

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

FORM 8-K

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

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED): August 8, 2017

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

Delaware
(State or other jurisdiction
of incorporation)

001-35362
(Commission
File Number)

80-0743202
(I.R.S. Employer
Identification No.)

400 1st Avenue
Needham, MA 02494
(Address of principal executive offices)

02494
(Zip code)

(781) 800-5000

Registrant's telephone number, including area code

Not Applicable

(Former name or former address if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

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

Item 2.02. Results of Operations and Financial Condition.

On August 8, 2017, TripAdvisor, Inc. issued a press release announcing its preliminary financial results for the three and six months ended June 30, 2017. TripAdvisor, Inc. also posted prepared remarks from Stephen Kaufer, President and Chief Executive Officer, and Ernst Teunissen, Chief Financial Officer, on the "Investor Relations" section of its website at <http://ir.tripadvisor.com/events/cfm>. The full text of this press release and the prepared remarks are furnished as Exhibits 99.1 and 99.2 to this Current Report on Form 8-K.

Pursuant to General Instruction B.2. to Form 8-K, the information set forth in this Item 2.02 and Exhibit 99.1 and 99.2 shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall it be incorporated by reference in any filing under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press Release of TripAdvisor, Inc. dated August 8, 2017.
99.2	Prepared remarks by TripAdvisor, Inc.'s management, dated August 8, 2017.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

TRIPADVISOR, INC.

By: _____ /s/ ERNST TEUNISSEN
Ernst Teunissen
Chief Financial Officer

Dated: August 8, 2017

EXHIBIT INDEX

Exhibit No.	Description
99.1	Press Release of TripAdvisor, Inc. dated August 8, 2017.
99.2	Prepared remarks by TripAdvisor, Inc.'s management, dated August 8, 2017.

TripAdvisor Reports Second Quarter 2017 Financial Results

NEDHAM, MA, August 8, 2017 — TripAdvisor, Inc. (NASDAQ: TRIP) today announced financial results for the second quarter ended June 30, 2017.

“In Q2, we successfully launched our streamlined hotel shopping experience and our new, multi-year brand advertising campaign and have seen some nice early signs,” said Chief Executive Officer Steve Kaufer. “Click-based revenue is growing this year, and we believe our ongoing initiatives position our Hotel segment for longer-term growth. Over the coming years, as our product and marketing work coalesce, and as more users look to TripAdvisor to find the best prices before they book, we believe we can drive more revenue, marketing efficiency and profitability in this business.”

Second Quarter 2017 Summary

(In millions, except percentages and per share amounts)	Three months ended June 30,		% Change
	2017	2016	
Total Revenue	\$ 424	\$ 391	8%
Hotel	\$ 326	\$ 316	3%
Non-Hotel	\$ 98	\$ 75	31%
GAAP Net Income	\$ 27	\$ 34	(21)%
Total Adjusted EBITDA (1)	\$ 101	\$ 95	6%
Hotel	\$ 84	\$ 105	(20)%
Non-Hotel	\$ 17	\$ (10)	270%
Non-GAAP Net Income (1)	\$ 53	\$ 56	(5)%
Diluted Earnings per Share:			
GAAP	\$ 0.19	\$ 0.23	(17)%
Non-GAAP (1)	\$ 0.38	\$ 0.38	0%
Cash flow from operating activities	\$ 221	\$ 238	(7)%
Free cash flow (1)	\$ 204	\$ 219	(7)%

(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 measure.

“Q2 revenue and Adjusted EBITDA grew year-over-year and sequentially”, added Chief Financial Officer Ernst Teunissen. “Our Non-Hotel segment stood out, as revenue growth accelerated to 31% and its adjusted EBITDA margin improved to 17%. We continue to execute well against our stated three-to-five year growth strategy in our Non-Hotel businesses and these results highlight our continued growth opportunity and this segment’s attractive longer-term margin potential.”

