Q3 2022

Letter to Shareholders
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<thead>
<tr>
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<th>Q3 2022</th>
<th>Q3 2021</th>
<th>Q2 2022</th>
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<tbody>
<tr>
<td>Revenue</td>
<td>$459M</td>
<td>$303M</td>
<td>$417M</td>
</tr>
<tr>
<td>Net Income / (Loss)</td>
<td>$25M</td>
<td>$1M</td>
<td>$31M</td>
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<tr>
<td>Adjusted EBITDA (1)</td>
<td>$115M</td>
<td>$72M</td>
<td>$109M</td>
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(1) Consolidated adjusted EBITDA is a non-GAAP profit measure and is defined as net income (loss) plus: (1) provision (benefit) for income taxes; (2) other income (expense), net; (3) depreciation and amortization; (4) stock-based compensation and other stock-settled obligations; (5) goodwill, intangible asset, and long-lived asset impairments; (6) legal reserves and settlements; (7) restructuring and other related reorganization costs; and (8) non-recurring expenses and income. See “Use of Non-GAAP Financial Measures.”
Letter to Shareholders

We are pleased to share our third quarter 2022 results, which demonstrated continued strength across Tripadvisor. Our results reflect a sustained demand for travel and dining, and another quarter of steady progress to full recovery. Importantly, our results reinforce the strong position we hold in travel, through a portfolio of trusted brands and offerings that serve the needs of millions of travelers, experience seekers, and diners.

Consolidated revenue reached 107% of 2019 levels in Q3 2022 (with currency headwinds of approximately 5 percentage points versus Q3 2019), the first quarter we’ve exceeded 2019 levels since the pandemic. Accelerating sequentially, and leading the recovery was Viator, at 179% of 2019 levels, followed by TheFork, at 103% (with currency headwinds of approximately 9 points versus Q3 2019). Tripadvisor Core saw sequential improvements, led by branded hotels and experiences and dining, which reached 95% and 125% of 2019 levels, respectively.

Viator, in particular, continued to see strong growth this quarter and continues to pace far ahead of 2019 levels. We believe this is indicative not only of pent-up demand, but also the opportunity available in a large and underpenetrated category as well as the continued execution by the team, all of which have positioned our Viator brand as a market-leader in experiences. At TheFork, our revenue growth rates reflect solid demand for our products in key European markets, despite the restaurant industry as a whole still operating below 2019 levels. Finally, our branded hotels results demonstrate our continued relevance in this marketplace, and particularly in the U.S., our recovery was strong.

Net income was $25 million in Q3 2022, and consolidated adjusted EBITDA was $115 million, or 25% of revenue. Our Tripadvisor Core segment adjusted EBITDA margin was at pre-pandemic levels the last few quarters, despite revenue still not fully recovered. This is a reflection of our disciplined approach to spend, and has allowed us to fund investment in our Viator and TheFork segments.

We are very pleased with the progress we’ve made year to date. Throughout the year we’ve seen quarter over quarter improvements in recovery levels. Despite some variability across regions, currency impacts, and the macro uncertainty, all of which we expect to continue, we believe performance in 2022 has been reflective of the overall travel market trends in the various distinct sub-categories in which we compete.

While too early to share specifics on our strategic priorities or other details on 2023, we believe that we are well positioned to capitalize on the numerous opportunities for growth in the broader travel industry. We are already seeing these opportunities emerge strongly at Viator and TheFork. In the Tripadvisor Core segment, we recognize the opportunity to reinforce our relevance to consumers and partners and reimagine the leadership role we play in travel. The landscape around these offerings has changed considerably, and continues to evolve, and we believe we can set a course to compete from an even more customer-centric, engagement-driven approach. Our brand, our reach, and our community, as well as other enduring assets such as our data and content, are strengths that we intend to leverage as we set our strategic priorities. We look forward to sharing more with you next year.
Third Quarter 2022 Consolidated Financial Results

**Third quarter revenue** was $459 million, growing 51% year over year, and reaching 107% of 2019 levels. Revenue recovery was strongest in our Viator and TheFork segments, and in branded hotels within the Tripadvisor Core segment. Revenue in Q3 2019 included approximately $12 million, or 3% of Q3 2019 revenue, related to SmarterTravel and China businesses, which no longer contribute to revenue.

