppliers in the hotel category. Click-based advertising is generally priced on a cost-per-click, or "CPC", basis, with payments from advertisers determined by the number of users who click on a link multiplied by the price that partner is willing to pay for that click, or hotel shopper lead. CPC rates are determined in a dynamic, competitive auction process, or metasearch auction, that enables our partners to use our proprietary, automated bidding system to submit CPC bids to have their hotel rates and availability listed on our site. Transaction revenue is generated from our instant booking feature, which enables the merchant of record, generally an OTA or hotel partner, to pay a commission to TripAdvisor for a user that completes a hotel reservation via our website.
- ***TripAdvisor-branded Display-based Advertising and Subscription Revenue.*** Travel partners can promote their brands in a contextually-relevant manner through a variety of display-based advertising placements on our websites. Our display-based advertising clients are predominately direct suppliers of hotels, airlines and cruises, as well as destination marketing organizations. We also sell display-based advertising to OTAs and other travel related businesses, as well as advertisers from non-travel categories. Display-based advertising is sold predominantly on a cost per thousand impressions, or CPM, basis. In addition, we offer subscription-based advertising to hotels, B&Bs and other specialty lodging properties. Subscription advertising is predominantly sold for a flat fee and enables subscribers to enhance their listing, for a contracted period of time, on our TripAdvisor-branded websites, including by posting special offers for travelers.
- ***Other Hotel Revenue.*** Our other hotel revenue primarily includes revenue from non-TripAdvisor branded websites, such as www.bookingbuddy.com, www.cruisecritic.com, and www.onetime.com, which includes click-based advertising revenue, display-based advertising revenue, hotel room reservations sold through the websites, and advertising revenue from making cruise reservations available for price comparison and booking.

Non-Hotel

Our Non-Hotel segment consists of the aggregation of three operating segments, our Attractions, Restaurants and Vacation Rentals businesses.

- ***Attractions.*** We provide information and services for users to research, book and experience activities and attractions in popular travel destinations both through Viator, our dedicated Attractions business, and on our TripAdvisor website and applications. We predominately generate commissions for each transaction we facilitate through our online reservation systems. In addition to its consumer-direct business, Viator also powers activity and attractions booking capabilities for its affiliate partners, including some of the world's top airlines, hotel chains and online and offline travel agencies. Viator's bookable activities and attractions are available on Viator-branded websites and mobile applications and on TripAdvisor-branded websites and mobile applications.
- ***Restaurants.*** We provide information and services for users to research and book restaurants in popular travel destinations through our dedicated restaurant reservations business, TheFork, and on our TripAdvisor website and applications. TheFork is an online restaurant booking platform operating on a number of websites (including www.lafourchette.com, www.eltenedor.com, www.iens.nl and www.dimmi.com.au), with a network of restaurant partners located primarily across Europe and Australia. We generate reservation revenues that are paid by restaurants for diners seated through TheFork's online reservation systems, and generate subscription fees for our online booking and marketing analytics tools provided by TheFork and by TripAdvisor. TheFork's bookable restaurants are available on www.thefork.com and on TripAdvisor-branded websites and mobile applications.
- ***Vacation Rentals.*** We provide information and services for users to research and book vacation and short-term rental properties, including full home rentals, condominiums, villas, beach rentals, cabins and cottages. The Vacation Rentals business generates revenue primarily by offering individual property owners and property managers the ability to list their properties on our websites and mobile applications thereby connecting homeowners with travelers through a free-to-list, commission-based option and, to a lesser extent, by an annual subscription-based fee structure. These properties are listed on www.flipkey.com, www.holidaylettings.co.uk, www.housetrip.com, www.niumba.com, and www.vacationhomerentals.com, and on our TripAdvisor-branded websites and mobile applications.

Our operating segments are determined based on how our chief operating decision maker manages our business, regularly assesses information and evaluates performance for operating decision-making purposes, including allocation of resources. The chief operating decision maker for the Company is our CEO.

Adjusted EBITDA is our segment profit measure and a key measure used by our management and board of directors to understand and evaluate the operating performance of our business and on which internal budgets and forecasts are based and approved. In particular, the exclusion of certain expenses in calculating Adjusted EBITDA can provide a useful measure for period-to-period comparisons of our core business. Accordingly, we believe that Adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors. We define Adjusted EBITDA as net income (loss) plus: (1) provision for income taxes; (2) other income (expense), net; (3) depreciation of property and equipment, including amortization of internal use software and website development; (4) amortization of intangible assets; (5) stock-based compensation and other stock-settled obligations; (6) goodwill, long-lived asset and intangible asset impairments; and (7) non-recurring expenses and income.