Second Quarter 2017 Financial and Operational Highlights

- Revenue was \$424 million, an increase of \$33 million, or 8% year-over-year (or an increase of approximately 10% on a constant currency basis).
- Non-Hotel segment revenue grew 31% year-over-year and Adjusted EBITDA was \$17 million for a 17% Adjusted EBITDA margin.
- We repurchased 2,549,080 shares of TripAdvisor outstanding common stock during the second quarter 2017 for \$100 million and completed this \$250 million share repurchase program.
- Average monthly unique hotel shoppers reached 153 million, up 11% year-over-year, and TripAdvisor-branded click-based and transaction revenue per hotel shopper decreased 2% year-over-year.
- Average monthly unique visitors on TripAdvisor-branded websites and applications reached nearly 415 million*, up 18% year-over-year.
- User reviews and opinions grew 39% year-over-year and reached 535 million at June 30, 2017, covering approximately 1.1 million hotels and accommodations, 800,000 vacation rentals, 4.4 million restaurants and 830,000 activities and attractions.

Second Quarter 2017 Revenue by Source and Geography

(In millions, except percentages)	Three months ended June 30,		% Change
	2017	2016	
Revenue by Source:			
Hotel			
TripAdvisor-branded click-based and transaction (1)	\$ 214	\$ 201	6%
TripAdvisor-branded display-based advertising and subscription (2)	74	72	3%
Other hotel revenue (3)	38	43	(12)%
Non-Hotel (4)	98	75	31%
Total Revenue	\$ 424	\$ 391	8%
Revenue by Geography (% of total revenue) (5):			
US	58%	56%	
Europe	26%	26%	
ROW	16%	18%	

- (1) Consists 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, as well as content licensing with third party sites.
(3) Includes revenue from non-TripAdvisor branded websites, including click-based advertising revenue, display-based advertising revenue and room reservations sold through these websites.
(4) Consists of our Attractions, Restaurants, and Vacation Rentals businesses.
(5) In the first quarter of 2017, we changed our geographic revenue presentation and reclassified the following geographic regions into rest of world, or ROW: (1) Canada (previously included in North America); (2) Middle East and Africa (previously included in Europe, Middle East and Africa, or EMEA); (3) Asia-Pacific (APAC); and (4) Latin America (LATAM). Prior period amounts were reclassified to conform to the current presentation. This change had no effect on our consolidated financial statements in any reporting period.

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 9, 2017, at 8:30 a.m., Eastern Time, to discuss TripAdvisor's second quarter 2017 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 48349233) until August 16, 2017 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® is the world's largest travel site**, enabling travelers to unleash the potential of every trip. TripAdvisor offers advice from millions of travelers, with 535 million reviews and opinions covering 7.1 million accommodations, restaurants and attractions, and a wide variety of travel choices and planning features — checking more than 200 websites to help travelers find and book today's lowest hotel prices. TripAdvisor branded sites make up the largest travel community in the world, reaching nearly 415 million average monthly unique visitors*, in 49 markets worldwide. TripAdvisor: Know Better. Book Better. Go Better.

TripAdvisor, Inc. (NASDAQ: TRIP), through its subsidiaries, manages and operates websites under 20 other travel media brands: www.airfarewatchdog.com, www.bookingbuddy.com, www.citymaps.com, www.cruisecritic.com, www.familyvacationcritic.com, www.flipkey.com, www.thefork.com (including www.lafourchette.com, www.eltenedor.com, www.iens.nl and www.vacationhomerentals.com and www.viator.com.

*Source: TripAdvisor log files, average unique monthly visitors, Q2 2017

**Source: comScore Media Metrix for TripAdvisor Sites, worldwide, May 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, 2017	March 31, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Revenue	\$ 424	\$ 372	\$ 391	\$ 796	\$ 743
Costs and expenses:					
Cost of revenue	20	17	20	37	36
Selling and marketing (1)	229	207	202	436	374
Technology and content (1)	64	59	63	123	124
General and administrative (1)	38	35	34	73	72
Depreciation	19	19	17	38	33
Amortization of intangible assets	8	8	8	16	15
Total costs and expenses	378	345	344	723	654
Operating income	46	27	47	73	89
Total other income (expense), net	(2)	(2)	(3)	(4)	(6)
Income before income taxes	44	25	44	69	83
Provision for income taxes	(17)	(12)	(10)	(29)	(19)
Net income	\$ 27	\$ 13	\$ 34	\$ 40	\$ 64
Earnings per share attributable to common stockholders:					
Basic	\$ 0.19	\$ 0.09	\$ 0.23	\$ 0.28	\$ 0.44
Diluted	\$ 0.19	\$ 0.09	\$ 0.23	\$ 0.28	\$ 0.44
Weighted average common shares outstanding:					
Basic	140	144	146	142	146
Diluted	141	145	147	143	147