Revenue has improved significantly from a year ago, when Delta and Omicron strains impacted travel, particularly in Europe. Recovery trends have picked up considerably over the last two quarters, driven primarily by growth in Viator, branded hotels recovery in Tripadvisor Core, and growth in TheFork.

We are subject to fluctuations in currency, primarily with the Euro, which significantly declined against the USD year over year. We estimate that in Q3 2022, changes in currency resulted in a headwind of approximately 11 percentage points of revenue growth versus Q3 2021 and approximately 5 percentage points to our recovery rate versus 2019.

**Net income** for Q3 2022 was $25 million, compared to net income of $1 million in the same period a year ago.

**Consolidated adjusted EBITDA** in Q3 2022 was $115 million, or 25% of revenue, as compared to adjusted EBITDA of $72 million, or 24% of revenue, in Q3 2021.

The improvement in net income and consolidated adjusted EBITDA was driven primarily by increases in revenue, partially offset by increases in marketing expense and higher fixed and discretionary costs in Q3 2022 when compared to Q3 2021. In our variable costs, year over year increases are due in part to the increase in traffic spend, driven primarily by the mix shift in our revenue streams to high-growth segments. Year over year, our fixed and discretionary costs have grown more...
slowly than revenue and variable costs, and is related primarily to increases in headcount, mainly to support strategic initiatives at Viator and TheFork.

We ended the quarter with approximately $1.1 billion in cash and cash equivalents.

Tripadvisor Core Segment

Included in this segment is revenue from our Tripadvisor branded hotels, display and platform, Tripadvisor experiences and dining revenue, and other revenue derived from adjacent offerings, including rentals, flights and cars, and cruise, including some non-Tripadvisor branded revenue in our cruise and rentals offerings.

Tripadvisor Core revenue was $284 million in Q3 2022, reflecting year over year growth of 34% and reaching 88% of 2019 levels (with currency headwinds of approximately 3 percentage points versus Q3 2019). Revenue in Q3 2019 included approximately $12 million, or 4% of Tripadvisor Core segment revenue, related to SmarterTravel and China businesses, which no longer contribute to revenue.

In Q3 2022, the year over year and sequential improvement as a percent of 2019 was led by Tripadvisor branded hotels, which was 95% of 2019 revenue, and Tripadvisor experiences and dining, which was 125% of 2019 levels. Display and platform was 80% of 2019 levels.

Adjusted EBITDA in the Tripadvisor Core segment in Q3 2022 was $112 million, or 39% of segment revenue, compared to $73 million, or 34% of segment revenue, in Q3 2021. Year over year, Tripadvisor Core segment adjusted EBITDA benefited from a significant increase in revenue, which more than offset the year over year increases in online traffic spend and fixed and discretionary costs.

Notably, in Q3 2022, our adjusted EBITDA margin was near-even to 2019 levels, driven by our ability to
contain fixed and discretionary costs despite higher variable costs as a percent of revenue.

**Tripadvisor Branded Hotels**
Our branded hotels revenue stream, which includes our hotel meta (or “hotel auction”) and B2B subscription offerings, was $188 million, and reached 95% of 2019 levels, an increase from 89% of the 2019 level in Q2 2022.

Within our hotel meta, even with APAC still well below 2019 levels, we were at 2019 levels, driven by U.S. recovery rates above 2019 levels and European recovery rates below 2019 levels. Within the quarter, we saw particular strength in August in our hotel meta revenue.

Our Hotel B2B revenue stream also increased sequentially as a percent of 2019 levels. While slower to recover than hotel meta, we have seen gradual improvements in recovery rates over the last year, which continue to be impacted in part by the ramp up of productivity levels of our salesforce. We also believe that SMB hotel marketing budgets for more up-funnel services like ours have not yet recovered post-pandemic.

**Display & Platform**
Display & Platform continues on its path to recovery. Revenue in Q3 2022 was $33 million, reflecting 14% year over year growth and reaching 80% of 2019 levels. We believe the slight sequential decline was related to shifts mirroring the overall advertising market. We continue to launch initiatives targeting both endemic and non-endemic advertisers, and are driving opportunities to work with our partners given our unique assets and traffic.

