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# EDITED TRANSCRIPT

## TRIP - Q1 2019 TripAdvisor Inc Earnings Call

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**OVERVIEW:**

Co. reported 1Q19 results.

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## PRESENTATION

**Operator**

Good morning, and welcome to TripAdvisor's First Quarter 2019 Earnings Conference Call. As a reminder, today's conference call is being recorded. At this time, I'd like to turn the conference call over to TripAdvisor's Vice President of Investor Relations, Mr. Will Lyons. Please go ahead.

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**Will Lyons** - *TripAdvisor, Inc. - VP of IR*

Thanks, Lahm. Good morning, everyone, and welcome to our call. Joining me today are Steve Kaufer, our CEO; and Ernst Teunissen, our CFO.

Last night, after market close, we distributed and filed our first quarter 2019 earnings release, and we made available our prepared remarks on our Investor Relations website located at ir.tripadvisor.com.

In the release, you will find reconciliations of non-GAAP financial measures to the most comparable GAAP financial measures discussed on this call. You will also find supplemental financial information, which includes certain non-GAAP financial measures discussed on this call and 2018 and 2017 results by quarter under our new segment reporting structure as well as other performance metrics.

Before we begin, I'd like to remind you that this call may contain estimates and other forward-looking statements that represent management's views as of today, May 8, 2019. TripAdvisor disclaims any obligation to update these statements to reflect future events or circumstances. Please refer to our earnings release as well as our filings with the SEC for information concerning factors that could cause actual results to differ materially from these forward-looking statements.

Now here's Steve, who will share a few thoughts before we open the call up to your questions.

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**Stephen Kaufer** - *TripAdvisor, Inc. - CEO, President & Director*

Thank you, Will, and good morning, everyone. To summarize our prepared remarks from last night, Q1 results were in line with our expectations. We remain on track to deliver double-digit consolidated adjusted EBITDA growth this year, and we're leveraging our unique assets and investing in several key areas to drive long-term profitable growth.

And with that, now let's open up the call for questions.

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## QUESTIONS AND ANSWERS

**Operator**

(Operator Instructions) Our first question comes from Deepak Mathivanan from Barclays.

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**Deepak Mathivanan** - *Barclays Bank PLC, Research Division - Research Analyst*

Two quick ones. So first, can you elaborate on the 2Q auction dynamics comment? Are you cautious on auctions' front because pricing from partners that you are seeing is lower in certain international markets? Or are you cautious because demand in terms of referrals on your platform that you can deliver to partners in certain international markets is lower maybe due to macro environment? And then second question on Experiences and Restaurants side. Seems like the FX shift was pretty meaningful in 1Q and also comps were tougher. As comps [easen up] in 2Q and 3Q, can we expect that business to accelerate during those periods?

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**Ernst J. Teunissen** - *TripAdvisor, Inc. - Senior VP, CFO & Treasurer*

Deepak, this is Ernst. I'll take your 2 questions. First question on the hotel question, the auction question that you have. Just to make a one-level-up statement here, we had a solid quarter for our new Hotel, Media & Platform segment. The growth was 0% year-over-year, but we actually delivered 0% growth with a 36% EBITDA growth rate for the quarter year-over-year. That's quite impressive, and it is a reflection of the continued optimization we're finding in our marketing efficiency and sort of continued progress we're making in that line, which we now call display and platform revenue. So pretty solid overall result that we are very pleased with. We're on this trajectory, as you know, of resetting the profitability of the business. We delivered a 41% EBITDA margin, up 11 percentage points from the year before. So we think that is a pretty, pretty healthy development.

So then sort of digging a little bit deeper into the auction question, which is a component of that first revenue line we disclose now within the segment called TripAdvisor Branded Hotels, yes, we made some comments about -- U.S. was actually pretty much in line with our expectations for the quarter, not much to report there, but Europe and, more broadly, international was a little softer. I think there have been many comments made by various industry participants about the U.K. and France and other markets, and we've seen some softness there, not enough to not deliver the solid overall result in Q1 that I talked about.

The Q2 comments. Yes, we entered into Q2. We have our first month under our belt. Q2 is a quarter in which we ramp up -- seasonally ramp up in our Hotel business. And April was a little slower than we expected, so we saw some continuation of trends. We didn't see the robust pickup that we saw a year earlier. And so earlier in the quarter, we wanted to indicate that we are a little cautious, again especially around our international. And if you look at our Hotel segment's growth in Q2, we just wanted to highlight that we're not expecting growth in the second quarter. We may actually decelerate a few points. So we're still set up for growth in the second half -- or improvement of the second half of the year from these trends. We have 2 important things improving for us in the second half: one is currency, which has been a drag; and second one is as we're starting to lap the performance marketing pullback that we've been doing, so the comps are easing up a little bit.