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

Selling and marketing	\$ 6	\$ 5	\$ 5	\$ 11	\$ 10
Technology and content	\$ 13	\$ 7	\$ 11	\$ 20	\$ 21
General and administrative	\$ 9	\$ 7	\$ 7	\$ 16	\$ 12

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

	June 30, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 887	\$ 612
Short-term marketable securities	17	118
Accounts receivable, net of allowance for doubtful accounts of \$11 and \$9, respectively	252	189
Prepaid expenses and other current assets	24	31
Total current assets	1,180	950
Long-term marketable securities	4	16
Property and equipment, net of accumulated depreciation of \$147 and \$111, respectively	266	260
Intangible assets, net of accumulated amortization of \$97 and \$80, respectively	156	167
Goodwill	750	736
Deferred income taxes, net	47	42
Other long-term assets	69	67
TOTAL ASSETS	\$ 2,472	\$ 2,238
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 7	\$ 14
Deferred merchant payables	344	128
Deferred revenue	90	64
Current portion of debt	7	80
Taxes payable	8	10
Accrued expenses and other current liabilities	165	127
Total current liabilities	621	423
Long-term debt	260	91
Deferred income taxes, net	15	12
Other long-term liabilities	222	210
Total Liabilities	1,118	736
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: 135,409,998 and 134,706,467, respectively		
Shares outstanding: 125,935,508 and 131,310,980, respectively		
Class B common stock, \$0.001 par value	-	-
Authorized shares: 400,000,000		
Shares issued and outstanding: 12,799,999 and 12,799,999, respectively		
Additional paid-in capital	873	831
Retained earnings	985	945
Accumulated other comprehensive income (loss)	(57)	(77)
Treasury stock-common stock, at cost, 9,474,490 and 3,395,487 shares, respectively	(447)	(197)
Total Stockholders' Equity	1,354	1,502
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 2,472	\$ 2,238

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

	Three Months Ended			Six Months Ended	
	June 30, 2017	March 31, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Operating activities:					
Net income	\$ 27	\$ 13	\$ 34	\$ 40	\$ 64
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	19	19	17	38	33
Amortization of intangible assets	8	8	8	16	15
Stock-based compensation expense	28	19	23	47	43
Deferred tax (benefit) expense	(9)	7	(7)	(2)	(5)
Other, net	1	(1)	-	-	-
Changes in operating assets and liabilities, net of effects from acquisitions:	147	69	163	216	213
Net cash provided by operating activities	221	134	238	355	363
Investing activities:					
Capital expenditures, including internal-use software and website development	(17)	(18)	(19)	(35)	(36)
Purchases of marketable securities	(7)	-	(82)	(7)	(98)
Sales of marketable securities	1	102	7	103	40
Maturities of marketable securities	3	14	5	17	17
Other investing activities, net	-	-	2	-	1
Net cash provided by (used in) investing activities	(20)	98	(87)	78	(76)
Financing activities:					
Repurchase of common stock	(100)	(150)	(11)	(250)	(12)
Proceeds from 2015 credit facility, net of financing costs	103	270	-	373	-
Payments to 2015 credit facility	(55)	(151)	(19)	(206)	(109)
Payments to 2016 credit facility	-	(73)	-	(73)	-
Proceeds from exercise of stock options	-	3	1	3	3
Payment of withholding taxes on net share settlements of equity awards	(1)	(13)	(2)	(14)	(11)
Net cash used in financing activities	(53)	(114)	(31)	(167)	(129)
Effect of exchange rate changes on cash and cash equivalents	8	1	(7)	9	(6)
Net increase in cash and cash equivalents	156	119	113	275	152
Cash and cash equivalents at beginning of period	731	612	653	612	614
Cash and cash equivalents at end of period	\$ 887	\$ 731	\$ 766	\$ 887	\$ 766

