

TripAdvisor Reports Second Quarter 2018 Financial Results

NEEDHAM, MA, August 1, 2018 — TripAdvisor, Inc. (NASDAQ: TRIP) today announced financial results for the second quarter ended June 30, 2018.

“We are pleased with second quarter results and our strong first half of 2018,” said Chief Executive Officer Steve Kaufer. “Operational changes have been taking hold, our product and marketing initiatives continue to align with the needs of consumers and partners alike, while our investments in newer initiatives position our platform for future profitable growth.”

Second Quarter 2018 Summary

(In millions, except percentages and per share amounts)	Three months ended June 30,		% Change
	2018	2017	
Total Revenue	\$ 433	\$ 424	2%
Hotel	\$ 313	\$ 326	(4)%
Non-Hotel	\$ 120	\$ 98	22%
GAAP Net Income	\$ 32	\$ 27	19%
Total Adjusted EBITDA (1)	\$ 109	\$ 101	8%
Hotel	\$ 89	\$ 84	6%
Non-Hotel	\$ 20	\$ 17	18%
Non-GAAP Net Income (1)	\$ 58	\$ 53	9%
Diluted Earnings per Share:			
GAAP	\$ 0.23	\$ 0.19	21%
Non-GAAP (1)	\$ 0.41	\$ 0.38	8%
Cash flow from operating activities	\$ 186	\$ 221	(16)%
Free cash flow (1)	\$ 170	\$ 204	(17)%

(1) “Adjusted EBITDA”, “Non-GAAP Net Income”, “Non-GAAP Diluted Earnings per Share”, and “Free cash flow” are non-GAAP measures as defined by the U.S. Securities and Exchange Commission (the “SEC”). Please refer to “Non-GAAP Financial Measures” below for definitions and explanations of these non-GAAP financial measures, as well as tabular reconciliations to the most directly comparable GAAP financial measures.

“Our business trends have strengthened since the beginning of the year,” added Chief Financial Officer Ernst Teunissen. “Optimizing our marketing mix has successfully stabilized Hotel segment profit and our first half results and recent performance make us incrementally confident in our expectation of adjusted EBITDA growth this year.”

Second Quarter 2018 Operational and Financial Highlights

- User reviews and opinions grew 24% year-over-year and reached 661 million at June 30, 2018, covering approximately 7.7 million places to stay, places to eat and things to do – including 1.2 million hotels, inns, B&Bs and specialty lodging, 855,000 rental properties, 4.7 million restaurants and 975,000 travel activities and experiences worldwide.
- Average monthly unique visitors on TripAdvisor-branded websites and apps reached 456 million*, up 10% year-over year and average monthly unique hotel shoppers decreased by 3% to approximately 149 million, primarily due to our ongoing initiative to operate our paid online marketing channels to improved profitability levels.
- Bookable Experiences products grew by 98% year-over-year to 121,000.
- Total Revenue was \$433 million, an increase of \$9 million, or 2% year-over-year. Total Adjusted EBITDA was \$109 million, an increase of \$8 million, or 8% year-over-year. We estimate that changes in foreign currency had a 2% and 5% positive impact to our Total Revenue and Total Adjusted EBITDA, respectively.
- Hotel Revenue was \$313 million, a decrease of \$13 million, or 4% year-over-year. Hotel Adjusted EBITDA was \$89 million, an increase of \$5 million, or 6% year-over-year, and Hotel Adjusted EBITDA margin improved to 28%.
- Non-Hotel Revenue was \$120 million, an increase of \$22 million, or 22% year-over-year despite a difficult year-over-year growth comparison, driven by growth in Experiences and Restaurants. Non-Hotel Adjusted EBITDA was \$20 million, an increase of \$3 million, or 18% year-over-year.

- During the six months ended June 30, 2018, we repurchased approximately 2.6 million shares of TripAdvisor outstanding common stock for \$100 million at an average price of \$38.73 per share. This includes \$90 million that was allocated during the second quarter 2018 to repurchase approximately 2.3 million shares of outstanding common stock at an average price of \$38.60 per share. \$150 million remains available under the share repurchase program authorized in January 2018 by TripAdvisor's Board of Directors.
- Cash, cash equivalents and available-for-sale marketable securities was \$680 million, with no outstanding debt as of June 30, 2018.