So we wanted to make a cautionary statement about Q2 but remain positive about what's going to happen in the back half of the year. And again, I want to underline the trajectory that we're on here, which is a very, very significant orientation to profit improvement, which we are pretty happy with and proud of. And it's allowing us actually to continue to give this outlook for 2019 of double-digit overall EBITDA growth while actually significantly investing in our Experiences & Dining segment, where as we have highlighted, we are taking down EBITDA in this year.

So that to highlight some of those comments we're making about the auction and just to indicate that you might see a few points of de-selling in the segment in Q2 and better outlook for the second half.

To your questions about Experiences & Dining, very different dynamics there. So you asked about Q1. Actually, we highlighted this last quarters as well there's been some lumpiness in the quarterly growth rates in 2018. You can see that in the new segment reconciliation that we have disclosed. You could see that in our old Non-Hotel segment growth rates. Q1 and Q4 of 2018 have particularly elevated growth rates for reasons that have more to do with '17. So if you look at, for instance, at a stacked -- 2-year stacked growth rate in Q4 and 2-year stacked in Q1, it's pretty much in line. And so we're saying not much to see here in terms of the perceived deceleration from Q4 to Q1. It's more to do about comps than anything underlying. And we reported some of the underlying statistics in terms of number of bookings growth and growth of seated diners, et cetera, and you saw that those were robust.

This is a quarter, we highlighted this, in which currency is making an impact, so that is something to factor in. 2018 was a year in which currency helped us. 2019 is a year in which it's dragging, and so that's another factor there. So if you look forward for this particular segment, we look at the Q2, we might see a bit of acceleration from growth from Q1. Overall, for the year, I would say, we've delivered 41 -- a very impressive 41% growth rate last year for this segment. There were some factors that may make that a tough comp to hit this year. We might come in a little lower this year. It's 2 reasons: one is currency, as I pointed out, favorable last year, unfavorable so far this year; and the second one is we built -- last year, we had a first full year build of our new TA Restaurants business, and we're continuing to grow that business but not as much as growing it from 0 last year. But overall, very good trends in that business. We look at what the team is delivering and the platform we're building, and we're pretty excited about that. We look at that TAM, which we've talked about a lot that we think is large, and we're leaning into very significantly, making big investments in terms of OpEx in that, which is a suppressing margin, but also generally just leaning in very much in building out a platform for long-term revenue growth.

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**Operator**

Our next question comes from Lloyd Walmsley from Deutsche Bank.

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**Lloyd Wharton Walmsley** - *Deutsche Bank AG, Research Division - Research Analyst*

Two, if I can. First, just can you guys elaborate on the strategy to kind of add more ad units? And I think you said allow more ways for partners to promote their business on TripAdvisor going forward. And to what extent is this kind of tied to the new news feed business? Or can this succeed independent of that? And then secondly, can you help us understand how to think about the prospect for kind of further strengthen in the Hotel, Media & Platform EBITDA and kind of square that with the notion that you'll be in a position to kind of grow better on the top line in that segment in the second half? Like are you deploying -- going to start deploying marketing again in the new channels? Like how will this be different than what you're cutting? Help us think through that.

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**Stephen Kaufer** - *TripAdvisor, Inc. - CEO, President & Director*

Thanks, Lloyd. This is Steve to answer the question. The whole TripAdvisor platform is an incredibly powerful vehicle for both travel advertisers as well as others that are looking at the demographics of our users. Because it's a very safe environment, it's exciting. People aren't like in the midst of purchasing a router, they're exploring travel. And so if you are a travel provider, be it a destination marketing organization or a hotel or an airline, it's sort of a fantastic environment. As we alluded to in the remarks, we're investing more resources, more senior-level resources, in doing some changes internally to better take advantage of this. It's pulled into that Hotels, Media & Platform segment. And so we do expect this year to be laying a bunch of the groundwork pieces to drive growth next year in that display. And I'm sure we'll see some of it come to fruition this year.

To the question of how tied is it to the new TripAdvisor release that we had. I certainly -- we will have ad units at some point in that release, but the success of a growing media business is in no way tied to usage of that piece of the ecosystem. We have hundreds of millions, billions of users and page views across the whole platform. We haven't done nearly as good as job as we could at segmenting that audience into the different demographics that different media partners wish to target. We've done some nice improvements this past year in terms of our home page ad unit, done some growing capabilities with our dynamic ads, so hoteliers can feature the actual ratings of their hotels in the ad units that are on TripAdvisor, but we feel we're still sort of scratching the surface.