**Tripadvisor Experiences & Dining**
Revenue in our Tripadvisor point-of-sale (POS) experiences and dining was $45 million in Q3 2022, reaching 125% of 2019 levels, a sequential increase from 117% in Q2 2022. Experiences revenue increased quarter over quarter and, as a percent of 2019 levels, accelerated. In our B2B dining offering, revenue continues to demonstrate recovery from last year, although not yet

**Other**
Revenue from other offerings, which includes cruises, rentals, flights, and cars, was $18 million, or 37% of 2019 levels. In Q3 2019 we had approximately $12 million in revenue related to the SmarterTravel and China businesses, which no longer contribute to revenue, and were approximately 24% of Q3 2019 Other revenue. In our cruise revenue, we are seeing continued improvements as cruise travel has continued to re-open.

**Viator Segment**
*Included in this segment is revenue generated from the booking of tours, attractions, and activities transacted through the Viator point of sale, as well as revenue generated from other distribution partners, such as the Tripadvisor point of sale and third party points of sale.*

Results in our Viator segment continue to be strong and we remain enthusiastic about the large market opportunity of the experiences category. The performance we have seen in Viator this year is a reflection of the inroads we have made as a strategic market leader in a rapidly growing category of travel.

Viator segment revenue in Q3 2022 was $174 million, reflecting year over year growth of 138% and reaching 179% of 2019 levels. As a percent of 2019, Viator growth was strong throughout each month of the quarter. Europe as both a destination and as an origin of booking saw very high recovery rates, in particular as North Americans continued to travel internationally.

Turning to metrics, gross bookings value (GBV) was approximately $800 million, or approximately 192% of 2019 levels. Year over year, GBV grew approximately 113% from approximately $380 million in Q3 2021. GBV is reported at the time of booking and is gross of cancellations, whereas revenue is recorded at the time of the experience, and is net of cancellations. Year over year, cancellation rates improved slightly, but remain...
higher than pre-pandemic cancellation rates. This dynamic is partly due to additional payment options we have introduced which provides customers the flexibility to make payments closer to the experience date.

Adjusted EBITDA in Q3 2022 was $12 million, or 7% of revenue, higher than the same period in 2019 and 2021. As revenue has grown, so has adjusted EBITDA, despite significant investments in driving revenue growth and growing market share. The majority of expenses in Viator are in sales and marketing, which includes affiliate marketing fees paid to third parties and inter-company affiliate marketing fees incurred to Tripadvisor Core.

Relative to other OTA verticals, we believe experiences is an underpenetrated category. It’s also a category with low, but increasing, awareness as consumers shift their spend from material goods to services and experiences. To capitalize on the opportunities this presents, we have invested in driving customer acquisition and improving the user experience to drive conversion and repeat users. We have also invested in helping suppliers with their marketing efforts as they seek to differentiate and reach potential customers.

In Q3, we began a 2H 2022 investment in brand and channel expansion for the Viator brand, which will increase in Q4. We are seeing record performance in the segment. As travel recovers, and with the desire to drive brand and product awareness leading into 2023, we believe that the timing of this investment will drive revenue in 2023 and beyond. We see an opportunity to expand our channels outside of search and to drive awareness through connected TV, streaming video, and social media. Our expectation is that this investment will drive improved retention and customer loyalty, and contribute to improved lifetime value economics over time.
TheFork Segment

Included in this segment is revenue generated from the booking of reservations through TheFork point of sale, which includes revenue generated primarily by restaurant seating fees via our online reservation system.

We are pleased with our performance this quarter, especially against an uneven recovery in European consumer foodservice industry, which has still not recovered to pre-pandemic levels and for 2022 is projected to be approximately 15% below 2019. Restaurant re-openings have still yet to reach 2019 levels. In one of our largest markets for example, our revenue recovery trends for the year to date have been above 2019 levels, though in the first half of 2022 restaurant openings in this market were lower by approximately 30% when compared to the first half of 2019.

Revenue in TheFork was $35 million in Q3 2022, growing 17% year over year (with currency headwinds of approximately 14 percentage points), and reaching 103% of 2019 levels (and currency headwinds of approximately 9 percentage points to 2019 levels). With its revenue primarily European based, TheFork segment is particularly exposed to the significant currency movements we’ve seen both year over year and compared to 2019.