Second Quarter 2018 Revenue by Product/Source:

(In millions, except percentages)	Three months ended June 30,		% Change
	2018	2017	
Revenue by Source:			
Hotel			
TripAdvisor-branded click-based and transaction (1)	\$ 199	\$ 214	(7)%
TripAdvisor-branded display-based advertising and subscription (2)	80	74	8%
Other hotel revenue (3)	34	38	(11)%
Non-Hotel	120	98	22%
Total Revenue	\$ 433	\$ 424	2%

- (1) Consists primarily of click-based advertising revenue, from TripAdvisor-branded websites, as well as transaction-based revenue from instant booking.
- (2) Includes revenue from display-based advertising and subscription-based hotel advertising revenue on TripAdvisor-branded sites.
- (3) Includes revenue from non-TripAdvisor-branded websites, including primarily click-based advertising revenue and display-based advertising revenue generated through these websites.

Conference Call

TripAdvisor posted prepared remarks and supplemental financial information on the Investor Relations section of TripAdvisor's website at <http://ir.tripadvisor.com>. TripAdvisor will host a conference call tomorrow, August 2, 2018, at 8:30 a.m., Eastern Time, to discuss TripAdvisor's second quarter 2018 operating results, as well as other forward-looking information about TripAdvisor's business. Domestic callers may access the earnings conference call by dialing (877) 224-9081 (International callers, dial (224) 357-2223). Investors and other interested parties may also go to the Investor Relations section of TripAdvisor's website at <http://ir.tripadvisor.com/events.cfm> for a live webcast of the conference call. Please access the website at least 15 minutes prior to the call to register, download, and install any necessary audio software. A replay of the conference call will be available on TripAdvisor's website noted above or by phone (dial (855) 859-2056 and enter the passcode 9064129) until August 9, 2018 and the webcast will be accessible at <http://ir.tripadvisor.com/events.cfm> for at least twelve months following the conference call.

About TripAdvisor

TripAdvisor, the world's largest travel site**, enables travelers to unleash the full potential of every trip. With approximately 661 million reviews and opinions covering the world's largest selection of travel listings worldwide – covering approximately 7.7 million accommodations, airlines, experiences, and restaurants -- TripAdvisor provides travelers with the wisdom of the crowds to help them decide where to stay, how to fly, what to do and where to eat. TripAdvisor also compares prices from more than 200 hotel booking sites so travelers can find the lowest price on the hotel that's right for them. TripAdvisor-branded sites are available in 49 markets, and are home to the world's largest travel community of 456 million average monthly unique visitors*, all looking to get the most out of every trip. TripAdvisor: Know better. Book better. Go better.

TripAdvisor, Inc. (NASDAQ: TRIP), through its subsidiaries, manages and operates websites under more than 20 other travel media brands: www.airfarewatchdog.com, www.bokun.io, www.bookingbuddy.com, www.citymaps.com, www.cruise critic.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.

* 2018 Source: TripAdvisor log files, average monthly unique visitors, Q2 2018

** Source: comScore Media Metrix for TripAdvisor Sites, worldwide, November 2017

TripAdvisor, Inc.
SELECTED FINANCIAL INFORMATION
Condensed Consolidated Statements of Operations
(in millions, except per share amounts)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Revenue	\$ 433	\$ 424	\$ 811	\$ 796
Costs and expenses:				
Cost of revenue	24	20	44	37
Selling and marketing (1)	217	229	416	436
Technology and content (1)	68	64	135	123
General and administrative (1)	46	38	88	73
Depreciation	21	19	41	38
Amortization of intangible assets	8	8	16	16
Total costs and expenses	384	378	740	723
Operating income	49	46	71	73
Total other income (expense), net	(7)	(2)	(8)	(4)
Income before income taxes	42	44	63	69
Provision for income taxes	(10)	(17)	(27)	(29)
Net income	<u>\$ 32</u>	<u>\$ 27</u>	<u>\$ 36</u>	<u>\$ 40</u>

Earnings per share attributable to common stockholders:

Basic	<u>\$ 0.23</u>	<u>\$ 0.19</u>	<u>\$ 0.26</u>	<u>\$ 0.28</u>
Diluted	<u>\$ 0.23</u>	<u>\$ 0.19</u>	<u>\$ 0.26</u>	<u>\$ 0.28</u>