To the question of the more strength in this segment in the second half. We do feel that between lapping, as Ernst said, lapping the marketing pullback in the back half plus the currency, plus the growth in the media space and the other good stuff that we're doing in the auction that we'll be able to see growth -- revenue growth as we tail off the year and as we enter 2020. So we wouldn't set expectations that'd achieve the kind of growth we're seeing in Dining & Experiences, but we feel like with the revenue growth in 2020 for the Hotels, Media & Platform segment, we'd be able to continue to grow profits off that as well.

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**Operator**

Our next question comes from Justin Patterson from Raymond James.

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**Justin Tyler Patterson** - *Raymond James & Associates, Inc., Research Division - Internet Analyst*

Steve, I wanted to go back to just traffic acquisition and direct customer relationships. How are you thinking about the factors that cause you to spend more on performance and brand spend to grow unique visitors again? And related to that, how should we think about unique visitors versus conversion rates on the platform as growth vectors going forward? And then for Ernst, a simple housekeeping question. It sounded like some of the new media ad units might have played a factor in the display revenue acceleration this quarter. Could you quantify what the contribution of that was, please?

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**Stephen Kaufer** - *TripAdvisor, Inc. - CEO, President & Director*

This is Steve. I'll take the traffic acquisition one. So we continue to believe in TV and offline branding as a great way to both build the value proposition, educate our travelers on all the different capabilities that we have on the site. And what we've seen as we've moved some more of our TV advertising towards the attraction booking and attraction value proposition is that we're still driving shoppers to TripAdvisor who as they're planning the trip are also interested in that hotel. So it does have a really nice halo effect across all parts of our business as we pull people back to the site. We'll continue doing that for the sort of foreseeable future. We'll be expanding different creative campaigns in different markets as every company does.

To the pay channels, clearly, it's been a big pullback in the hotel, platform and media space to maximize the profits that we can do, but we will continue to spend and grow or shrink that channel according to the economics that it drives. We're always happy to identify new pay channels and where they work spend against them. We're a bit more focused right now on improving conversion on the site, establishing or creating more reasons to join TripAdvisor, having more apps downloaded, the things that engage our traveler audience so that they become much more loyal to TripAdvisor, and so we're not in a position of always having to buy back this chunk of users. I don't think there's any new news there. But when we look at the overall growth, I don't pay close attention to the total new views on the platform because for goodness sake, we're close to 0.5 billion a month already. It's really a question of how engaged can we make those users, how top of funnel can we monetize through display advertising and things like that and how can we pull them through the funnel to plan their whole trip. And so audience is big enough. Our opportunity is to do better job, monetizing the traffic that we have.

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**Ernst J. Teunissen** - *TripAdvisor, Inc. - Senior VP, CFO & Treasurer*

And Justin, to your second question, just for clarification for everyone to know what's in what. So when we talk about the sort of the hotel-sponsored placements of the -- from the Sponsored Placement in our auction, that is actually part of our Hotel business, and display is display advertising across the TA platform. But there, indeed, as you referenced, we have introduced some new ad units as well and some exciting new developments. Not a meaningful driver yet of the revenue in the display business. That's a longer-term potential, and this was more usual growth than blocking and tackling in our traditional display business, which was a nice result for us.

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**Operator**

Our next question comes from Mike Olson from Piper Jaffray.

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**Michael Joseph Olson** - *Piper Jaffray Companies, Research Division - MD & Senior Research Analyst*

We hear a lot of talk from other players in this space about doing more in Experiences and Restaurants, but I'm not sure if it's really materialized. I was just curious are you seeing much in the way of new competition in that category or business? And how would you describe maybe the biggest entry there with really a disaggregated array of inventory? And just any other components that make it challenging for potential competitors? And then secondly, it seems that over time we'll continue to see traditional OTAs adding more alternative accommodations and Airbnb adding more traditional. So we could end up with kind of 3 major OTAs that have a combination of everything. Is that a good outcome for TripAdvisor because it results in another major bidder for traffic potentially entering the fray?

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**Stephen Kaufer** - *TripAdvisor, Inc. - CEO, President & Director*

Great set of questions. No surprise we're super excited about the opportunity in the restaurants and experiences because it is part of the trip and because it is so untapped by the major players, frankly, including us. And so we look at it as do you have enough supply to address all of that demand, and that's kind of a heavy lift when you do that globally. And of course, we're very proud of our position in supply. We're even more proud of our position in the demand funnel because of truly the number of attraction shoppers that are visiting a TripAdvisor and a Viator point-of-sale all around the globe. We have that marriage, which makes it a great combination and I think delivers that leadership in our space. But because the space is so appealing, because the TAM is so large, because it's one of the last uncracked areas in the travel ecosystem, of course, it's attracted bunch of attention, not only from the big OTAs but the smaller and now well-funded competitors that have sprung up around the globe. So competition is great for consumers. It keeps us on our toes certainly. Our challenge is to leverage the leading position we have in supply in most parts of the world, double down on that, on the demand, make the connection. And that's, frankly, one of the reasons why you see us kind of reinvesting in the Experiences & Dining category right now and being willing to put our dollars where the talk is and fortunate we have so many other strong parts of the business right now that we're able to afford it without taking an overall TripAdvisor media group hit to EBITDA.