The following tables present our segment information for the years ended December 31, 2017, 2016 and 2015, and includes a reconciliation of Adjusted EBITDA to Net Income. We record depreciation of property and equipment, including amortization of internal-use software and website development, amortization of intangible assets, stock-based compensation and other stock-settled obligations, other income (expense), net, other non-recurring expenses and income, net, and income taxes, which are excluded from segment operating performance, in corporate and unallocated. In addition, we do not report our assets, capital expenditures and related depreciation expense by segment as our chief operating decision maker does not use this information to evaluate operating segments. Accordingly, we do not regularly provide such information by segment to our chief operating decision maker. Intersegment revenue is not material and, in addition, already eliminated in the information by segment provided to our chief operating decision maker. Our consolidated general and administrative expenses, excluding stock-based compensation costs, are shared by all operating segments. Each operating segment receives an allocated charge based on the segment's percentage of the Company's total personnel costs.

	Year ended December 31, 2017			
	Hotel	Non-Hotel	Corporate and unallocated	Total
		(in millions)		
Revenue	$ 1,196	$ 360	$ —	$ 1,556
Adjusted EBITDA (1)	286	45	—	331
Depreciation			(79)	(79)
Amortization of intangible assets			(32)	(32)
Stock-based compensation			(96)	(96)
Operating income				124
Other expense, net				(14)
Income before income taxes				110
Provision for income taxes (2)				(129)
Net loss				$ (19)

	Year ended December 31, 2016			
	Hotel	Non-Hotel	Corporate and unallocated	Total
		(in millions)		
Revenue	$ 1,190	$ 290	$ —	$ 1,480
Adjusted EBITDA (1)	380	(28)	—	352
Depreciation			(69)	(69)
Amortization of intangible assets			(32)	(32)
Stock-based compensation			(85)	(85)
Operating income				166
Other expense, net				(15)
Income before income taxes				151
Provision for income taxes				(31)
Net income				$ 120

	Year ended December 31, 2015			
	Hotel	Non-Hotel	Corporate and unallocated	Total
		(in millions)		
Revenue	$ 1,263	$ 229	$ —	$ 1,492
Adjusted EBITDA (1)	472	(6)	—	466
Depreciation			(57)	(57)
Amortization of intangible assets			(36)	(36)
Stock-based compensation			(72)	(72)
Non-cash charitable contribution (3)			(67)	(67)
Other non-recurring expenses			(2)	(2)
Operating income				232
Other income, net				7
Income before income taxes				239
Provision for income taxes				(41)
Net income				$ 198

(1) Includes allocated general and administrative expenses in our Hotel segment of $81 million, $80 million and $85 million; and in our Non-Hotel segment of $42 million, $38 million and $28 million for the years ended December 31, 2017, 2016 and 2015, respectively.

(2) The year ended December 31, 2017 reflects $67 million of Transition Tax and $6 million of tax expense recorded due to the remeasurement of net deferred tax assets related to the 2017 Tax Act enacted on December 22, 2017. Refer to "Note 10 - *Income Taxes"* for further information.

(3) During the fourth quarter of 2015, we incurred an expense in the amount of $67 million to reflect a non-cash contribution to The TripAdvisor Charitable Foundation (the "Foundation"), which was recorded to general and administrative expense in our consolidated statement of operations. TripAdvisor had historically funded 2% of its annual operating income before amortization and stock-based compensation. TripAdvisor's pledge agreement provided for an immediate satisfaction of all future annual contributions, by paying an amount equal to eight multiplied by TripAdvisor's prior year contribution to the Foundation. TripAdvisor exercised this right under its pledge agreement in December 2015. We settled this obligation in treasury shares based on the fair value of our common stock on the date the treasury shares were issued to the Foundation and therefore given the use of stock to settle the obligation, the amount has been excluded from Adjusted EBITDA. TripAdvisor does not expect to make any future contributions to the Foundation.

Revenue and Geographic Information

Our revenue sources within our Hotel segment, which are TripAdvisor-branded click-based and transaction revenue, TripAdvisor-branded display-based advertising and subscription revenue; and other hotel revenue, which along with our Non-Hotel revenue source, comprise our products.