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

	Three Months Ended			Q / Q Growth	Y / Y Growth
	June 30, 2017	March 31, 2017	June 30, 2016		
Revenue:					
Hotel	\$ 326	\$ 314	\$ 316	4%	3%
Non-Hotel	98	58	75	69%	31%
Consolidated revenue	<u>\$ 424</u>	<u>\$ 372</u>	<u>\$ 391</u>	14%	8%
Adjusted EBITDA (1):					
Hotel	\$ 84	\$ 88	\$ 105	(5)%	(20)%
Non-Hotel	17	(15)	(10)	213%	270%
Total Adjusted EBITDA	<u>\$ 101</u>	<u>\$ 73</u>	<u>\$ 95</u>	38%	6%
Adjusted EBITDA Margin (1):					
Hotel	26%	28%	33%		
Non-Hotel	17%	(26)%	(13)%		
Total Adjusted EBITDA Margin	24%	20%	24%		
Net Income (2)	\$ 27	\$ 13	\$ 34		
Net Income Margin	6%	3%	9%		

	Six Months Ended		Y / Y Growth
	June 30, 2017	June 30, 2016	
Revenue:			
Hotel	\$ 640	\$ 619	3%
Non-Hotel	156	124	26%
Consolidated revenue	<u>\$ 796</u>	<u>\$ 743</u>	7%
Adjusted EBITDA (1):			
Hotel	\$ 172	\$ 211	(18)%
Non-Hotel	2	(31)	106%
Total Adjusted EBITDA	<u>\$ 174</u>	<u>\$ 180</u>	(3)%
Adjusted EBITDA Margin (1):			
Hotel	27%	34%	
Non-Hotel	1%	(25)%	
Total Adjusted EBITDA Margin	22%	24%	
Net Income (2)	\$ 40	\$ 64	
Net Income Margin	5%	9%	

- (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 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 (loss) plus: (1) provision for income taxes; (2) other income (expense), net; (3) depreciation of property and equipment, including amortization of internal use software and website development; (4) amortization of intangible assets; (5) stock-based compensation and other stock-settled obligations; (6) goodwill, long-lived 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: (1) stock-based compensation expense and other stock-settled obligations; (2) amortization of intangible assets; (3) certain gains, losses, and other expenses that we do not believe are indicative of our ongoing operating results; (4) goodwill, long-lived assets and intangible asset impairments and (5) other non-recurring expenses and income. 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 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 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, 2017	March 31, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Reconciliation of GAAP Net Income to Adjusted EBITDA (Non-GAAP):					
GAAP Net Income (1)	\$ 27	\$ 13	\$ 34	\$ 40	\$ 64
Add: Provision for income taxes (1)	17	12	10	29	19
Add: Other expense (income), net	2	2	3	4	6
Add: Depreciation and amortization of intangible assets	27	27	25	54	48
Add: Stock-based compensation (1)	28	19	23	47	43
Adjusted EBITDA (Non-GAAP)	<u>\$ 101</u>	<u>\$ 73</u>	<u>\$ 95</u>	<u>\$ 174</u>	<u>\$ 180</u>
Revenue (GAAP)	\$ 424	\$ 372	\$ 391	\$ 796	\$ 743
Net Income margin (GAAP)	6%	3%	9%	5%	9%
Adjusted EBITDA margin (Non-GAAP) (2)	24%	20%	24%	22%	24%
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 (1)	\$ 27		\$ 34	\$ 40	\$ 64
Add: Stock-based compensation expense (1)	28		23	47	43
Add: Amortization of intangible assets	8		8	16	15
Subtract: Income tax effect of Non-GAAP adjustments (3)	10		9	15	15
Non-GAAP net income	<u>\$ 53</u>		<u>\$ 56</u>	<u>\$ 88</u>	<u>\$ 107</u>
GAAP diluted shares	141		147	143	147
GAAP Net Income per diluted share (1)	\$ 0.19		\$ 0.23	\$ 0.28	\$ 0.44
Non-GAAP net income per diluted share (4)	0.38		0.38	0.62	0.73
Reconciliation of GAAP cash flows from operating activities to Free Cash Flow (Non-GAAP):					
Net cash provided by operating activities (GAAP) (5)	\$ 221		\$ 238	\$ 355	\$ 363
Subtract: Capital expenditures	17		19	35	36
Free cash flow (Non-GAAP) (5)	<u>\$ 204</u>		<u>\$ 219</u>	<u>\$ 320</u>	<u>\$ 327</u>
Revenue Before Effects of Foreign Exchange:					
Total Revenue (GAAP)	\$ 424		\$ 391		
Effects of foreign exchange	8				
Non-GAAP revenue before effects of foreign exchange	<u>\$ 432</u>				
<i>Year/Year Growth (6)</i>	10%				