Weighted average common shares outstanding:

Basic	138	140	139	142
Diluted	140	141	140	143

(1) Includes stock-based compensation expense as follows:

Selling and marketing	\$ 5	\$ 6	\$ 11	\$ 11
Technology and content	\$ 13	\$ 13	\$ 26	\$ 20
General and administrative	\$ 13	\$ 9	\$ 24	\$ 16

TripAdvisor, Inc.
Condensed Consolidated Balance Sheets
(in millions, except number of shares and per share amounts)
(Unaudited)

	June 30, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 666	\$ 673
Short-term marketable securities	12	35
Accounts receivable and contract assets, net of allowance for doubtful accounts of \$18 and \$16, respectively	300	230
Prepaid expenses and other current assets	62	55
Total current assets	1,040	993
Long-term marketable securities	2	27
Property and equipment, net of accumulated depreciation of \$216 and \$177, respectively	258	263
Intangible assets, net of accumulated amortization of \$124 and \$112, respectively	138	142
Goodwill	763	758
Deferred income taxes, net	21	16
Other long-term assets	82	73
TOTAL ASSETS	\$ 2,304	\$ 2,272
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 10	\$ 8
Deferred merchant payables	354	156
Deferred revenue	104	60
Current portion of debt	-	7
Accrued expenses and other current liabilities	163	141
Total current liabilities	631	372
Long-term debt	-	230
Deferred income taxes, net	19	14
Other long-term liabilities	307	293
Total Liabilities	957	909
Stockholders' equity:		
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: 136,778,032 and 135,617,263, respectively		
Shares outstanding: 124,721,344 and 126,142,773, 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	979	926
Retained earnings	966	926
Accumulated other comprehensive income (loss)	(51)	(42)
Treasury stock-common stock, at cost, 12,056,688 and 9,474,490 shares, respectively	(547)	(447)
Total Stockholders' Equity	1,347	1,363
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 2,304	\$ 2,272

TripAdvisor, Inc.
Condensed Consolidated Statements of Cash Flows
(in millions)
(Unaudited)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 30,</u> <u>2018</u>	<u>June 30,</u> <u>2017</u>	<u>June 30,</u> <u>2018</u>	<u>June 30,</u> <u>2017</u>
Operating activities:				
Net income	\$ 32	\$ 27	\$ 36	\$ 40
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation of property and equipment, including amortization of internal-use software and website development	21	19	41	38
Amortization of intangible assets	8	8	16	16
Stock-based compensation expense	31	28	61	47
Other, net	8	(8)	8	(2)
Changes in operating assets and liabilities, net of effects from acquisitions	86	147	198	216
Net cash provided by operating activities	186	221	360	355
Investing activities:				
Capital expenditures, including internal-use software and website development	(16)	(17)	(31)	(35)
Purchases of marketable securities	-	(7)	(1)	(7)
Sales of marketable securities	3	1	45	103
Maturities of marketable securities	3	3	5	17
Acquisitions and other investments, net of cash acquired	(23)	-	(23)	-
Net cash (used in) provided by investing activities	(33)	(20)	(5)	78
Financing activities:				
Repurchase of common stock	(96)	(100)	(100)	(250)
Proceeds from 2015 credit facility, net of financing costs	-	103	5	373
Payments to 2015 credit facility	-	(55)	(235)	(206)
Payments to 2016 credit facility	-	-	-	(73)
Proceeds from Chinese credit facilities	2	-	2	-
Payments to Chinese credit facilities	(10)	-	(10)	-
Proceeds from exercise of stock options	3	-	3	3
Payment of withholding taxes on net share settlements of equity awards	(6)	(1)	(18)	(14)
Net cash used in financing activities	(107)	(53)	(353)	(167)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(15)	8	(9)	9
Net increase (decrease) in cash, cash equivalents and restricted cash	31	156	(7)	275
Cash, cash equivalents and restricted cash at beginning of period	635	731	673	612
Cash, cash equivalents and restricted cash at end of period	<u>\$ 666</u>	<u>\$ 887</u>	<u>\$ 666</u>	<u>\$ 887</u>

TripAdvisor, Inc.
Segment Information
(in millions, except percentages)
(Unaudited)