The following table presents revenue by source for the periods presented:

	Year ended December 31, 2017	2016	2015
	(in millions)		
TripAdvisor-branded click-based and transaction	$ 756	$ 750	$ 837
TripAdvisor-branded display-based advertising and subscription	292	282	272
Other hotel revenue	148	158	154
Non-hotel revenue	360	290	229
Total revenue	$ 1,556	$ 1,480	$ 1,492

The following table presents revenue by geographic area, the United States, the United Kingdom and all other countries, based on the geographic location of our websites for the periods presented:

	Year ended December 31, 2017	2016	2015
	(in millions)		
Revenue			
United States	$ 877	$ 799	$ 739
United Kingdom	209	210	215
All other countries	470	471	538
Total revenue	$ 1,556	$ 1,480	$ 1,492

The following table presents property and equipment, net for the United States and all other countries based on the geographic location of the assets for the periods presented:

	December 31, 2017	2016
	(in millions)	
Property and equipment, net		
United States	$ 219	$ 222
All other countries	44	38
Total	$ 263	$ 260

NOTE 18: INTEREST INCOME AND OTHER, NET

The following table presents the detail of interest income and other, net, for the periods presented:

	Year Ended December 31,		
	2017	2016	2015
	(in millions)		
Net gain (loss), realized and unrealized, on foreign currency exchange and foreign currency derivative contracts and other, net	$ 2	$ (4)	$ (4)
Interest income	1	1	1
Loss on cost method investment	(2)	—	—
Gain on sale of business (1)	—	—	20
Total	$ 1	$ (3)	$ 17

(1) Refer to "Note 3 – *Acquisitions and Dispositions*" for information regarding our gain on sale of business in 2015.

NOTE 19: QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following table presents selected unaudited financial information for the eight quarters in the period ended December 31, 2017. The results for any quarter are not necessarily indicative of future quarterly results and, accordingly, period to period comparisons should not be relied upon as an indication of future performance.

	Three Months Ended			
	March 31	June 30	September 30	December 31
	(in millions, except per share data)			
Year ended December 31, 2017				
Revenue	$ 372	$ 424	$ 439	$ 321
Operating income	27	46	42	9
Net income (loss) (1)	13	27	25	(84)
Basic earnings (loss) per share (2)	$ 0.09	$ 0.19	$ 0.18	$ (0.60)
Diluted earnings (loss) per share (2)	$ 0.09	$ 0.19	$ 0.18	$ (0.60)
Year ended December 31, 2016				
Revenue	$ 352	$ 391	$ 421	$ 316
Operating income	42	47	66	10
Net income	29	34	55	1
Basic earnings per share (2)	$ 0.20	$ 0.23	$ 0.38	$ 0.01
Diluted earnings per share (2)	$ 0.20	$ 0.23	$ 0.37	$ 0.01

(1) During the fourth quarter of 2017, we recognized $67 million of Transition Tax and $6 million of tax expense recorded for the remeasurement of our net deferred tax assets related to the 2017 Tax Act enacted on December 22, 2017. Refer to "Note 10 - *Income Taxes"* for further information.
(2) Earnings per share is computed independently for each of the quarters presented. Therefore, the sum of the quarterly earnings per share may not equal the total computed for the year.

NOTE 20: SUBSEQUENT EVENTS

On January 31, 2018, TripAdvisor's Board of Directors authorized up to $250 million of share repurchases. Our Board of Directors authorized and directed management, working with the Executive Committee of our Board of Directors, to affect the share repurchase program in compliance with applicable legal requirements. This new repurchase program has no expiration but may be suspended or terminated by the Board of Directors at any time.

On February 2, 2018, the Company made a one-time repatriation of $325 million of foreign earnings to the United States primarily to repay outstanding borrowings under the 2015 Credit Facility. The remaining outstanding borrowings under the 2015 Credit Facility was subsequently repaid by the Company.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of December 31, 2017, our management, with the participation of our Chief Executive Officer and President and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended, or the Exchange Act. Based upon that evaluation, our Chief Executive Officer and President and our Chief Financial Officer concluded that, as of December 31, 2017, our disclosure controls and procedures were effective in ensuring that material information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's, or the SEC's, rules and forms, including ensuring that such material information is accumulated and communicated to our management, including our Chief Executive Officer and President and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes to our internal control over financial reporting that occurred during the quarter ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's 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) of the Exchange Act. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of our financial reporting for external purposes in accordance with accounting principles generally accepted in the United States of America. Under the supervision and with the participation of the Company's management, including the Chief Executive Officer and President and the Chief Financial Officer, the Company conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria for effective internal control over financial reporting described in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

The Company's management evaluated the effectiveness of the Company's internal control over financial reporting as of December 31, 2017. Pursuant to Exchange Act Rule 13a-15(d) or 15d-15(d), management has concluded that, as of December 31, 2017, our internal control over financial reporting was effective. Management has reviewed its assessment with the Audit Committee. KPMG LLP, an independent registered public accounting firm, has audited the effectiveness of our internal control over financial reporting as of December 31, 2017, as stated in their report which is included below.