- (1) In the third quarter of 2016, the Company adopted Accounting Standards Update ("ASU") 2016-09, Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. The results for the three and six months ended June 30, 2016 have been adjusted to reflect the adoption of ASU 2016-09. The primary impact of adoption was the recognition of excess tax benefits and tax deficiencies in our provision for income taxes rather than additional paid-in capital and the election to account for forfeitures as they occur, rather than estimate expected forfeitures. This impact was not material and resulted in no change to net income or earnings per share during the three months ended June 30, 2016. During the six months ended June 30, 2016, the impact of this adoption resulted in a decrease to our provision for income taxes of \$3 million and an increase to stock-based compensation expense of approximately \$1 million. As a result, net income increased \$2 million and GAAP net income per diluted share increased by \$0.02 during the six months ended June 30, 2016.
- (2) TripAdvisor defines "Adjusted EBITDA margin" as Adjusted EBITDA divided by revenue.
- (3) 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.
- (4) TripAdvisor defines "non-GAAP net income per diluted share" as non-GAAP net income divided by GAAP diluted shares.

- (5) In the third quarter of 2016, the Company adopted ASU 2016-09, Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting, which eliminates the requirement to reclassify excess tax benefits related to stock-based compensation from operating to financing activities in the unaudited condensed consolidated statement of cash flows. The retrospective application to prior periods resulted in a \$1 million and \$6 million increase in cash flows provided by operating activities during the three and six months ended June 30, 2016, and a corresponding increase in cash flows used in financing activities. In addition, this resulted in an increase in free cash flow of \$1 million and \$6 million during the three and six months ended June 30, 2016.
- (6) Represents constant currency growth, as a percentage, which is calculated by determining the change in current period revenues and Adjusted EBITDA over prior period revenues and Adjusted EBITDA, 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, attractions, 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 chief executive officer 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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**TripAdvisor, Inc. Q2 2017 Prepared Remarks**

*(All comparisons are against the same period of the prior year, unless otherwise noted;
Some calculations may not foot due to rounding)*

In Q2, we made great progress on our 2017 initiatives aimed at educating our traveler audience that TripAdvisor is the best site not only for reviews, but also for the best price when you are booking a hotel. We gave the global TripAdvisor brand a fresh new look, and we successfully launched our streamlined hotel shopping experience and our new, multi-year brand advertising campaign. It is still very early, but these efforts are showing signs of success.

Q2 consolidated revenue growth accelerated to 8%, Hotel segment revenue decelerated slightly to 3%, and TripAdvisor Click-based and transaction revenue grew 6%. Currency headwinds were approximately 2% to each of these revenue lines during the period.

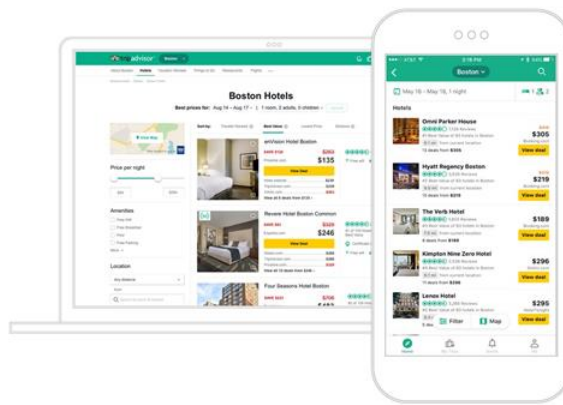
Adjusted EBITDA grew 6% driven by significant improvement in our Non-Hotel segment, where revenue growth accelerated to 31% and its adjusted EBITDA margin inflected to 17%. These businesses are key to the differentiated, end-to-end user experience that we deliver, helping users get the most out of every trip. We continue to execute well against our stated three-to-five year growth strategy and are pleased that our recent results have begun to highlight our continued growth opportunity and this segment's attractive longer-term margin potential.

The TripAdvisor travel platform remains large and growing, with nearly 415 million monthly unique visitors and 535 million reviews and opinions in Q2, up 18% and 39% year-over-year, respectively. We believe that as we continue to improve our end-to-end product offering, and as more users visit TripAdvisor to find the best prices before they book their travel experiences, the more transformational it will be to our long-term revenue growth, marketing efficiency and profit growth.