The number of bookings at TheFork grew 12% year over year and reached 105% of 2019 levels. As a percent of 2019 levels, the sequential step down in bookings was due primarily to timing of initiatives in 2019 versus 2022. For example, we saw a benefit in Q2 2022 due to the timing of a large marketing campaign, which in 2019 occurred in the first quarter, and we also had a campaign in Q3 2019 that re-occurred in Q3 2022 but on a more limited scale. Despite lower bookings as a percent of 2019, we drove higher monetization per booking compared to Q3 2019.

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1 Euromonitor, February 2022 (in Euro, millions, includes full service restaurants, limited services restaurants, cafe/bars, self-service cafeterias, street stalls/kiosks)
2 Infacamere, July 2022
Adjusted EBITDA loss in Q3 2022 was $9 million. Fixed and discretionary cost increases drove the year over year increase in losses. In 2022, we have spent more on brand marketing than in 2019 to regain awareness levels coming out of the pandemic. We also implemented a number of important technology infrastructure projects, aimed at improving revenue generation in 2023. Relative to last quarter, losses increased due to approximately $11 million of COVID-19-related government subsidies received in Q2, which did not reoccur in Q3. We continue to expect losses in this segment in Q4, but expect significant improvement in profitability in 2023.
Outlook

(As a reminder, we endeavor to be as accurate as possible with our forward-looking commentary; however, a number of factors outside of our control can limit our visibility into future financial performance and can cause our results to vary materially from our current expectations.)

Results in Q3 2022 mark another quarter of recovery across our segments, and continued improvement since the start of the year. We are optimistic about the long-term opportunities in travel, despite a recovery path that is likely to remain uneven by month and by specific revenue line, and less reliably consistent relative to pre-pandemic.

Our outlook for Q4 takes the following into consideration:

- Continued strong travel fundamentals despite general macro headlines.
- We expect a moderate step down of Tripadvisor Core revenue as a percent of 2019 from Q3. This step down is not related to a change in our revenue trends, but to a particularly strong August in Q3 2022 and unique items in Q4 2019 that create a tougher revenue comparison. We point out that in 2019 television advertising for brand Tripadvisor and other expenses were considerably higher in Q3 than in Q4, creating a sequentially harder comparison from an adjusted EBITDA margin perspective, in addition to the impact of the revenue step down.
- Continued robust bookings and revenue growth in Viator versus 2019 levels, with reinvestment of higher than anticipated profits year to date into brand and cross-channel marketing in Q4. The revenue impact of these marketing investments is expected to be mostly realized in 2023. This combined with typical revenue seasonality is expected to result in an adjusted EBITDA loss at Viator in Q4 following the robust adjusted EBITDA growth in Q3. We expect that Viator combined Q3 and Q4 adjusted EBITDA to be approximately break even.

The above trends lead us to the following outlook for Q4:

- Consolidated revenue of low-single digit increases from 2019 levels, implying a modest slowdown from Q3 2022.
- Consolidated adjusted EBITDA margin to step down sequentially to close to 10% of revenue, a result of the seasonal step down, a mix shift towards our lower margin growth revenue lines, and the increased investment in Viator as noted above.

We remain excited about closing out the last quarter of the year, and even more excited about the work we are doing to position the business for 2023 and beyond. We look forward to discussing more about our Q3 2022 results tomorrow morning, Tuesday, November 8, 2022 at 8:30 am Eastern Time. Joining the call will be Matt Goldberg, President & CEO, Ernst Teunissen, outgoing CFO, and Mike Noonan, who joined us as incoming CFO effective October 31, 2022.

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Earnings Webcast

Tripadvisor management will host a conference call to discuss results as well as forward-looking information at 8:30 a.m. ET on November 8, 2022. The link to the live webcast, as well as the audio replay, will be made available on Tripadvisor’s Investor Relations website at http://ir.tripadvisor.com.

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Forward-Looking Statements

These prepared remarks contain “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The following words, when used, are intended to identify forward-looking statements: “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “might,” “plan,” “project,” “target,” “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 may include references to non-GAAP measures, such as consolidated adjusted EBITDA (including forecasted consolidated adjusted EBITDA), consolidated adjusted EBITDA margin, 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. We have not reconciled consolidated adjusted EBITDA guidance to projected consolidated GAAP net income (loss) because we do not provide guidance on GAAP net income (loss) or the reconciling items between adjusted EBITDA and GAAP net income (loss), as a result of the uncertainty regarding, and the potential variability of, certain of these items. Accordingly, a reconciliation of the non-GAAP financial measure guidance to the corresponding GAAP measure is not available without unreasonable effort.

