

THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

TRIP - TripAdvisor Inc at Deutsche Bank Media and Telecom Conference

EVENT DATE/TIME: MARCH 11, 2019 / 7:00PM GMT



MARCH 11, 2019 / 7:00PM, TRIP - TripAdvisor Inc at Deutsche Bank Media and Telecom Conference

CORPORATE PARTICIPANTS

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

CONFERENCE CALL PARTICIPANTS

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

PRESENTATION

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

All right, we're going to go ahead and get started here. I'm Lloyd Walmsley, great to have you guys here at the Breakers. We are going to get started with TripAdvisor, excited to have Ernst Teunissen here, CFO of TripAdvisor. Ernst, thanks for being here. Great to have you.

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

Thank you.

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

Yes, that's right. And yes, so I would do some questions and then encourage you guys to ask some questions once we're through a little bit of the stuff we prepared.

QUESTIONS AND ANSWERS

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

And I'll kick it off with just the Hotel segment. You've gotten that business, kind of, in the fourth quarter back to growth on a constant-currency basis. How should we think about that segment in 2019, particularly in the second half?

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

Yes. Well, maybe to take a step back, 2018, pretty good year for us. And so we feel that we've had -- among our different initiatives, we've had some really tangible great execution progress. And Hotel, which is start of your question, really was one of them. In the Hotel business, we came back to very, very solid new EBITDA growth, and we achieved 700 basis points of margin improvement in Hotel.

And this was off the back of more than a year, almost 2 years of work on the product, really making the product much better for price comparison. We've done a lot work on that. 1.5 years of work on brand advertising. Cementing in the minds of our users, the TripAdvisor users, the notion that we are not only good at finding you the best hotel, but we're also very good at finding you the best price, that's really paid off. And so what you see in combination with the significant margin improvement, we've improved a number of bookings we're able to deliver to our partners. And you saw at the back half of the year, so a very impressive revenue per shopper improvement. So we feel very good about where we are in the evolution of that business. It feels like a much healthier business and our outlook for that business is strong. We're going to be lapping through all those marketing efficiency initiatives that we've undertaken towards the end of the year. And by that moment, we're set up very nicely, and we're targeting continued growth there. On the back of the auction but also our B2B products that we've been rolling in the year. And so as I look at, sort of, this year 2019, yes, especially towards the end of the year, when we're starting to lapse some of these marketing efficiency improvements that we've reached this year. We're going to be in a good healthy position to grow from there in 2020. And along the way, we'll pick up some more profitability in that business too. So we expect our margin in the Hotel business to improve in 2019 on the back of year-over-year efficiency improvements



MARCH 11, 2019 / 7:00PM, TRIP - TripAdvisor Inc at Deutsche Bank Media and Telecom Conference

versus last year. We started to improve last year. We are pretty far along right now, not necessarily more efficiency but we're year-over-year. Especially in the front half, we have some nice tailwinds from there.

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

So as you guys pick up some profitability, you've done a good job also getting -- engaging consumers to shop. How do you think about potentially going back into, kind of, reinvesting a little bit in performance spend, once you're through these comps as unit economics get better?

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

Yes, there are 2 critical components in deciding how much you can and want to spend on performance marketing. One is the efficiency levels you want to achieve, that I was just saying, we feel we're in good place right now. And then it's just the monetization you have for shoppers. So if we can continue solid improvements in bookings per shopper for our partners that will mean that we can spend more on acquiring those customers. So after we reset the level towards the end of the year, we are hopefully in a position to start doing that again.

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

Okay. And then a lot of focus on the hotel shopper metric, and can you get that back in the growth? And as part of that would be -- maybe you can help explain some of the puts and takes of it may be, sort of, artificially weighing on that metric?

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

Yes. There's a lot of focus on it in the near term. But let me just say 2018 shoppers were down because we reset the efficiency in our marketing. So because we pulled back our marketing, the shopper came down, that was the reason. As I said, we're going to be lapping through that toward the end of the year.

And so in the near term, yes, there's a hotel shopper headwind but it's a near-term phenomenon and in the meantime, we're picking up very nice margins. So for the long-term, this doesn't concern me. So for the long-term, we're looking at growing the Hotel business. And then how some of the moving pieces are interrelated, we introduced a New TripAdvisor towards the end of last year. We're engaging our members more, we're creating more membership on just providing more engaging content. We are the platform to go to, to find immersive travel content. Just by opening up that platform to outside brands, to opinion leaders, to more social interaction, we believe we can really stimulate the repeat rates and the engagement rates of our members. That will have a positive impact more broadly on TripAdvisor platform and our media revenue opportunity, but it will radiate into the vertical. So it will help our Hotel business and get more traffic onto the Hotel pages as well.