Q2 Hotel Segment Update

In May, we launched our brand refresh, which included a new color and a clean new look on all devices, as well as a streamlined hotel shopping experience that is faster and more intuitive, with improved merchandizing and search capabilities. Early indications are positive, as survey work shows upticks in user confidence that TripAdvisor is a site that helps them find the lowest prices.

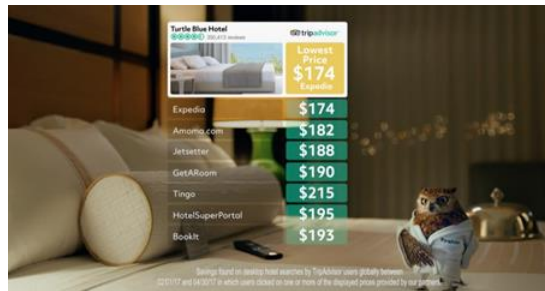




(download: [iOS](#); [Android](#))

The refined hotel shopping experience nicely combines the work we have done over the past year to help users find great hotel deals. Our work here is never done, and we are currently working on further enhancing our price discovery tools, filters and maps to make finding the best hotels at the lowest prices even easier.

Our brand refresh and product launch paved the way for a return to offline brand advertising. In mid-June, we launched our global campaign in the U.S., followed by Canada, France, Spain, the U.K. and, in early July, Australia.



(View all our current and past television commercials [here](#))

We invested \$16 million in television advertising during Q2 as part of our \$70-to-\$80 million budget for 2017. As noted last quarter, we expect the revenue benefits of brand advertising to increase over time, though we are pleased to see leading indicators of success. Television markets are already showing upticks in unaided awareness of TripAdvisor as a place to find the lowest prices, as well as increases in traffic and bookers from high-value branded channels.

During Q3 we expect to invest the majority of this year's \$70-80 million television advertising budget, likely resulting in some sales and marketing deleverage in that period. As we move forward, we plan to continue to test and optimize our ad creative to further improve its effectiveness.

2017 is year-one of what we anticipate will be a multi-year global brand advertising campaign. Optimizing our television investment is a key part of our broader objective, which is to position television advertising to be a more sizeable part of our marketing mix as we grow the campaign in both new and existing markets in the years to come.

Q2 Hotel segment revenue grew 3%. Currency was an approximately 2% headwind to growth. Hotel segment adjusted EBITDA margin was 26%, impacted by \$16 million of television advertising investment and increased seasonal online marketing costs during the period.

Q2 TripAdvisor-branded click-based and transaction revenue growth decelerated from Q1 to 6% year-over-year primarily due to greater-than-anticipated hotel shopper shift to lower-monetizing mobile phones, as well as from anticipated re-allocation of online marketing dollars to our television campaign and some slight dilution from product testing in April and May. Currency also was a slight headwind to growth during the period.

TripAdvisor-branded click-based and transaction revenue on mobile grew by more than 60% year-over-year, driven by accelerated hotel shopper growth of 36%. Mobile accounted for more than 40% of hotel shoppers during Q2. Accelerated mobile hotel shopper growth continues to be a significant duality in our business. On the one hand, it highlights our increasing engagement on this strategic platform, which we believe is a competitive advantage that will play out over time. On the other hand, having hotel shoppers rapidly shifting to mobile exacerbates the near-term revenue growth headwind, given mobile's substantially lower revenue per hotel shopper relative to desktop and tablet. That said, Q2 was our third straight quarter of monetization improvements on mobile, and we see a lot more opportunity ahead as we continue to optimize the new hotel shopping experience.

Total revenue per hotel shopper was \$0.47 in Q2, which was flat compared to Q1 2017, and first half 2017 performance was flat compared to the first half of 2016, a positive given the significant hotel shopper growth on mobile over those periods. Looking geographically, growth in U.S. revenue per hotel shopper continued to offset softness in non-U.S. markets. Our non-U.S. click-based business continues to be relatively more impacted by competitive dynamics in the online travel landscape, the ongoing mobile shift, and currency fluctuations. Overall, we are encouraged to see continued absolute revenue per hotel shopper stabilization and our focus remains on leveraging our ongoing product and marketing work to grow this key metric over the long-term.