The earnings press release in addition to other supplemental financial information is available on the Investor Relations section of our website at http://ir.tripadvisor.com/. The earnings press release is also included as Exhibit 99.1 to our Current Report on Form 8-K as furnished to the SEC on November 7, 2022, 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.

Key Business Metrics & Definitions

We review a number of metrics, including, but not limited to, average monthly unique users, hotel shoppers, cost-per-click, gross booking value for experiences, seated diners, dining bookings, and other metrics, to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans and make strategic decisions. While these numbers are based on what we believe to be reasonable estimates for the applicable period of measurement, there are inherent challenges in measuring usage and user engagement across our large user base around the world. For example, a single user may have multiple member accounts or browse the internet on multiple browsers or devices,
some users may restrict our ability to accurately identify them across visits, and we are not always able to capture user information on all of our platforms. As such, the calculations of our unique users may not accurately reflect the actual number of people or organizations using our platform. Our metrics are also affected by applications that automatically contact our servers for regular updates with no discernible user action involved, and this activity can cause our system to count the users associated with such applications as active users on the day or days such contact occurs. As such, the calculation of some of the metrics presented may be affected as a result of this activity. We regularly review our process and may adjust how we calculate our internal metrics to improve their accuracy.

Variable expense primarily includes costs related to revenue generation, as well as traffic generation costs.

Fixed & discretionary expense primarily includes all other expenses such as compensation costs (including outsourced services), broadcast advertising, G&A and other discretionary costs, not including depreciation, amortization, restructuring and other related reorganization costs, stock-based compensation, interest expense, or income taxes.

Tripadvisor, the world’s largest travel guidance platform*, helps hundreds of millions of people each month** become better travelers, from planning to booking to taking a trip. Travelers across the globe use the Tripadvisor site and app to discover where to stay, what to do and where to eat based on guidance from those who have been there before. With more than 1 billion reviews and opinions of nearly 8 million businesses, travelers turn to Tripadvisor to find deals on accommodations, book experiences, reserve tables at delicious restaurants and discover great places nearby. As a travel guidance company available in 43 markets and 22 languages, Tripadvisor makes planning easy no matter the trip type.


*Source: SimilarWeb, unique users de-duplicated monthly, September 2022
**Source: Tripadvisor internal log files
CORPORATE PARTICIPANTS

Angela White  
Vice President, Investor Relations, TripAdvisor, Inc.

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Michael Noonan  
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Ernst J. Teunissen  
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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, and thank you for standing by. Welcome to the TripAdvisor Conference Call. At this time, all participants are in a listen-only mode. After the speakers' presentation, there will be a question-and-answer session. [Operator Instructions] Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your speaker today, Angela White. Please go ahead.

Angela White
Vice President, Investor Relations, TripAdvisor, Inc.

Thanks, Corey. Good morning, everyone, and welcome to TripAdvisor's Third Quarter 2022 Financial Results Call. Joining me today are Matt Goldberg, President and CEO; Ernst Teunissen, outgoing CFO; and Mike Noonan, who joined us as incoming CFO effective October 31, 2022.

Last night after market close, we distributed and filed our earnings release and made available our Shareholder Letter on our Investor Relations website. In the release, you'll find reconciliations of non-GAAP financial measures to the most comparable GAAP financial measures discussed on this call. Also, on our Investor Relations website, you'll find supplemental financial information which also includes reconciliations of certain non-GAAP financial measures discussed on this call as well as other metrics.

Before we begin, I would like to remind you that this call may contain estimates and other forward-looking statements that represent management’s view as of today, November 8, 2022. TripAdvisor disclaims any obligation to update these statements to reflect futures events or circumstances. Please refer to our earnings release as well as our filings with the SEC for information concerning factors that could cause actual results to differ materially from those forward-looking statements.

With that, I'll turn the call over to Matt.

Matthew A. Goldberg
President, Chief Executive Officer & Director, TripAdvisor, Inc.

Thank you, Angela, and good morning to everyone joining the call. As Angela mentioned, on the call with me today are Ernst Teunissen, outgoing CFO; and Mike Noonan, who started just over a week ago. In mid-October, we announced the CFO transition, and I'm pleased to have both Ernst and Mike on this call.