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

Okay. Looking at the sponsored listings product, that would seem like a good opportunity to monetize higher up in the funnel. What have you heard from hoteliers in that product? And what are the key elements to really scaling up that revenue stream?

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

Yes. It's been a very effective product and our hoteliers really like it. We introduced it just 3 months earlier on the restaurant side as well. And on the restaurant side, the same impact. And so what you see with independent hoteliers, they don't have a really a way to play on TripAdvisor and bid in the auction, for instance, they're just too small for that. And so we are now giving them an opportunity to be better found on TripAdvisor, get that sponsored link at the top and that's a new tool that they didn't have before that's proven very popular. I mean, it's now they have an ability throughout the year or different parts of the year when they most wanted to tip the scales in their favor, in their particular geography. And so it's



MARCH 11, 2019 / 7:00PM, TRIP - TripAdvisor Inc at Deutsche Bank Media and Telecom Conference

a good product, it's grown very nicely throughout 2018. We're looking at expanding that in 2019. There are potentially other products we can put on top of that. It's only one way, how we feel we think we can help hoteliers. But there's -- across the platform, B2B is a renewed focus all of a sudden.

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

Yes, and you guys have alluded to that before, there might be other products. Any kind of examples of what might make sense for you guys?

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

Yes, we'll communicate as we go along. For now, there's significant legs still too be added in sponsor placements. We're very focused on that between both categories but some ideas about what else there could be.

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

Yes, okay. So on earnings call, you guys mentioned, kind of, keeping an eye on Europe, one of your large partners has been more vocal about softness over there. So any update in terms of macro or kind of, what you're seeing in there?

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

Not really. I mean, we look at all the signals that we're seeing about the global travel market, and we think it's robust, and so the indicator seems to be good, economy seems to be holding up for now. And so we look at the year and we believe there's a robust travel market. What our partners see we typically see as well. So we did see that the U.S. was up to a more robust start, partly that is currency. I mean, if you look at the euro and pound year-over-year right now, we're lapping into a strong euro and pound a year ago and a weaker right now. That's going to start abating as we enter May. But yes, but across the meta -- across the sort of the macro platform we think we're looking at a robust travel market. We are a global company. We're in multiple places and so we look with optimism to the year ahead.

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

Okay. And then -- same partner also leaning back in the growth. It sounds like you've talked about auction stability for much of the last year. Any real changes in auction dynamics? Perhaps getting -- seeing some tightness in auctions?

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

Yes. Of course. Different partners leaning in for growth is -- would be a good thing for TripAdvisor. The best thing we can do, and we're very focused on that is to continue to make sure that we pass on the best leads for our partners. And that's our #1 focus. That's within our control and we're focused on that. And should have be the case that a partner start to lean in that would be a good thing, obviously, for TripAdvisor.

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

It's a good segue. Airbnb last week announced plans to acquire HotelTonight

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

Yes, saw that.

MARCH 11, 2019 / 7:00PM, TRIP - TripAdvisor Inc at Deutsche Bank Media and Telecom Conference

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

Clearly, they seem to be making more of a focus on a broader package, including more of a focus on hotel. Curious has Hotel Tonight been much of a better in metasearch auctions? It seem like if you have another better it could really help. Any, kind of, thoughts on that acquisition or how it could impact auctions?

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

Yes -- so narrowly, yes, Hotel Tonight has been in our auction. It's not a large player in our auction but it has been in our auction. Look, I don't know exactly what this means for Airbnb's plans on the hotel's side. Obviously, better to ask them. But I'll make the obvious observation that if that were to lead to more of an investment behind Hotel Tonight and including in our auction that would be good thing for us.

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

Great. Okay. Shifting gears to the non-Hotel side. You've been accelerating revenue growth in attractions. And surprisingly to me, core TripAdvisor is not yet the largest source of bookings, I think, Viator itself is still the largest. So curious, what is it that's holding Core TripAdvisor back from being just a mega-channel that's multiple times the size of Viator?