TA Click-based and transaction Revenue per Hotel Shopper



On the volume side, average monthly unique hotel shopper growth accelerated to 11% during the second quarter, driven by rapid mobile growth, as well as by growth in non-U.S. markets.

Average Monthly Unique Hotel Shoppers
(in millions, except percentages)



Shifting gears, in line with expectations, we saw growth rates improve sequentially in both our TripAdvisor-branded display-based and subscription and Other hotel businesses.

Our click-based and transaction revenue is growing this year, which is encouraging, though overall Hotel segment revenue growth has not yet returned to target levels. Over time, we expect the brand repositioning, our streamlined hotel shopping experience, and our new television ad campaign to coalesce, leading more users to associate the TripAdvisor brand as a great place to find the lowest prices and to book. In doing so, we will be able to drive more revenue, marketing efficiency and profitability in our business.

Q2 Non-Hotel Segment Update

In our Non-Hotel businesses, our ongoing investments to improve the user experience, to add bookable supply, and to build our marketing flywheel are driving bookings, rapid revenue growth and, more recently, increased operating leverage.

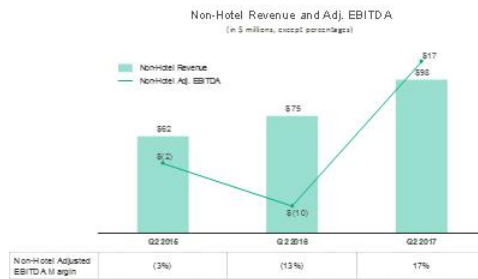
Our attractions business is performing well on both the top and bottom line. On the supply side, bookable products grew 26% year-over-year to 61,000. More importantly, after growing supply roughly 5x since we launched Marketplace in early 2015, we are investing to make those products more efficient and higher quality through our API and automated partner onboarding. Against this backdrop of growing demand and robust supply, we delivered strong bookings growth as we match more users with more great travel experiences in more moments throughout a trip. This formula is working across our platform, as Viator bookings continue growing nicely year-over-year and TripAdvisor-sourced bookings as a percentage of total attractions bookings have nearly doubled in the past year.

We expect attractions will be a key driver of Non-Hotel revenue growth and adjusted EBITDA profitability this year. After several years of building our product and our supply and sales infrastructure to support long-term growth, we are pleased to see operating leverage begin to emerge, demonstrating this segment's attractive margin potential.

The Tours & Activities category is the largest part of a \$135 billion travel activities industry that is forecasted to grow to \$183 billion by 2020, according to Phocuswright. We plan to continue to invest to extend our lead in order to further capitalize on our supply and demand advantages, building an even bigger and more valuable attractions business.

In restaurants, our other in-destination business, bookable supply increased by 18% year-over-year to 42,000. Conversion rates and repeat booking rates have accelerated, and so has seated diner growth, which grew 50% year-over-year primarily due to the successful implementation of our app-first product and marketing strategy, as well as strong TripAdvisor-sourced bookings growth. Restaurants also displayed strong revenue growth in Q2, and is achieving topline scale that will help it approach adjusted EBITDA breakeven this year.

Second quarter Non-Hotel segment revenue growth accelerated to 31%. Currency was an approximately 4% headwind to growth in the period. Strong revenue growth as well as increased marketing and operational efficiency, particularly in our attractions business, drove material profit inflection in the quarter, with \$17 million of adjusted EBITDA leading to a 17% adjusted EBITDA margin, which was substantially better than the second quarter of 2016.



Nearly three years into our stated five-year investment horizon, our Non-Hotel growth playbook is clearly working. We will continue to move fast, further differentiating our platform to users, helping more of them find and book things to do and places to eat while they are in-destination and driving more loyalty to TripAdvisor in the process.

While we are very pleased with our Non-Hotel segment operating leverage, given our opportunity ahead, we are far from being in profit-taking mode. We are uniquely positioned in this arena, and we plan to continue to make significant investments in building our supply technology lead, enhancing our mobile product capabilities, growing demand and increasing marketing efficiencies.

Financial Outlook

As a reminder, the ongoing traffic mix shifts to lower-monetizing mobile devices and performance-based marketing channels, competitive dynamics within our industry, volatility in our click-based auction and macro-economic events – among a number of other factors outside of our control – can limit our visibility into near-term financial performance. We endeavor to be as accurate as possible with our forward-looking commentary, though the factors listed above can cause actual results to vary materially.