I want to start by welcoming Mike to his first earnings call today with TripAdvisor. Many of our listeners know Mike already and understand why we are so excited to have him as a member of our leadership team given his strong track record and deep industry experience. This is an exciting time to join TripAdvisor, and we have no doubt he'll hit the ground running.

I also want to recognize Ernst and thank him for his steady leadership as a steward of capital, a trusted colleague, role model, and friend. We're excited for him as he thinks about his next chapter and grateful for his commitment to a seamless handover to Mike.
Now, to the quarter. We were pleased to publish the results shared in last night's release and Shareholder Letter. We exceeded expectations, and Q3 was also the first quarter that we surpassed 2019 levels on a consolidated revenue basis at 107%, accelerating from 99% last quarter.

It's worth mentioning that this was also our highest quarter of revenue on record at $459 million. Not by much, but a record nonetheless.

We provided a thorough outlay of quarterly results last night, but I'd like to take a moment to cover a few highlights before turning to some bigger-picture items.

Each segment of the TripAdvisor business delivered a notable performance in Q3. First, Viator led the way in revenue growth and recovery rates at 179% of 2019 levels, accelerating from 160% last quarter. This represents 138% growth year-over-year.

We're excited about the large and growing market opportunity to connect global travelers to memorable experiences. The team is executing effectively with a lean cost structure, and we're seeing their efforts bear fruit.

Investments in the shift to mobile, higher product quality, programs for suppliers, and marketing are driving higher take rates, record new customers, and improved repeat rates. As a result, we saw record revenue and gross bookings which year-to-date have crossed over the $2 billion mark.

At TheFork, we continued to see the business recover in Q3 to 103% of 2019 levels, a strong showing particularly with an estimated negative impact of 9% due to currency headwinds. Targeted investments in our products, technology, and marketing are starting to generate the desired results.

We're seeing strong mobile app downloads and unique visitors on an aggregate basis that compare favorably to other global players. We believe we're building loyalty and better lifetime value economics with our customers, with increasing numbers of direct bookings through the app and from repeat customers.

Finally, in our Core TripAdvisor segment, we also executed a strong quarter with sequential improvement in recovery to 88% of 2019, up from 84% last quarter. Our branded hotels business reached 95% of 2019 levels, up from 89% last quarter driven by continued recovery in our hotel meta, or hotel auction, as we called it in the past. We believe this is a clear sign that demand for travel remains healthy and that we are driving value for our customers and our partners, which we will continue to reinforce.

The TripAdvisor experiences and dining revenue stream was a notable standout, recovering 125% of 2019 levels, up from 117% last quarter as we continued to build relationships with travelers looking for more than hotels.

In our hotel B2B and media offerings, which have largely mirrored trends in hotel marketing and shifts in the advertising market, we recovered at 79% and 80% of 2019 levels, respectively, and our teams continue to lean in to the opportunity to serve our partners even more effectively.

Across the board, we had a strong quarter of performance, and I really want to thank the teams for maintaining focus and delivering strong results.

Next, I'd like to take the opportunity to share some thoughts on my first 100 days in the role. On my first call in August, I mentioned some key reasons I joined TripAdvisor, including the company's enduring assets that I believed would set the path for the future. A few that I mentioned were a far-reaching brand built on trust, a
diverse set of assets across our segments, a large global audience making meaningful content contributions, a wealth of data to leverage across the group, and colleagues and culture steeped in our purpose of connecting people to experiences worth sharing.

Now, here on my second call, I can confirm my initial belief that these assets provide a strong foundation from which to reimagine our future. I had the chance to travel to many of our offices, discuss opportunities with our teams, compare observations with other thought leaders in the travel industry, and talk to customers and partners. What is abundantly clear is that we play a critical role in an attractive travel ecosystem with numerous paths for growth in this dynamic and fast-moving environment.

As a starting point, we believe that people are increasingly seeking ways to reconnect with the world, making the most of their precious time and resources as they prioritize meaningful experiences above material consumption. Our goal is to connect people to experiences worth sharing, which is paramount after years of isolation during the pandemic and the perception of an increasingly disconnected and divided world.

TripAdvisor Group represents a family of brands with the shared mission to be the world’s most trusted source for travel and experiences. We can deliver this across brand TripAdvisor, the world’s largest travel guidance platform; Viator, the leading marketplace for in-destination bookable experiences; TheFork, Europe’s leading online dining reservation platform; and Cruise Critic, the largest cruise community in the world.