	Three Months Ended		
	June 30, 2018	June 30, 2017	% Change
Revenue:			
Hotel	\$ 313	\$ 326	(4)%
Non-Hotel	120	98	22%
Consolidated revenue	<u>\$ 433</u>	<u>\$ 424</u>	2%
Adjusted EBITDA (1):			
Hotel	\$ 89	\$ 84	6%
Non-Hotel	20	17	18%
Total Adjusted EBITDA	<u>\$ 109</u>	<u>\$ 101</u>	8%
Adjusted EBITDA Margin (1):			
Hotel	28%	26%	
Non-Hotel	17%	17%	
Total Adjusted EBITDA Margin	25%	24%	
Net Income (2)	\$ 32	\$ 27	
Net Income Margin	7%	6%	

	Six Months Ended		
	June 30, 2018	June 30, 2017	% Change
Revenue:			
Hotel	\$ 612	\$ 640	(4)%
Non-Hotel	199	156	28%
Consolidated revenue	<u>\$ 811</u>	<u>\$ 796</u>	2%
Adjusted EBITDA (1):			
Hotel	\$ 177	\$ 172	3%
Non-Hotel	12	2	500%
Total Adjusted EBITDA	<u>\$ 189</u>	<u>\$ 174</u>	9%
Adjusted EBITDA Margin (1):			
Hotel	29%	27%	
Non-Hotel	6%	1%	
Total Adjusted EBITDA Margin	23%	22%	
Net Income (2)	\$ 36	\$ 40	
Net Income Margin	4%	5%	

(1) Please refer to "Non-GAAP Financial Measures" below for definitions of these non-GAAP financial measures, as well as reconciliations to the most directly comparable GAAP measure.

(2) This amount reflects our consolidated GAAP net income for the periods presented. TripAdvisor does not calculate or report net income by segment.

Non-GAAP Financial Measures

To supplement our unaudited condensed consolidated financial statements, which are prepared and presented in accordance with GAAP in our press release and related conference call or webcast, we also report certain non-GAAP financial measures. 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 GAAP in such company’s financial statements. We may use the following non-GAAP measures: Adjusted EBITDA, Adjusted EBITDA margin, non-GAAP net income, non-GAAP net income per diluted share, free cash flow, non-GAAP revenue before effects of foreign exchange, and Adjusted EBITDA before effects of foreign exchange.

The presentation of these financial measures is not intended to be considered in isolation or as a substitute for, or superior to, financial information prepared and presented in accordance with GAAP and should not be considered measures of TripAdvisor’s liquidity. Investors are cautioned that there are material limitations associated with the use of non-GAAP financial measures as an analytical tool. In particular, many of the adjustments to our GAAP financial measures reflect the exclusion of certain items, as defined in our non-GAAP definitions below, which are recurring and will be reflected in our financial results for the foreseeable future. In addition, these measures may be different from non-GAAP financial measures used by other companies, even where similarly titled, limiting their usefulness for comparison purposes and therefore should not be used to compare TripAdvisor’s performance to that of other companies. We endeavor to compensate for the limitation of the non-GAAP financial measures presented by also providing the most directly comparable GAAP measures and descriptions of the reconciling items and adjustments to derive the non-GAAP financial measures.

We believe these non-GAAP financial measures provide investors and analysts with useful supplemental information about the financial performance of our business, enable comparison of financial results between periods where certain items may vary independent of business performance, and allow for greater transparency with respect to key measures used by management to operate and analyze our business over different periods of time.

We define our non-GAAP financial measures as below:

TripAdvisor defines “Adjusted EBITDA” as Net Income 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 assets and intangible asset impairments; and (7) other non-recurring expenses and income. These items are excluded from our Adjusted EBITDA measure because these items are noncash in nature, or because the amount is not driven by core operating results and renders comparisons with prior periods less meaningful.

TripAdvisor defines “Adjusted EBITDA margin” as Adjusted EBITDA divided by revenue.

Adjusted EBITDA and Adjusted EBITDA margin are key measures used by our management and board of directors to understand and evaluate the operating performance of our business, as a whole and our individual business segments, 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 and Adjusted EBITDA margin provide useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and Board of Directors and allows for another useful comparison of our performance with our historical results from prior periods.

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.