So the competitors are strong, and we feel the combination of our existing demand footprint, which is nearly impossible to replicate plus the supply position we have, certainly gives us a pole position and gives us a lot of confidence to be able to earn more than our fair share of that super-exciting part of the space.

To the second question, alternative accommodations. Yes, we certainly see the moves that Airbnb is moving towards. We like having multiple different places that one could go purchase any type of lodging. We're growing our alternative lodging on TripAdvisor. And of course, the more choice we have, the better. The more partners we have to fulfill the booking for that choice, the better for us. So we think net-net, it's not likely to be near term material to us, but long term, we like the trend.

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**Operator**

Our next question comes from Doug Anmuth of JPMorgan.

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**Dae K. Lee** - *JP Morgan Chase & Co, Research Division - Analyst*

This is Dae Lee on for Doug. First one on membership and loyalty. This was mentioned a few times in the prepared remarks. So could you talk about some of the opportunities that you see here and the work you're doing to drive more membership and loyalty? And then Ernst, could you just clarify how Easter affects your business? Did Easter play a part in the April trend that you mentioned earlier?

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**Stephen Kaufer** - *TripAdvisor, Inc. - CEO, President & Director*

Certainly. Yes -- again, this is Steve, Dae Lee. On the membership and loyalty. Because we have such a nice position in both flight and Hotel and Experiences & Dining, and of course, we have some other pieces as well, it's a very straightforward move for us to be able to take a flight shopper and say, "Hey, how about a hotel and experience;" a hotel shopper, "How about an experience and a place to eat;" an experience shopper, "Hey, plan the whole trips with us." We have this great functionality on the site called Trips, which allows you to pull together all the different things that you'd like to do, including the tours you want to take, the attractions you want to visit, the hotels you want to stay at. And how do we build that up, so more users are aware of it? Well, most of that requires an understanding of the capabilities we have, plus well, it's membership because you're signing in in order to use that functionality to take it with you in destination in our app. And so we view those as powerful consumer value propositions that will help, in fact, drive engagement, drive loyalty. And because you have our app or because you're signed in, we're able to essentially bring new offers to you, remind you of additional things that you might want to book before you get there because they sell out, all sorts of kind of value adds for consumers that because you're a member TripAdvisor, you can now receive.

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**Ernst J. Teunissen** - *TripAdvisor, Inc. - Senior VP, CFO & Treasurer*

And with regards to the Easter impact in April. Yes, it does make April a little bit harder to read in many ways. Easter is this first stage before the climb to the summer peak. And it was a little different this April, and we saw that throughout the business. We think where Easter is for a whole year doesn't -- is not going to matter that much. But for reading April, it makes it a little bit more complicated year-over-year for us.

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**Operator**

Our next question comes from Naved Khan from SunTrust.

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**Naved Ahmad Khan** - *SunTrust Robinson Humphrey, Inc., Research Division - Analyst*

A couple of questions. On the Hotel side. I think in your prepared remarks, talk about improving growth into the back half on the revenue side. Should we think that to mean positive revenue growth? And how should we think about revenue growth for Hotel for the full year? Should we think about that being positive for the full year in aggregate or maybe just for the back half? And then I have a follow-up. On the display side. So there is several trends going on. I guess, you're benefiting from the new units, potentially Core Ex adding to that. And on top of that, if you layer on the mix from mobile or from desktop to mobile, that's kind of headwind. How should we kind of think about all of these 3 factors? And how it affects the bucket?

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**Ernst J. Teunissen** - *TripAdvisor, Inc. - Senior VP, CFO & Treasurer*

Thanks for that. In terms of the Hotel segment performance second half of the year, yes, we're clearly calling out that we expect improving revenue trends in the second half. Yes, long term, we believe we can get this segment and the hotel line itself to growth again. We're not going to be very specific about the exact timing of that. But clearly, the second half, we're seeing an improvement of trends in our forecast.