Our opportunity is to build on a relationship of trust, one of our most precious assets, and one that we will continue to reinforce and enhance. We are well positioned to capture the secular shift in consumer demand from physical goods to experiences, which we expect to fuel the future of leisure travel.

I also recognize that we have not always executed on our ambition as effectively as possible or made the most of all our assets and capabilities. While the business has bounced back well from the pandemic, there are opportunities to reinforce our relevance and create even more value for travelers, experience seekers, diners and our partners.

This leads me to an area of focus where I spent much of my time in the last few months, kicking off work to align the company around a clear set of strategic priorities, starting with the Core TripAdvisor brand.

While it’s too early to share specifics, what I can say is that we’re taking the time to reimagine the unique role we play in travel, where we can address consumer pain points and how we can further differentiate ourselves on our future path. Together, with our talented employees, who are subject matter experts, we’ve embarked on a structured process to evaluate our business, take a fact-based, data-driven view and set the path for a clear and compelling strategy. And our team is energized by the opportunity.

My mission is to make sure we continue to evolve so that we can serve travelers, diners, and experience-seekers for decades to come, and this means that the traveler experience will be at the center of everything we do. We will lean into the strengths for which we’re known, reinforce all our value proposition, and identify new ways to drive sustainable growth. As we do so, we will seek to build enduring relationships with travelers, leverage our data to better understand and address their needs, and create a highly engaging experience for the consumer and our partners.

Before I turn the call over to Mike and Ernst, I want to reiterate how excited I am to be here, how pleased I am with the quarter’s results, and how much I’m looking forward to continuing the work on setting our priorities and sharing more with you on that in the future.
As we close out the year and look forward to 2023, we've heard a lot about high interest rates, questions about consumer spending, the rising cost of goods and services, recessionary pressures across the globe, and the impact all this will have on travel. However, from our vantage point, it's too early to point to indicators that would tell us one way or the other where things will land next year. Travel remains robust and our internal data suggests that a majority of travelers plan to travel the same or more over the coming months, and many are even willing to spend more.

We've also observed that cost and affordability is becoming more important when planning a trip, and consumers are likely to be more diligent as they research a trip and decide what to book. This may create opportunity for us as we seek to address consumer preferences, and we also acknowledge that as financial situations shift, the consumer may adjust.

Regardless of near- or medium-term external macro conditions, we have conviction about the resilience of our portfolio of brands. Our positioning as a trusted source for travel and experiences is an enduring, long-term opportunity, and I'm excited about the work we're doing to ensure that TripAdvisor Group continues to play a vital role in our industry for years to come.

Now, I'd like to turn the call over to Mike to say a few words. Mike?

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Michael Noonan
Chief Financial Officer & Senior Vice President, TripAdvisor, Inc.

Thanks, Matt, and good morning, everyone. I'm very pleased to be here and join the call. I've known TripAdvisor for a good number of years, and it's a company I've long respected and followed.

It's been clear that the opportunity in travel and experiences continues to evolve and innovate, and I'm excited to be part of this innovation at TripAdvisor.

I'm particularly looking forward to joining at this juncture, working to establish our strategic priorities and solidify near- and long-term planning. It's very early days for me, and I will certainly take advantage of the transition period Ernst is providing, but I'm also looking forward to providing the team with a fresh perspective and leveraging my background and experience.

Matt talked about the work we've been doing to set strategic priorities. Regarding 2023, given where we are in our planning cycle, and importantly, in setting our strategic goals, it's premature at this time to provide thoughts on our outlook for 2023. However, we believe we have an opportunity to lean into a large and growing travel and experiences market.

In light of this opportunity, we will assess areas of investment, opportunities to reallocate capital, as well as look for ways to continue to drive operating efficiencies. We will continue to do so with a disciplined ROI-driven approach. I'm looking forward to catching up with everyone over the coming weeks.

Now, to Ernst to cover the results.

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Ernst J. Teunissen
Chief Financial Officer & Chief Executive, Viator, TheFork and Cruise Critic, TripAdvisor, Inc.
Thanks, Mike, and good morning, everyone. We had a great quarter, exceeding expectations and reaching $459 million in revenue, which was a 51% increase over last year and reaching 107% of 2019 while currency was an estimated 5% headwind to growth versus 2019.