Limitations on Effectiveness of Controls and Procedures

Management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all error and fraud. Any control system, no matter how well designed and operated, is based upon certain assumptions and can provide only reasonable, not absolute, assurance that its objectives will be met. Further, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within our company have been detected.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and board of directors
TripAdvisor, Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited TripAdvisor, Inc. and subsidiaries' (the "Company") internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of December 31, 2017 and 2016, the related consolidated statements of operations, comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes (collectively, the consolidated financial statements), and our report dated February 21, 2018 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the 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 audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect 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.

/s/ KPMG LLP

Boston, Massachusetts
February 21, 2018

Item 9B. Other Information

Effective February 19, 2018, the Company entered into an Amendment to Employment Agreement with respect to the Employment Agreement of Seth Kalvert, General Counsel and Senior Vice President, to, among other things, provide that:

- The term of Mr. Kalvert's employment will be extended to March 31, 2021;
- Upon a Termination of Employment without Cause or Resignation for Good Reason not in connection with a Change in Control, the Company will continue to pay Mr. Kalvert's base salary through the longer of (x) 12 months following such termination date, and (y) the remaining term of the Employment up to a maximum of 18 months; and
- A non-renewal of the Employment Agreement or expiration of the term will be treated as a Termination of Employment without Cause or resignation for Good Reason not in connection with a Change of Control, entitling Mr. Kalvert's to benefits under his Employment Agreement.

The foregoing description of the Amendment to Employment Agreement is summary in nature and is qualified in its entirety by the text of the Amendment to Employment Agreement filed as an exhibit to this Annual Report.

Terms not otherwise defined herein shall have the meaning ascribed to them in the Amendment to Employment Agreement and/or the underlying Employment Agreement, as appropriate.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required under this item is incorporated herein by reference to our 2018 Proxy Statement, which proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the close of our fiscal year ended December 31, 2017.

Item 11. Executive Compensation

The information required under this item is incorporated herein by reference to our 2018 Proxy Statement, which proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the close of our fiscal year ended December 31, 2017.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required under this item is incorporated herein by reference to our 2018 Proxy Statement, which proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the close of our fiscal year ended December 31, 2017.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required under this item is incorporated herein by reference to our 2018 Proxy Statement, which proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the close of our fiscal year ended December 31, 2017.

Item 14. Principal Accounting Fees and Services

The information required under this item is incorporated herein by reference to our 2018 Proxy Statement, which proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the close of our fiscal year ended December 31, 2017.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) The following is filed as part of this Annual Report on Form 10-K:

1. *Consolidated Financial Statements*: The consolidated financial statements and report of independent registered public accounting firms required by this item are included in Part II, Item 8.

All other schedules are omitted because they are not applicable or not required, or because the required information is shown either in the consolidated financial statements or in the notes thereto.

(b) Exhibits:

Exhibit No.	Exhibit Description	Filed Herewith	Form	Incorporated by Reference SEC File No.	Exhibit No.	Filing Date
3.1	Restated Certificate of Incorporation of TripAdvisor, Inc.		8-K	001-35362	3.1	12/27/11
3.2	Amended and Restated Bylaws of TripAdvisor, Inc.		8-K	001-35362	3.2	12/27/11
3.3	Amended No. 1 to Amended and Restated Bylaws of TripAdvisor, Inc.		8-K	001-35362	3.1	2/12/13
4.1	Specimen TripAdvisor, Inc. Common Stock Certificate		S-4/A	333-175828-01	4.6	10/24/11
10.1	Governance Agreement, by and among TripAdvisor, Inc., Liberty Interactive Corporation and Barry Diller, dated as of December 20, 2011		8-K	001-35362	10.1	12/27/11
10.2	Tax Sharing Agreement by and between TripAdvisor, Inc. and Expedia, Inc., dated as of December 20, 2011		8-K	001-35362	10.2	12/27/11
10.3+	Amended and Restated TripAdvisor, Inc. 2011 Stock and Annual Incentive Plan		10-Q	333-190384	10.1	11/8/16
10.4+	TripAdvisor, Inc. Deferred Compensation Plan for Non-Employee Directors		S-8	333-178637	4.6	12/20/11
10.5	Corporate Headquarters Lease with Normandy Gap-V Needham Building 3, LLC, as landlord, dated as of June 20, 2013		10-Q	001-35362	10.1	7/24/13
10.6	Guaranty dated June 20, 2013 by TripAdvisor, Inc. for the benefit of Normandy Gap-V Needham Building 3, LLC, as landlord		10-Q	001-35362	10.2	7/24/13
10.7+	Employment Agreement between TripAdvisor LLC and Seth Kalvert, effective as of May 19, 2016		8-K	001-35362	10.1	5/23/16
10.8+	Amendment to Employment Agreement between TripAdvisor LLC and Seth Kalvert, dated as of February 19, 2018	X				
10.9+	Employment Agreement between TripAdvisor LLC and Stephen Kaufer, effective as of March 31, 2014		10-Q	001-35362	10.3	5/6/14
10.10+	Amendment to Employment Agreement between TripAdvisor LLC and Stephen Kaufer, effective as of November 28, 2017	X				
10.11+	Amended and Restated Option Agreement dated June 5, 2017 between Stephen Kaufer and TripAdvisor, Inc.		8-K	001-35362	10.1	6/8/17
10.12+	Stock Option Agreement (time-based) between Stephen Kaufer and TripAdvisor, Inc. dated November 28, 2017	X				
10.13+	RSU Agreement (time-based) between Stephen Kaufer and TripAdvisor, Inc. dated November 28, 2017	X				
10.14+	RSU Agreement (performance based (market)) between Stephen Kaufer and TripAdvisor, Inc. dated November 28, 2017	X				
10.15+	RSU Agreement (performance based (financial and strategic)) between Stephen Kaufer and TripAdvisor, Inc. dated November 28, 2017	X				

Exhibit No.	Exhibit Description	Filed Herewith	Incorporated by Reference Form	SEC File No.	Exhibit No.	Filing Date
10.16+	Viator, Inc. 2010 Stock Incentive Plan		S-8	333-198726	99.1	9/12/14
10.17+	Offer Letter dated May 9, 2017, between TripAdvisor Limited and Dermot Halpin		10-Q	001-35362	10.1	5/9/17
10.18	Credit Agreement dated as of June 26, 2015 by and among TripAdvisor, Inc., TripAdvisor Holdings, LLC, TripAdvisor LLC, JPMorgan Chase Bank, N.A., as Administrative Agent; J.P. Morgan Europe Limited, as London Agent; Morgan Stanley Bank, N.A.; Bank of America, N.A.; BNP Paribas; SunTrust Bank; Wells Fargo Bank, National Association; Royal Bank of Canada; Barclays Bank PLC; U.S. Bank National Association; Citibank, N.A.; The Bank of Tokyo-Mitsubishi UFJ, Ltd.; Goldman Sachs Bank USA; and Deutsche Bank AG New York Branch		8-K	001-35362	10.1	6/30/15
10.19	First Amendment, dated as of May 12, 2017, by and among TripAdvisor, Inc., TripAdvisor Holdings, LLC, TripAdvisor LLC and other Subsidiary Loan Parties party thereto, the Lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent, and J.P.Morgan Europe Limited, as London Agent		8-K	001-35362	10.1	5/15/17
10.20+	Employment Agreement, dated as of October 6, 2015, between TripAdvisor, LLC and Ernst Teunissen		8-K	001-35362	10.1	10/8/15
10.21+	Amendment to Employment Agreement, dated as of November 28, 2017, between TripAdvisor, LLC and Ernst Teunissen	X				
10.22+	Executive Severance Plan and Summary Plan Description		10-Q	001-36362	10.4	8/8/17
10.23	Form of TripAdvisor Media Group Master Advertising Insertion Order	X				
21.1	Subsidiaries of the Registrant	X				
23.1	Consent of KPMG, LLP, Independent Registered Public Accounting Firm	X				
24.1	Power of Attorney (included in signature page)	X				
31.1	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X				
31.2	Certification of the Chief Financial Officer pursuant Section 302 of the Sarbanes-Oxley Act of 2002	X				
32.1	Certification of the Chief Executive Officer pursuant Section 906 of the Sarbanes-Oxley Act of 2002	X				
32.2	Certification of the Chief Financial Officer pursuant Section 906 of the Sarbanes-Oxley Act of 2002	X				

Exhibit No.	Exhibit Description	Filed Herewith	Incorporated by Reference: Form	SEC File No.	Exhibit No.	Filing Date
101	The following financial statements from the Company's Annual Report on Form 10-K for the year ended December 31, 2017, formatted in XBRL: (i) Consolidated Statements of Operations, (ii) Consolidated Statements of Comprehensive Income, (iii) Consolidated Balance Sheets, (iv) Consolidated Statements of Changes in Stockholders' Equity, (v) Consolidated Statements of Cash Flows, and (vi) Notes to Consolidated Financial Statements.	X				

+ Indicates a management contract or a compensatory plan, contract or arrangement.