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

And it will be. It's going very quickly, fortunately, Viator is growing too. So this is a young market and the brand Viator is growing and TripAdvisor is growing faster than Viator. But it's still not as large, but it's catching up. And so those lines will cross at some point. And I agree with you, Lloyd, we look at this for the long-term and we're saying, yes, long-term, the real potential for experiences lies with TripAdvisor, that's why we talk about TripAdvisor context so much. We have shown some really nice advantages in the natural demand. We have the "things to do" on our TripAdvisor website, which is more difficult to replicate for any pure-play brand like Viator or any other brand that is out there. And so we're investing significantly behind that and I agree with you that will be our long-term path.

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

Okay. And how do you guys strike the balance in that segment between growth and profitability?

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

Very much focused on growth, not necessarily like only near-term revenue growth. Yes, also near-term revenue growth. But particularly like how do we build the platform? How do we get the supply? And that's why we've been publishing things like 90% growth rate on our bookable products. How do we build a platform that is scalable over time that allows us to get more and more suppliers even further down the tail on very efficiently. So a lot of investment is going into positioning us well for that long term. That's really the focus. We've given different focus than we have on our hotel business, where we are much more focused on growing the profit pool with that revenue but the profit pool is an important metric for us. And so between those 2 things, we've given our outlook for the year of double-digit growth. But on the non-Hotel side, particularly focused on growing the platform. Not so much focused on growing profit.

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

Okay, okay. And then you all have -- part of the reason I would imagine Viator has been able to grow is you have putting market behind that business. Is that something that can scale putting performance spend behind that? And how do you think about the Hotel performance versus non-Hotel performance spend, at some point should we think about overall performance growing on account of Non-Hotel?

MARCH 11, 2019 / 7:00PM, TRIP - TripAdvisor Inc at Deutsche Bank Media and Telecom Conference

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

Yes. So performance marketing is a solid leader for experiences, and so we're this year, again, spending our spend significantly in performance marketing. And so it's a channel that works for us in that area. We look at that very similarly as we look on the hotel side. We look at, hey, what is our expected value of our shopper that we get on near-term, and what's the lifetime value that we have for the shopper over the long term. And so we see a very good opportunity to invest in that. Should you start to look at them very equally overtime? Yes, probably at some point. But in the near term there's a big flywheel that we're generating on the experience side with -- also with the performance marketing which is somewhat different from our hotel dynamics.

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

Okay. And looking at attractions and I guess restaurants as well. When you look out, is there a different margin profile, a similar margin profile at the core Hotel side? And what will it take to get those margins up to scale?

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

Yes. We think the profit potential is very similar to what our Hotel business is. We said before that for our whole business we think sort of, an intermediate goal is mid- to high 20s margins. Well, actually we did 26% margin last year already, we're at 31% margin in our Hotel business, 14% in our Non-Hotel business, clearly, that Non-Hotel business, is a lot of investment going in to. We think that business could have a very similar margin profile as the Hotel business long-term. We look at the structure of the P&L, it's comparable. And so that's what we think we can do. And one of the reasons why we're investing behind this business is because we can see that this can be our experiences business, \$1 billion revenue-plus business for us over time, and we can see it can have that kind of margin. So it would not be the right move to move to higher margins early. We really need to capitalize on this market opportunity and that's what we're doing.

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

All right. On the brand advertising side, you kind of gotten that up to a pretty healthy level, you said it's going to be flattish this year. How are you guys being able to measure it? Do you feel pretty good about the performance and your ability to measure that performance?

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

Yes. It's done well. It's really been effective at delivering that message for 18 months now in a row about our -- to our users about TripAdvisor Hotel as really great price comparison tool. And that's worked combined with the product changes, it's good. We're measuring and we're triangulating ROAS on TV in numbers way, still improving. And it's been a very important brand message. We're going to spend about the same time, same amount of money this year. We're going to get a little bit more bang for the buck for 1x1 on dollars because we're building the brand equity still. And we're going to use some of that to diversify the message. So obviously, the value prop of TripAdvisor is not about hotel price comparison, the value prop is much broader. And so we're going to broaden the message out to include experiences, other aspects of it but with the same overall plan budget. Last year it was \$114 million or roughly the same type of thing.

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

When you look at your user base, historically, do you see a lot of people who are hotel shoppers also using a lot of different things across the site? Is that something that's fairly common in your user base? Or is that something you'll have to continue to message and it's traditionally more siloed?