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**Stephen Kaufer** - *TripAdvisor, Inc. - CEO, President & Director*

And this is Steve. On the display growth. Again, as I alluded to earlier, we think we're in a pretty good position here. We've added more inventory on mobile. There's been no degradation that we can detect from the consumer experience. We've added new units. We have the travel feed which has new ad capabilities to it. You can expect with the new leadership in place that the additional internal focus will yield new sets of clients that will want to take advantage of our safe inventory. Again, the sheer size, the breadth, the reach, our ability to expand into other programmatic channels, we just think that there's a reasonable amount when you look at how much we currently monetize our display business per UU [unique user] (added by the company after the call) that we have that is untapped.

I share the perspective that we're trying to do it in a pretty customized way because we also have shoppers that are down funnel, all the way down perhaps in the midst of booking and attraction, who are about to click off to a hotel partner, and there's no way that we would want to display ad to interfere with that. But remember, the total amount of traffic that we have in the site and the fact that the majority is, what we'll call, a funnel, they're just not ready to engage in a transaction activity at this point. So offering a CPM or display or, in the case of hotels and restaurants, Sponsored Placements, these are great new media formats that enable us to monetize, what we call, this up-funnel traveler or diner. And so we just feel like there's a lot of growth there, putting some internal muscle behind it. And over the course of '20 and '21, you would expect as -- we would expect to see some nice growth in that -- from that area.

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**Operator**

Our next question comes from Mark May from Citi.

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**Mark Alan May** - *Citigroup Inc, Research Division - Director and Senior Analyst*

First on alternative lodging. Can you just remind us what your strategy is here in terms -- maybe from the supply perspective? Are you actively investing in growing your supply yourself? Are you primarily working with partners? And how much of a focus is that for you? And then secondly, sorry if I missed this earlier, but in terms of the auction dynamics, maybe particularly in some of the markets where you're seeing some softness, again, how much of that has been driven by volume versus pricing?

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**Stephen Kaufer** - *TripAdvisor, Inc. - CEO, President & Director*

Thanks, Mark, for the question. I'll take the first one. Alternative accommodations. We do currently source your own supply. It's not a massive team that's calling up individual homeowners but the more programmatic approach, reaching out and staying connected with the major vacation rental property management system so that we can have the quick-booking capability, the transaction capabilities. And again, there's a lot of that alternative accommodation. Over the past quarter, we also brought a number of -- over 100,000 properties that aren't traditional hotels. We brought them on to our system through partnerships with our OTA clients, where they had the inventory on their systems, it wasn't a traditional vacation rental, but it wasn't a traditional hotel. Ergo, it was another type of alternative accommodation. And because we want to have choice on our platform, we brought that in. And so the short answer is: We continue to have our own supply team. It's not a major focus for the company, but we do have hundreds of thousands of properties contracted directly with us, again, mostly through aggregators. And then we reach out to other partners to bring on any inventory that we have reason to believe are interesting to our clients, and we prefer to partner for those kind of next big leaps.

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**Ernst J. Teunissen** - *TripAdvisor, Inc. - Senior VP, CFO & Treasurer*

And Mark, in terms of the question of the auction dynamics. The auction was stable in Q1 in terms of the bidding behavior by our partners. So that was not the driver, if that's what you mean with pricing. It seems to have more to do with the demand side and more to -- and we think it might be macro and not related to us specifically, but obviously, we can't be sure of that. But it's not pricing. It is demand driven.

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**Operator**

Our next question comes from Jed Kelly from Oppenheimer.

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**Jed Kelly** - *Oppenheimer & Co. Inc., Research Division - Director and Senior Analyst*

In Experiences & Dining, can you talk about the performance marketing trends relative to the revenue growth that we should expect throughout the balance of the year? And then just back on display advertising, comps actually get easier as we move throughout the year. So should we actually see growth improve in that segment?

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**Ernst J. Teunissen** - *TripAdvisor, Inc. - Senior VP, CFO & Treasurer*

So the Experiences & Dining. Yes, we're leaning in to marketing investments there, and we're growing that with -- as you would expect with the kind of revenue growth that we see. It is both on performance-based marketing, but you may have seen that we have also started to differentiate our branded messaging to include more experiences. We're doing branded TV advertising in Europe for the LaFourchette brand, the restaurant brand, specifically. So yes, we're making -- that's an important part of our growth as you would expect. But obviously, there's a lot of focus also and contribution from free channels as well. And particularly for experiences, it's leveraging that free traffic that we have naturally flowing through the TripAdvisor sites and making sure we can get that audience to convert better by showing more supply is a big factor there.