Item 16. Form 10-K Summary

Not applicable.

Signatures

Pursuant to the requirements of the Section 13 or 15(d) of Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TRIPADVISOR, INC.

By: /s/ STEPHEN KAUFER

February 21, 2018

Stephen Kaufer
Chief Executive Officer and President

POWER OF ATTORNEY

We, the undersigned officers and directors of TripAdvisor, Inc., hereby severally constitute and appoint Stephen Kaufer and Ernst Teunissen, and each of them singly, our true and lawful attorneys, with full power to them and each of them singly, to sign for us in our names in the capacities indicated below, all amendments to this report, and generally to do all things in our names and on our behalf in such capacities to enable TripAdvisor, Inc. to comply with the provisions of the Securities Exchange Act of 1934, as amended, and all requirements of the Securities and Exchange Commission.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on February 21, 2018.

Signature	Title
/s/ STEPHEN KAUFER Stephen Kaufer	Chief Executive Officer, President and Director (Principal Executive Officer)
/s/ ERNST TEUNISSEN Ernst Teunissen	Chief Financial Officer (Principal Financial Officer)
/s/ NOEL WATSON Noel Watson	Chief Accounting Officer (Principal Accounting Officer)
/s/ GREGORY B. MAFFEI Gregory B. Maffei	Chairman of the Board
/s/ JAY C. HOAG Jay C. Hoag	Director
/s/ DIPCHAND V. NISHAR Dipchand V. Nishar	Director
/s/ JEREMY PHILIPS Jeremy Philips	Director
/s/ SPENCER M. RASCOFF Spencer M. Rascoff	Director
/s/ ALBERT E. ROSENTHALER Albert E. Rosenthaler	Director
/s/ SUKHINDER SINGH CASSIDY Sukhinder Singh Cassidy	Director
/s/ ROBERT S. WIESENTHAL Robert S. Wiesenthal	Director

TripAdvisor, Inc.

Board of Directors

Gregory B. Maffei
Chairman

Stephen Kaufer
Director, President and Chief Executive Officer

Jay C. Hoag
Director

Dipchand (Deep) Nishar
Director

Jeremy Philips
Director

Spencer M. Rascoff
Director

Albert Rosenthaler
Director

Sukhinder Singh Cassidy
Director

Robert S. Wiesenthal
Director

Executive Officers

Stephen Kaufer
President and
Chief Executive Officer

Ernst Teunissen
Senior Vice President,
Chief Financial Officer and
Treasurer

Dermot Halpin
President,
Vacation Rentals and
Attractions

Seth Kalvert
Senior Vice President,
General Counsel and
Secretary

Corporate and Stockholder Information

Headquarters
TripAdvisor, Inc.
400 1st Ave.
Needham, Massachusetts 02494

Exchange Listing and Ticker Symbol
NASDAQ Global Select Market, "TRIP"

Annual Meeting
June 21, 2018 11:00 a.m. Eastern Time
Residence Inn
80 B Street
Needham, Massachusetts 02494

Publications and Reports
A variety of stockholder publications and reports, including TripAdvisor's Annual Report on Form 10-K, proxy statement, financial news releases and a variety of legal filings are available at http://ir.tripadvisor.com. Stockholders can also request a copy of the Annual Report and proxy statement by contacting the Secretary of TripAdvisor, Inc., 400 1st Avenue, Needham, Massachusetts 02494.

Independent Registered Public Accounting Firm
KPMG LLP
Two Financial Center
60 South Street
Boston, Massachusetts 02110

Transfer Agent and Registrar
Computershare
P.O. Box 358015
Pittsburgh, PA 15252

Electronic Delivery
Most stockholders can elect to receive e-mails in the future with links to the Annual Report, proxy statement and voting web site. Registered stockholders can sign up for electronic delivery at www.bnymellon.com/shareowner/equityaccess. Street name stockholders should contact their bank or broker to inquire about electronic delivery.

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