MARCH 11, 2019 / 7:00PM, TRIP - TripAdvisor Inc at Deutsche Bank Media and Telecom Conference

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

It's very varied. We have users that indeed use us for almost everything. We have users that use us for specific use-case for hotels, for restaurants or for things to do. And so there's definitely an opportunity to keep holding that message of, if you use this for one thing, use this across. There's also an opportunity over time to much more manage the information flow across the journey than we have done in the past. And the reason why we set up this Core Ex unit, and why we have this great executive, Lindsay Nelson joined us to spearhead this. Can we look much more holistically about what is the path someone goes to, when they book travel, and when they engage with TripAdvisor, and how can we make sure we shepherd them along on that journey, and how can we make sure that we are with you at the beginning, and then when you're in destination as well. And so there's more to be done there for sure.

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

Okay. You recently rolled out the, kind of, New TripAdvisor experience. What kind of engagement are you guys seeing there with users in terms of percent of your ways adopting or time spent? Anything you can share?

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

Yes. It's early days we just rolled it out. But yes, we are seeing what we expected that to see. It's like, it helps with the membership -- increasing your membership count. It helps with how engaged are the people that are exposed to that versus the ones that are not using it, and what's the difference in how frequently they come to the site. So we see all of that happening, so it's all good. It's a little early to start sharing statistics about it -- we just launched it.

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

Yes, okay. And you recently, I think, this morning announced a new head of the Hotel segment. Any -- give us a little bit of background on that.

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

Yes. We hired Kanika Soni, an executive from Disney and very excited about her. We hired her to run what we call our Hotel business, business unit, which is the auction as well as the B2B business. Very experienced executive, who's going to bring in a lot of experience around e-commerce, and how to build a great user experience on e-commerce platform. And we're excited to have her join the team, and we think this really nicely rounds out our executive team now, in addition to Lindsay, that we hired before.

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

All right. I want to go to the audience to see if anybody has any questions out there. If you do, just raise your hand, and we can get a mic to you. I'll keep going in the meantime. You guys have talked about potential resegmentation. Can you talk a little bit about some of your latest thoughts here? What you're kicking around? And then what, kind of, timing we should think about?

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

Yes. And so we have -- we talked about this on our last earnings call. We have increasingly internally looked at our Hotel business as well as what we call our Core Experience business is sort of our mothership around TripAdvisor. And making sure that we highlight the -- both the profit potential, the significant revenue potential we see in there. And on the other hand, talking about our high-growth businesses, our experiences and restaurant businesses where we are investing. So we look at those business differently, and you've heard us talk about that. And we want to bring these out a little bit more cleanly. And so right now there are some other businesses in those segments that are not quite that story. We have the Other Hotel line in our Hotel segment that is not a focal point in our strategy. We have parts of our Non-Hotel business or rental business that is not growing



MARCH 11, 2019 / 7:00PM, TRIP - TripAdvisor Inc at Deutsche Bank Media and Telecom Conference

as fast, and so we're considering some options of breaking it out a little bit more cleanly for ourselves and for all of you who really see what's going on and how our investment choices are different. And we're working through that and hopefully can come to a resolution soon.

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

Okay, okay. What -- if you -- you talked -- you've been talking to a lot of investors today at -- on the conference circuit. What do you think is the most misunderstood or underappreciated aspect of the TripAdvisor business?

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

I would think -- so if I take the Hotel business first, I think what I sometimes find is that people are focused very much on some of the near -- really near-term metrics and you alluded to it before, like what did hotel shoppers do in Q4 versus Q3 et cetera. And not really make the step back and say, see this hotel business has gone through a significant reset in transformation. And if I play that forward and I go to the end of 2019, what does that look like and what do we then have, and how can a TripAdvisor grow from that base revenue as well as profit from that base. I find that is sometimes the difference I see in investors. And then if you go to the -- of the non-hotel part of our business, I think somewhat similarly as I feel that what is not really understood is what business we're really trying to build here and what cards we have in our hands to do that. And if you think about that 3, 4, 5 years out and with the size of the market that there is and our ability to grow that and the kind of margins as we could get. But what value that could have and what value that could have within our enterprise value I think sometimes gets misunderstood, and again there's some short-term application of an EBITDA multiple gets mis-valued in my opinion by some people. And thirdly, we talked about sort of the broader advertising opportunity and B2B opportunity on the back of almost 0.5 billion users. And how we can grow our -- could capitalize on our relevance in the travel industry. We touch about half of online bookings at some point in journey. I think it's sometimes not really well understood, just the scale of 0.5 billion, how big that is within travel, and how unique that is, and what we could then be doing with that, I think, is misunderstood.