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**Stephen Kaufer** - *TripAdvisor, Inc. - CEO, President & Director*

And on the display ads. You can appreciate how a number of the initiatives that we have underway have some -- both sales cycles and build cycles. And so some of the leadership I refer to has literally just started in the past few weeks, and so I caution against any expectations around near-term jumps, but when we've analyzed the big opportunity in front of us, how we monetize the traffic that's not in the transactional path, we feel like there is meaningful growth there, but we have to lay a fair amount of building blocks, earned budgets that are generally set in Q3, Q4 for the following year. So it's, again -- I'd phrase it as: A nice growth vehicle for us, but you'll see more of the impact in 2020.

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**Operator**

Our next question comes from Mark Mahaney from RBC Capital Markets.

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**Mark Stephen F. Mahaney** - *RBC Capital Markets, LLC, Research Division - MD and Analyst*

Two questions, please. You talked about investing $29 million in TripAdvisor-related brand advertising in Q1. Can you just remind us or tell us what you expect that number to be for the full year, if you've set that? And then there's this commentary later on -- and I think you've said it before, about the long-term margins for the Experiences and Restaurants category being Hotel OTA-like profit margins, and you're obviously showing very high margins in your core Hotel business. Just recent data points that you've seen, they give you conviction or confidence that you can get to those high margins? They're great to get to. But how long does it take? Is there a particular scale? What are the biggest leverage areas in order to get margins from where they are today up to those kind of really high levels?

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**Ernst J. Teunissen** - *TripAdvisor, Inc. - Senior VP, CFO & Treasurer*

Thanks, Mark. In terms of brand advertising, the $29 million brand advertising in Q1, predominantly, was our TV advertising. But there are some other smaller pockets around this as well. We -- last year, in 2018, we spent $115 million on TV. We said at the beginning of the year that we would roughly spend the same amount of money in this year. So it's the same amount of brand investment that we're making for the year. And so that is something that you should continue to expect. And as we have highlighted last year, the campaign was pretty much focused on bringing home the TV price comparison -- the hotel price comparison message on TV. And this year, we are starting to broaden that up. We're starting to include messages about experiences, and we might broaden it out even further towards the end of the year. We are finding that there is a good halo effect of TV across the different businesses. So even if we advertise for a hotel, we see a positive impact for other business and vice versa. And so we believe this is going to contribute -- overall, contribute to the overall business. So that's the expectation there. So not much changed.

In terms of that Experiences and Restaurants. Yes, we see this as both businesses, Experiences and Restaurants, as potentially having very attractive margins long term. We look at the commissions we get, the take rates we get in both businesses, and they are very healthy. And we believe that will scale going forward. And this is a very fragmented market, where we believe the larger players, like ourselves, will have significant pricing power. So that is very solid. We think the underlying cost structure required to support the business is in likelihood not that different from how general OTAs have developed over time. We're currently obviously making a lot of investment in tech and dev, in marketing that we will see some leverage in over time. But there are some other areas as well that I want to highlight. It's not just investment in cost. In some ways, we are also building the platform that optimizes for a long-term revenue, not even for a short-term revenue.

So a couple of examples of that. We've made this investment in Bokun, this SaaS provider, and we're now aggressively pursuing new suppliers with this SaaS offering. And we're giving that away for -- practically for free. And we're doing that because we feel that if we build that business up to scale very quickly, we can leverage that over the long term. And so it's not a revenue driver for us in 2019 but is a potential revenue driver in the future.

Other example is, this year, in particular, we are expanding our offerings around ticketing and some other products and with a lower price point, and we are privileging that on our site. We do that because we think we can more rapidly grow the overall product portfolio for our users but also get more users to experience a product at a lower price point. Now in the near term, that is a pressure on AOV, on average AOV, that we could forgo if we didn't do it, and so is in some way a drag on our near-term revenue. We look at the long term for both of these things and say, over the long term, we leverage the monetization of things like Bokun and the breadth of the signing up new [suppliers] (corrected by the company after the call) much more and can step that up in at a later stage. So not only can we get leverage on the cost line, we think we can get leverage on the revenue line on our platform over time as well.

And so all that together makes us feel very good about the long-term potential of this business. Reason why we're investing so much behind it is because we believe that with this strategy, we're going to deliver, over a longer-term period, over a 3- or 5-year period, a much bigger business than we have today and pretty attractive margins and, therefore, over time, a pretty significant contributor to overall EBITDA and cash flow for our business.

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**Operator**

Our next question comes from Heath Terry from Goldman Sachs.