TripAdvisor defines “non-GAAP net income” as GAAP net income excluding, net of their related tax effects (which excludes the impact of significant one time changes resulting from tax legislation such as the 2017 Tax Act): (1) stock-based compensation expense and other stock-settled obligations; (2) amortization of intangible assets; (3) goodwill, intangible assets, and other long-lived asset impairments; and (4) certain gains, losses, and other non-recurring income or expenses that we do not believe are indicative of our ongoing operating results. We believe non-GAAP net income is an operating performance measure which provides investors and analysts with useful supplemental information about the financial performance of our business, as it incorporates our unaudited condensed consolidated statement of operations, taking into account depreciation, which management believes is an ongoing cost of doing business, but excluding the impact of certain expenses, infrequently occurring items and items not directly tied to the core operations of our businesses, and also enables comparison of financial results between periods where certain items may vary independent of business performance.

TripAdvisor defines “non-GAAP net income per diluted share”, or non-GAAP diluted EPS, as non-GAAP net income divided by GAAP diluted shares. We believe non-GAAP diluted EPS is useful to investors because it represents, on a per share basis, our unaudited condensed consolidated statement of operations, taking into account depreciation, which we believe is an ongoing cost of doing business, as well as other items which are not allocated to the operating businesses such as interest expense, interest income, income taxes and foreign exchange gains or losses, but excluding the effects of certain expenses not directly tied to the core operations of our businesses. During the second quarter of 2016, TripAdvisor began calculating non-GAAP net income per diluted share using GAAP diluted shares determined under the treasury stock method. This change did not have a material effect on our previously reported non-GAAP EPS calculations in prior periods.

Non-GAAP net income and non-GAAP diluted EPS have some of the same limitations as Adjusted EBITDA. In addition, non-GAAP net income does not include all items that affect our net income and GAAP diluted EPS for the period. Therefore, we think it is important to evaluate these measures along with our unaudited condensed consolidated statements of operations.

TripAdvisor defines “free cash flow” as net cash provided by operating activities less capital expenditures, which are purchases of property and equipment, including capitalization of internal-use software development costs. We believe this financial measure can provide useful supplemental information to help investors better understand underlying trends in our business, as it represents the operating cash flow that our operating businesses generate, less capital expenditures but before taking into account other cash movements that are not directly tied to the core operations of our businesses, such as financing activities, foreign exchange or certain investing activities. Free cash flow has certain limitations in that it does not represent the total increase or decrease in the cash balance for the period, nor does it represent the residual cash flow for discretionary expenditures. Therefore, it is important to evaluate free cash flow along with the unaudited condensed consolidated statements of cash flows.

TripAdvisor calculates our foreign exchange effect of revenue, or “non-GAAP revenue before effects of foreign exchange” on a constant currency basis by excluding the estimated effects of foreign currency exchange on revenue by translating actual revenue for the current year three months ended using the prior period foreign currency exchange rates. We believe this is a useful measure that facilitates management's internal comparison to our historical performance because it excludes the effects of foreign currency volatility that is not indicative of our core operating results.

TripAdvisor calculates our foreign exchange effect of Adjusted EBITDA, or “Adjusted EBITDA before effects of foreign exchange,” on a constant currency basis, by excluding the estimated effects of foreign currency exchange by translating all amounts included in Adjusted EBITDA for the current year three months ended using the prior period foreign currency exchange rates. We believe this is a useful measure that facilitates management's internal comparison to our historical performance because it excludes the effects of foreign currency volatility that is not indicative of our core operating results.

Pursuant to the requirements of Regulation G, we present reconciliations of these non-GAAP financial measures to the most directly comparable GAAP measure below.

