



April 2017

Dear Shareholders,

Our tagline “Know Better. Book Better. Go Better.” may be new, but our mission hasn’t changed: we want to help users around the globe plan and book the perfect trip. 2016 was an important transition year in pursuit of this mission. Throughout the year, we made significant investments in product improvements and supply growth as we continued to follow our North Star of creating the best user experience in travel. Well-loved by millions of travelers as the best place to research and plan a trip, TripAdvisor now enables travelers to compare hotel prices from more than 200 hotel booking sites to find the lowest prices on their ideal hotel, and then allows them to easily book their hotel stay either through one of our partner sites or directly on the TripAdvisor site with instant booking. And as part of our ever-expanding marketplace with the largest selection of attractions and restaurants, travelers can always find the best places to eat and things to do.

As previewed in last year’s letter, the hotel instant booking global rollout induced significant revenue headwinds in 2016, muting revenue growth and significantly impacting near-term profitability. Consolidated revenues, GAAP net income and Adjusted EBITDA were down year-on-year by 1%, 39%, and 24%, respectively. While such volatility was largely expected, we saw a dampened recovery in the back-half of the year, due in part to a challenging travel backdrop and elevated competitive landscape. Additionally, we were perhaps too optimistic that our hotel instant booking product feature on its own would increase awareness of TripAdvisor as a great place to book. However, 2016 was also a year of progress as we continued to round out our consumer offerings in pursuit of a greater share of the \$1.3 trillion dollar global travel market opportunity.

Addressing Long-term Growth Opportunities

User network effects have remained strong, as our content grew nearly 50% in 2016 and recently eclipsed 500 million trusted reviews and opinions. The TripAdvisor community grew as well, increasing 14% in 2016 and reaching nearly 390 million monthly unique users per month during the peak summer travel season. Whether backpacking through Europe, exploring the wonders of Southeast Asia, or planning a weekend away with the family, TripAdvisor remains the global leader in researching and planning the best places to travel, near and far. And with nearly half of our monthly unique users coming to our sites and apps on the phone, TripAdvisor remains the travel companion of choice, helping travelers make the most of their trip.

A strong global brand, valuable content and robust user community growth continues to define TripAdvisor’s increasing influence on travel commerce. In fact, studies show TripAdvisor influences nearly half of global online hotel reservations. We believe, however, that we receive

credit for only a tiny fraction of the hotel transactions we help drive for our partners, let alone the billions of dollars of revenue we help drive to businesses across our Non-Hotel products of Attractions, Restaurants and Vacation Rentals. While it is still early days, the seamless, end-to-end experience we now deliver across our major travel products has already started to help extend the TripAdvisor brand beyond the world's largest and most well-known travel-planning site. We are pleased with our progress and know there is a lot more work to be done.

Looking Ahead to 2017 . . . and Beyond

Throughout early 2017, we have been streamlining our new hotel shopping experience and making it easier to navigate, with a particular focus on helping users find the best available hotel room prices. Complementing our product work, we are focused on leveraging a suite of marketing channels to raise awareness of TripAdvisor's ability to help users save time and money when planning and booking a trip. In the first half of 2017, as we anniversary the dilutive impacts of the instant booking rollout, we are better able to re-invest dollars in performance-based marketing as a way to introduce as many users as we can to our improved end-to-end hotel shopping experience. We also see this as a unique opportunity to leverage brand marketing to get our message out. This may include a potential return to television advertising, which would enable us to reach a broader travel audience and could help educate consumers about the benefits of using TripAdvisor not only for research and planning, but also use TripAdvisor when the consumer is in booking mode.

We are also very excited by the sizeable monetization opportunities building in our Non-Hotel segment – which includes our Attractions, Restaurants and Vacation Rentals businesses. Non-Hotel revenue grew 27% in 2016, and its earnings power has been masked by significant investments in product improvements and bookable supply growth over the past two years. We view these businesses as hidden gems, and given the attractiveness of the long-term growth opportunity ahead, we believe that reinvesting profit for market share gains and revenue growth is most appropriate in the near-term.

This focus on the long-term is consistent with how we have operated the business throughout our history. As travelers increasingly associate the TripAdvisor brand with price shopping and booking, in addition to research and planning, we believe we can drive improved profitability and revenue growth. We believe this strategy, combined with profit margin improvement in our Non-Hotel businesses, will enable us to meaningfully improve our marketing efficiency, drive sustained revenue growth and regain profit levels we achieved in prior years.

Some Thoughts on Capital Allocation

We operate in an attractive marketplace and focus our efforts on long-term growth objectives. We continuously evaluate opportunities where we can allocate investment dollars to earn the greatest returns. In addition to the organic investments we have made and will continue to make in our business, we also seek returns through strategic acquisitions, some of which bring more talented technical resources into the fold, some that augment our product capabilities, and others that help expand our geographic footprint.

Additionally, the reduction in our share price enabled us to invest in ourselves, as we were able to dedicate \$105 million to repurchase our common stock during 2016. Having reached the \$250 million limit of our share repurchase program, earlier this year our Board of Directors approved another \$250 million of share repurchase capacity, giving us another tool to increase per-share value for long-term shareholders.

In closing, 2016 was an important year of progress and learning. We remain confident that we are on the right path towards creating the best user experience in travel. I would like to thank TripAdvisor's users, partners, employees, and shareholders for their continued support.

Happy Travels,

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