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**Heath Patrick Terry** - *Goldman Sachs Group Inc., Research Division - MD*

I was just wondering if you could give us a sense -- I know there's been a lot of focus on the call on paid traffic and the marketing leverage you're trying to get, but if we look at the organic traffic that comes to the site, can you give us a sense of sort of what you're seeing from a trend perspective there, particularly within the primary segments of traffic? What's happening to your organic hotel traffic? What's happening to your organic traffic within events? I'm not expecting absolute numbers, but just even directionally, it would be useful knowing that. Obviously, there have been a lot of changes in some of the sources of traffic that you've got. And then as on the Hotel business. As hotels increasingly look to drive more direct traffic to their site, is there an opportunity for the metasearch channel for you to build more of a direct relationship with the hotels' chains or independent on the platform? And curious to what extent you're seeing any success in that direction to the extent it's a priority.

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**Stephen Kaufer** - *TripAdvisor, Inc. - CEO, President & Director*

Sure. Thanks, Heath, for the questions. I mean, as you know, we don't comment a whole lot on free traffic in general. Certainly, Google and other search engines continue to push their own offerings high in the search results. We're very used to that. It's unfortunate, but it's been a headwind to the business for a long time. Through membership, through having more and better content, through the fact that we have so many different products, we would hope to continue to grow our overall free traffic as opposed to conversely becoming more and more dependent upon paid traffic. That's the goal for us. It's for every other Internet company that exists. It wants to bring more domain, more traffic under their control. So in the Hotel category, it remains a headwind for us absolutely. In the overall TripAdvisor ecosystem, it's fine. It's not a particular headwind or tailwind at the moment. So you can infer it tends to grow in Non-Hotel categories and shrink in Hotel categories as it has been for quite some time.

In terms of your second question building a more direct relationship with hoteliers. We love having the supplier-direct, the big chains and independent participate directly in our meta auction, purchase one or more of our products from our Hotel Solutions offering or subscription listing or Sponsored Placement. And by our sheer volume of engaged travelers looking to figure out where to stay, looking to figure out what they're going to do, we feel we're still an ideal marketing platform for everyone in the travel industry to help move that demand around. So it's hoteliers, it's attraction owners, it's restaurant owners and the ability to capture the eyeballs when they're in purchase mode, a pretty powerful capability for our platform. I'd say our relationships with the travel suppliers, the big chains, have continued to improve over time. Not that there was anything wrong with them, but as they look to drive more domain-direct traffic to their sites, we're a safe, comfortable channel for them and one that can help tout why they are a great direct channel to book. So again, all's good there, and our strategies tend to align very nicely with the hotel chains.

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**Operator**

Our next question comes from Kevin Kopelman from Cowen and Company.

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**Kevin Campbell Kopelman** - *Cowen and Company, LLC, Research Division - MD & Senior Research Analyst*

Can you elaborate on your 3- to 5-year plan to return to double-digit top and bottom line growth? What are some of the specific assumptions that have gone into formulating that plan? And looking at the 3- to 5-year time line, can you discuss how you are thinking about your financial trends in the interim?

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**Ernst J. Teunissen** - *TripAdvisor, Inc. - Senior VP, CFO & Treasurer*

Thanks, Kevin. Yes, we did make some statements about sort of the 3- to 5-year horizon. So if you go through the different segments that we identified the -- our first segment, our new Hotel, Media & Platform segment, this is the year, of course, that we, as we have often talked about, are going to sort of lap some really important trends, and one is the marketing optimization is a very important one. We look at that segment and say, "Hey, there are important growth opportunities there that makes us believe we can get that back to sort of sustainable and healthy growth again in that segment." There is -- around the Hotel business, the new products that we are introducing, like Sponsored Placements and others that we can direct at hotels that can help us find new B2B shoots of growth. We see the display opportunity, the media opportunity, in general, as very significant. We've now isolated that as a revenue line item, the TripAdvisor-branded display and platform. We have talked about various new product initiatives that we are aiming for in that category. We have new leadership there to start to ignite that. And so if you take that all together, we think that could be -- go back to being a healthy grower, again, for us in the future.

In the meantime, the margins that we have in that business are great. A lot of the initiatives that I'm now describing, we expect are going to have high margin as well. So we believe that we can maintain pretty healthy margins in that segment going forward.

We did talk, in a previous question, about so the outlook for Experiences & Dining, and I said that we feel we can build a much better business at attractive margins there as well.

And then our third segment, our Other segment, is going to be a little more sideways probably, but those are the trends in the first two. And then of course, that second segment, Experiences & Dining, is rapidly increasing in terms of its total share of the pie of our total consolidated financials. So the growth there is going to increasingly help the overall growth rate of the business as well.

So that's behind our statement there about our 3- to 5-year outlook. We think we're building a very sustainable and very healthy business, and we believe that we have some really unique assets that we think will continue to be unique in the 3- to 5-year time frame and very hard to replicate, and we believe that our efforts to monetize that very significant set of assets will bear fruit.