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

And picking up on that last point, I mean, you guys did have a pretty big display business but relative to the size of your audience, it's not as big as it may look. What are some of the things you guys could do or thinking about doing to better monetize that media opportunity?

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

Yes. If you look at our display business, it's sort of fairly -- has been fairly traditional. Like we -- it's sort skews -- by exaggeration, skews a little bit to traditional display advertising on desktop. And where other participants more broadly in the Internet space have become much more sophisticated with native advertising with more inline advertising, with much more targeted advertising. And we think we have an ability to step up our game there and be much more relevant. I think with the B2B opportunity when you go to things like sponsored placement but it goes much beyond there as well. And again, we're getting some really good talent into the door, including Lindsay, that have a different perspective on that. And hopefully can take us forward there because there's a lot of opportunity we believe to grow that part of business.

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

Yes. I mean if you look at some of the bigger platforms, what they've been able to do with the user data and targeting is that really powerful. I mean you all because you have presumably kind of cookies on a lot of users. The things you guys can do more creatively on the data side to drive more relevance and better monetization?



MARCH 11, 2019 / 7:00PM, TRIP - TripAdvisor Inc at Deutsche Bank Media and Telecom Conference

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

Yes and when we talk about things like membership and engagement of membership and engage with content, of course, that's going to come with a lot more information about those members. And so if we can engage you with content and see what kind of contents you are absorbing. Of course, we know much more about you. If we have been able to track you through the travel journey we know much more about you and that's definitely the path we're on.

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

You guys talk about kind of membership and is there other things you can do for the community? (inaudible) using the depth of your supplier relationships and kind of more creative things to kind of, encourage people to be logged in users of the product?

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

Yes, it is. These are things that we think about a lot, is like, how do you make membership more valuable, right? So what we have been doing with the New TripAdvisor is one way how more membership is valuable because if you're a log-in member, you get to follow the people you want to follow. But there's much more to be done in the area of the kind of things -- examples you were giving. And so it's a focus point for us like how do we make membership more valuable, how do we make it more valuable than it is today because that will make the experience better so we're -- those ideas that you had and some more -- we're thinking about.

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

Okay, okay. And then looking at capital structure you guys were pretty active last year repurchasing shares. I don't think you bought back any stock in the fourth quarter. How do you guys think about shareholder return and kind of the appropriate activity level on the buyback?

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

Yes. We bought back 100 million shares in the first half of last -- \$100 million worth of shares of the last year. Yes, we were really looking at the, sort of, the triangle of what we need for the business, well, fortunately we are very cash generative so there's not a lot of additional cash that we need for the business. And then, how do we -- how much do we want to keep in reserve for potential M&A. And then, how much do we deploy on the -- from time to time to buy back our stock. And so last year, that mix resulted in using \$100 million for buybacks and keeping the rest in reserve, and we'll make with our board decisions around that -- along -- as we go to the next year.

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

Okay, okay. Turning back to the, kind of, Non-Hotel segment. You guys recently have been able to sponsor listing of product. I think it started on Hotel and you recently rolled it over to restaurant. Any different things that you've seen in terms of the restaurant adoption versus Hotel? You started in the Hotel side with a huge install base of customers buying premium listings, business listings. Has adoption been strong in the restaurant category? Anything you can share there?

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

Yes, sure. It was actually the other way around. We started with restaurant in the end of third quarter, beginning of fourth quarter of 2017. And then, we started really at the end of the year, really at the beginning of 2018 with Hotels. It's a -- you're right, it's like the adoption has been very similar like it's been a very popular product both on restaurants and then the Hotel side, so not much to call out. On the restaurant side it was very new, and so we had to really ramp-up the sales effort behind it, where on the Hotel side we had a sales force in place, actually selling subscription to -- subscription products to Hotels. So it was a different ramp-up for the restaurant business. But yes, improving a very nice business, we have 4



MARCH 11, 2019 / 7:00PM, TRIP - TripAdvisor Inc at Deutsche Bank Media and Telecom Conference

million restaurants on TripAdvisor. And -- so that's a big opportunity. And we weren't than selling anything to them. And so this is a big opportunity to -- for us to take a step back and say what do they really value and we tapped into a vein there with the sponsor placement.

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

And, I guess, on the -- when you look at the attraction side, you've talked to -- you've alluded to moving it over to that side, have you started to test sponsored product on the attraction side yet? And how should we think about that opportunity?