During Q2 and July, we saw greater-than-anticipated hotel shopper shift to lower-monetizing mobile devices. Also during July we saw some softer CPC pricing in our auction. While auction volatility is a matter of normal course, these recent trends make us incrementally cautious about the back half of the year.

As a result, we now expect 2017 click-based and transaction revenue growth of mid-single-digits, and consolidated revenue growth slightly better than click-based and transaction revenue growth. Our ongoing focus is squarely on driving growth through our revamped hotel shopping experience as well as our brand advertising campaign; growth that may partly manifest in 2017 but we believe will have a more significant positive impact on our business in the years to come.

We maintain our expectation of flat-to-down absolute adjusted EBITDA compared to 2016 due to continued profit favorability in our Non-Hotel segment, which is on track to meet our stated revenue growth and adjusted EBITDA targets this year, and as we manage marginal returns from performance-based online marketing channels.

At \$1.3 trillion, the online travel market is large and attractive and TripAdvisor's influence on travel commerce is massive. As we have described in the past, our North Star is to delight more users throughout the process of travel planning, shopping, booking and trip-taking. We are pleased with our continued progress on our key initiatives, and believe they are setting our business on a path towards long-term revenue growth, marketing efficiency and profit growth.

* * *

TripAdvisor's second quarter 2017 earnings press release is available on the Investor Relations section of the TripAdvisor website at <http://ir.tripadvisor.com/>. The earnings release is also included as Exhibit 99.1 to our Current Report on Form 8-K as furnished to the U.S. Securities Exchange Commission, or SEC, on August 8, 2017, which is available on the Investor Relations section of our website and the SEC's website at www.sec.gov.

Forward-Looking Statements:

These prepared remarks contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. The following words, when used, are intended to identify forward-looking statements: "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "might," "plan," "project," "result" "should," "will," and similar expressions which do not relate solely to historical matters. We caution investors that any forward-looking statements in these prepared remarks, or which management may make orally or in writing from time to time, are based on management's beliefs and on assumptions made by, and information currently available to, management. Such statements are subject to risks, uncertainties and assumptions and are not guarantees of future performance, which may be affected by known and unknown risks, trends, uncertainties and factors that are beyond our control. Some of the risks and uncertainties that may cause our actual results, performance or achievements to differ materially from those expressed or implied by forward-looking statements are more fully described in Part I. Item 1A. "Risk Factors" of our Annual Report on Form 10-K. Moreover, we operate in a rapidly changing environment. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We caution you that, while forward-looking statements reflect our good faith beliefs when we make them, they are not guarantees of future performance and are impacted by actual events when they occur after we make such statements. We expressly disclaim any responsibility to update our forward-looking statements, whether as a result of new information, future events or otherwise.



Investors should also refer to our quarterly reports on Form 10-Q for future periods and current reports on Form 8-K as we file them with the SEC and to other materials we may furnish to the public from time to time through Current Reports on Form 8-K or otherwise, for a discussion of risks and uncertainties that may cause actual results, performance or achievements to differ materially from those expressed or implied by forward-looking statements.

Use of Non-GAAP Financial Measures:

These prepared remarks include references to non-GAAP measures, such as adjusted EBITDA (including forecasted adjusted EBITDA), free cash flow, and constant currency measurements, such as, non-GAAP revenue before effects of foreign exchange, and adjusted EBITDA before effects of foreign exchange, which are considered non-GAAP financial measures as they are not prepared in conformity with accounting principles generally accepted in the United States (“GAAP”). These non-GAAP financial measures are not prepared under a comprehensive set of accounting rules and, therefore, should only be reviewed alongside results reported under GAAP.

We encourage investors to review our earnings press release as it contains important information about our financial results, including tabular reconciliations to the most directly comparable GAAP financial measure, definitions, limitations and other related information about these non-GAAP financial measures. The earning press release is available on the Investor Relations section of our website at <http://ir.tripadvisor.com/>. It is also included as Exhibit 99.1 to our Current Report on Form 8-K as furnished to the SEC on August 8, 2017, which is available on the Investor Relations section of our website at <http://ir.tripadvisor.com/> and the SEC’s website at www.sec.gov.