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**Kevin Campbell Kopelman** - *Cowen and Company, LLC, Research Division - MD & Senior Research Analyst*

Maybe just a quick follow-up there on the kind of interim performance. Can you walk us through how you're thinking on getting from 2019 to the 3 to 5? You obviously -- probably specifically, in the Experiences & Dining, where, really fast growth, you had a -- the EBITDA progression, it's been a bump here.

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**Ernst J. Teunissen** - *TripAdvisor, Inc. - Senior VP, CFO & Treasurer*

Yes. Kevin, I don't want on this call start to fill in the 2019 trajectory and then those longer-term, say, statements. I don't want to provide more precision about what we're thinking for 2020 and 2021 and 2022, as you can imagine. But yes, I think the trends that we -- the very positive trends that we see in Experiences & Dining, we expect those to continue into the years to come. And so we're highly bullish about that business, and we expect that to continue.

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**Operator**

Our last question comes from James Lee from Mizuho Securities.

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**James Lee** - *Mizuho Securities USA LLC, Research Division - MD of Americas Research & Senior Internet Sector Analyst*

I want to focus on the Experiences business over here. Obviously, you guys did a good job ramping up bookable products to 202,000 for this quarter specifically. So I want to know that: Is that -- the increase or the ramp-up seeing, is that due to your automated onboarding process that you implemented earlier? Or is it due to your sales hires? Now in the prior quarter, you talked about expanding sales, right, maybe, locally and internationally. Can you give us a sense of what kind of scale of the sales organization you need to bill? I'm just curious what your peers are at this point in time.

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**Stephen Kaufer** - *TripAdvisor, Inc. - CEO, President & Director*

James, yes, a real kudos to our Experiences sales unit. I'd say it's a real combination of reps targeting the accounts that I think we are best able to serve the technology that's automated the onboarding process, so that both existing suppliers and new ones can just add more of the products that they've been selling, but hadn't bothered to list with us, and the automation to kind of get it all right. It's important I think to note that one of the reasons suppliers are so interested in bringing their products to TripAdvisor is that we already have so much demand on the TripAdvisor points-of-sale globally and the Viator points-of-sale in many parts of the world. So suppliers naturally -- for any category, naturally flock to the channels that they think can drive bookings. And so by making it easy, mostly on the tech side, and by delivering the bookings, that makes for a great combination. Other competitors might be able to work hard, build great tech and make it easy to add the products. It's unclear that they would have the demand footprint that we do, the very long-tail demand footprint of a cooking class in some random part of the world that, yes, TripAdvisor has just because we have close to 0.5 billion travelers on the site each month, et cetera. So that's the part that's probably really hard for anyone else to replicate and part of what makes our ability to grow supply as strong as it is.

It's -- for us, it's a little bit more about improving the conversion on our site, matching the demand to the supply, making more customized, personalized recommendations, helping travelers by 2 things on the trip instead of 1. As we look forward, rather than, "Hey, I need to have 400,000 products instead of 200,000 next year." So we're kind of turning inward to helping our travelers a little bit more now that we already have a pretty comprehensive supply footprint in, not all, but many parts of the world. So I guess, I'm prefacing with the -- and if supply growth isn't doubling, again, next year, that's not really an issue for us. We look at the demand side and the matching side as the more interesting criteria.

**James Lee** - *Mizuho Securities USA LLC, Research Division - MD of Americas Research & Senior Internet Sector Analyst*

And Steve, any color on your sales organization? How you want to expand that? What kind of scale do you need to get there?

**Stephen Kaufer** - *TripAdvisor, Inc. - CEO, President & Director*

In our big markets, I'd say most of the supply, I don't want this to come off as too bullish, but I think a lot of the supply, the new supply, kind of finds us in our big markets. And so we're focused more of our outreach in supply in our APAC markets and working with our suppliers to make sure we're getting the proper products, tour guides that speak all of the different languages that our audience is bringing, not just English, and that sort of thing. So again, I don't want to talk too much about how we've been successful at scaling the supply organization. The numbers speak for themselves nicely. But we're not pulling back by any stretch.

**Operator**

Thank you. This includes our Q&A session. At this time, I'll like to turn the call over to Steve Kaufer, CEO, for closing remarks.

**Stephen Kaufer** - *TripAdvisor, Inc. - CEO, President & Director*

Well, great, thanks, everyone, for joining the call. I want to thank all of the TripAdvisor media group employs around the world for a really nice start to 2019. We're making great progress and have exciting growth opportunities ahead. I look forward to updating everyone on our progress next quarter. So thanks.

**Operator**

Thank you, ladies and gentlemen, for attending today's conference. This concludes the program. You may all disconnect. Good day.