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

That is a long-term opportunity as well. As you can imagine on the experience's side, we have a fairly long list of prioritized ideas of what we need to achieve. And so we will get to that eventually as an opportunity, but there are a lot of other things that we're doing right now on the experience's side.

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

Yes. And, I mean, that does seem like that they're a growth engine inside Non-Hotel, not a lot of public companies that are focused in this so, I think, yes, the more we learn about it, the better for you guys. So focusing on the -- on that, what are you guys seeing when you light up, kind of, a new supplier in that, do you have so much traffic on the site that you can immediately start to deliver bookings in a way that's far more powerful than your competitors in the space? Is that, kind of, the right way to think about your advantage?

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

It is definitely the right way to think about it, this is ultimately about building a marketplace and sort of you're building this network of -- you want to have enough supply for your users so it is actually interesting to them to consider you as a place to go to the shop for things to do.

On the other hand, you have to have enough demand to be interesting for these suppliers as well. And so the big advantage that we have, other than an early lead in this market we believe, is the fact that we have so much natural demand on TripAdvisor already around things to do. And so we've had a "things to do" tab for very long time, and so we have a lot of traffic going to "things to do". And so the use case that you are traveling in France, and you're trying to figure out what to do, and you use your TripAdvisor app to find a restaurant or find something new has been around for a long time. And so we feel that we have that in place. And so, indeed, we can identify towards attractions that are popular, that are being reviewed. And use that as a prioritization, but also actually as a selling argument to a tour of attractions to say, why wouldn't you integrate first with the player that already has all this natural demand for your activity.

And then, thirdly, I would add we are known as a strong review platform. You think for this category that may be even more important than for other parts of the ecosystem because you're thinking about paying money for a tour operator, a small tour operator that you don't really know how legit they are and really don't want to log your credit card with them maybe, but, hey, you can do it through TripAdvisor, you can actually see all the reviews that have been written about it and you see that someone yesterday actually took it and was really pleased with it, you think that might actually be even more important to get people to be comfortable with booking online in this category and it's another asset that we have, we think is powerful.

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

So I imagine the booking window is -- in many cases like same day are very close to actually consuming the product. Are you guys using the app you've talked about it a little bit in the past. But using the app to like push notifications out, yes, hey, you just entered into a new market, we know you're searching for hotels in this market. You might like to do this tour.



MARCH 11, 2019 / 7:00PM, TRIP - TripAdvisor Inc at Deutsche Bank Media and Telecom Conference

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

Yes, and where this puck is clearly going is more and more as you say like this being done last minute. So getting users comfortable with, you don't have to have everything figured out when you're on the trip it's actually okay, when you arrive to say, what am I going to do and let's use TripAdvisor to figure out what I do or maybe I make it dependent on if it rains today or not. And that is definitely the use case that we want to cater to with notifications of it, and the more we know about you, obviously, the more precise we can be with notifications. Where this market is coming from much more from, hey, I do it in advance. So the origin of Viator skewed much more to, I am making a trip and I try to do this in advance. But the market is really growing much more toward these destinations, which we believe plays to our strength because of the -- our usage of the app in this.

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

Yes, yes we have one question in the audience. If you can...

Unidentified Analyst

How should we think about the margin profile for the restaurants business versus the attractions business in steady state given that the cost of customer service may be higher in the attractions business? Or the fact that the initial cost of supply to put on that new supply may be more in the attractions business versus the restaurants business? How should we think about those margin structures long-term?

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

Yes. The restaurant businesses for us is really 2 businesses. We have a restaurant reservation business, which is we operate through TheFork. That we believe has an attractive long-term profile. There been some public -- there was a public comp at one point with OpenTable when they were public, and they had very nice margins and proving that fundamentally, the structure of this marketplace can be very profitable and we see that in our underlying economics. And so we feel like my general statement before about margins in non-Hotel apply to that part of the restaurant business. And then we operate this other part, which is the selling services to restaurants on TripAdvisor, that's a high margin product. Although we've had to ramp up sales force activities, that's pretty much it. I mean, it's like there's not much other infrastructure that needs to be done with it and so that's been a high margin product. So restaurants, I would say equally healthy margin outlook.

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

All right. Any final questions? I think we're just about out of time. Ernst, thanks a lot for being here. Great to have you.

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

Thank you, Lloyd. Great to have you. Thank you.



MARCH 11, 2019 / 7:00PM, TRIP - TripAdvisor Inc at Deutsche Bank Media and Telecom Conference

DISCLAIMER

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2019, Thomson Reuters. All Rights Reserved.