TripAdvisor, Inc.
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES
(in millions, except per share amounts and percentages)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Reconciliation of GAAP Net Income to Adjusted EBITDA (Non-GAAP):				
GAAP Net Income	\$ 32	\$ 27	\$ 36	\$ 40
Add: Provision for income taxes	10	17	27	29
Add: Other expense (income), net	7	2	8	4
Add: Depreciation and amortization of intangible assets	29	27	57	54
Add: Stock-based compensation	31	28	61	47
Adjusted EBITDA (Non-GAAP)	<u>\$ 109</u>	<u>\$ 101</u>	<u>\$ 189</u>	<u>\$ 174</u>
Revenue (GAAP)	\$ 433	\$ 424	\$ 811	\$ 796
Net Income margin (GAAP)	7%	6%	4%	5%
Adjusted EBITDA margin (Non-GAAP) (1)	25%	24%	23%	22%
Reconciliation from GAAP Net Income and GAAP Net Income per diluted share to Non-GAAP net income and Non-GAAP net income per diluted share:				
GAAP Net Income	\$ 32	\$ 27	\$ 36	\$ 40
Add: Stock-based compensation expense	31	28	61	47
Add: Amortization of intangible assets	8	8	16	16
Subtract: Income tax effect of Non-GAAP adjustments (2)	8	10	13	15
Add: Income tax impact related to 2017 Tax Cuts and Job Act (3)	(5)	-	-	-
Non-GAAP net income	<u>\$ 58</u>	<u>\$ 53</u>	<u>\$ 100</u>	<u>\$ 88</u>
GAAP diluted shares	140	141	140	143
GAAP Net Income per diluted share	\$ 0.23	\$ 0.19	\$ 0.26	\$ 0.28
Non-GAAP net income per diluted share (4)	0.41	0.38	0.71	0.62
Reconciliation of GAAP cash flows from operating activities to Free Cash Flow (Non-GAAP):				
Net cash provided by operating activities (GAAP)	\$ 186	\$ 221	\$ 360	\$ 355
Subtract: Capital expenditures	16	17	31	35
Free cash flow (Non-GAAP)	<u>\$ 170</u>	<u>\$ 204</u>	<u>\$ 329</u>	<u>\$ 320</u>
Revenue Before Effects of Foreign Exchange:				
Total Revenue (GAAP)	\$ 433	\$ 424		
Estimated effects of foreign exchange	(11)			
Total revenue before effects of foreign exchange (Non-GAAP)	<u>\$ 422</u>			
<i>Year/Year Growth (5)</i>		(0)%		
Adjusted EBITDA Before Effects of Foreign Exchange:				
Total Adjusted EBITDA (Non-GAAP)	\$ 109	\$ 101		
Estimated effects of foreign exchange	(5)			
Total Adjusted EBITDA before effects of foreign exchange (Non-GAAP)	<u>\$ 104</u>			
<i>Year/Year Growth (5)</i>		3%		

- (1) TripAdvisor defines “Adjusted EBITDA margin” as Adjusted EBITDA divided by revenue.
- (2) The non-GAAP adjustments described above are reported on a pre-tax basis. The income tax effect on non-GAAP adjustments was calculated based on the individual impact that these items had on our GAAP consolidated income tax expense for the periods presented.
- (3) Represents a benefit for income taxes related to the 2017 Tax Act Transition Tax of \$5 million recorded during the three months ended June 30, 2018 and a \$0 net impact on income taxes during the six months ended June 30, 2018.
- (4) TripAdvisor defines “non-GAAP net income per diluted share” as non-GAAP net income divided by GAAP diluted shares.
- (5) Represents constant currency growth, as a percentage, which is calculated by determining the change in current period revenues and Adjusted EBITDA figures over prior period revenues and Adjusted EBITDA figures, where current period figures are translated using prior period foreign currency exchange rates.

Safe Harbor Statement

Statements in this press release regarding management's future expectations, beliefs, intentions, goals, strategies, plans or prospects, including, without limitation, statements relating to TripAdvisor's future financial performance on both a GAAP and non-GAAP basis, and TripAdvisor's prospects as a comprehensive destination for hotels, experiences, and restaurants, may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and other federal securities laws. Forward-looking statements can be identified by terminology such as "anticipate," "believe," "could," "could increase the likelihood," "estimate," "expect," "intend," "is planned," "may," "should," "will," "will enable," "would be expected," "look forward," "may provide," "would" or similar terms, variations of such terms or the negative of those terms. Investors are cautioned that statements in this press release, which are not strictly historical statements, including, without limitation, statements by our executive officers with respect to growth objectives, strategic investments, and statements regarding management's plans, objectives and strategies, constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors including those risks, uncertainties and factors detailed in TripAdvisor's filings with the SEC. As a result of such risks, uncertainties and factors, TripAdvisor's actual results may differ materially from any future results, performance or achievements discussed in or implied by the forward-looking statements contained herein. TripAdvisor is providing the information in this press release as of this date and assumes no obligations to update the information included in this press release or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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