Adjusted EBITDA also exceeded expectations at $115 million or 25% of revenue. Free cash flow was $46 million, reflecting typical seasonality, and we had about $1.1 billion of cash and cash equivalents. In addition, both year-on-year and compared to 2019, our fixed and discretionary cost as a percentage of revenue have come down resulting in adjusted EBITDA margins in the TripAdvisor Core segment at pre-pandemic levels.

We were also pleased to see Viator deliver its first profitable quarter since the pandemic started and at levels that exceeded those in 2019. And I note that the Viator segment EBITDA is above 2019 for year-to-date as well. We achieved that with massive revenue growth.

We provided our outlook for Q4 in the Shareholder Letter that we published last night with some details on some of the puts and takes to the 2019 comparison. I wanted to highlight the following.

Operationally, nothing material has changed from Q3 to Q4 in Core TripAdvisor. We are seeing the same revenue trends continue from September. The only material operational change in Q4 is the increased investment in Viator which we started in Q3.

For the Core, if you take out some of the one-offs in Q4 2019 as the comparison point, growth in TripAdvisor Core in October and November and December is like July and September as a percentage of 2019.

In the Core, we have a larger EBITDA margin step-down from Q3 to Q4 than we had in 2019 for reasons of the cost profile in Q3 and Q4 of 2019, not material increases in spending this year. There are obviously many puts and takes regarding comparisons three years ago that we understand makes it challenging to compare quarter-to-quarter performance versus prior periods.

We are excited to be investing in Viator in Q4 while keeping combined Q3 and Q4 EBITDA to be approximately breakeven. We are investing not only because of the strong top line performance this year, but also the underlying customer economics have moved very favorable.

Before I close out the prepared remarks, I want to take this opportunity to say that it's been a pleasure working with all of you over the last seven years. I believe TripAdvisor is an amazing brand, an amazing company, and will always hold a special place for me, and I will continue to watch its progress. My transition ends at the year end, and I feel very good passing on the baton to Mike.

With that, I'll turn the call over to the operator and begin Q&A.
QUESTION AND ANSWER SECTION

Operator: Thank you very much. At this time, we will conduct a question-and-answer session. [Operator Instructions] Our first question comes from Richard Clarke at Sanford C. Bernstein. Richard, your line is open.

Richard J. Clarke
Analyst, Bernstein Autonomous LLP

Thanks. Thanks for taking my question. I guess we need to start with the Q4 10% EBITDA guidance. So just to unpick what you're saying, you're saying that the drop-off from Q3 to Q4 is just a 2019 seasonal effect. Maybe you can just remind us what that seasonal effect is and what was the 2019 Q4 margin kind of ex those seasonal effects in 2019.

And then thinking ahead to 2023, obviously, your margin in Q4 is going to be 17% lower than it was in Q4 2019. Should we carry a large chunk of that 17% lower into 2023, or does a large slice of that reverse as we think into next year?

Matthew A. Goldberg
President, Chief Executive Officer & Director, TripAdvisor, Inc.

Thank you, Richard. Yes, a few puts and takes, and thanks for the question and, hopefully, we will clarify it to your satisfaction.

So the first comment is there is always a seasonal decline from Q3 to Q4 in EBITDA margin, and that is because there's a seasonal decline in revenue from Q3 to Q4, and therefore, fixed cost coverage is unfavorable in Q4. So that's the general trend that's always happening.

Additional to our – if you compare to 2019, in addition for our consolidated results is of course that the weighting for Viator, where we're incurring a loss, projected loss in Q4, is much larger than it was in 2019, so you have a mix shift overall there as well.

If you go to the Core and compare to 2019, we had in 2019 a very limited seasonal step-down in EBITDA margin from 30% – sorry, from 34% – I apologize – from a marginal step back from 39% – from 40% to 39%. Sorry, I was fumbling a little bit. From 40% to 39%, a very small step back in 2019 in TripAdvisor Core. And the reason for that was that we had a number of fixed costs in Q3 and Q4 that were different, so we had a step-down of about $20 million of unique cost from Q3 to Q4. One was TV advertising that stepped down meaningfully from Q3 to Q4. And the other one was a reversal of a bonus accrual that we did in Q4 2019.

And so that made the step-down much less pronounced than it would typically have been. That was a major impact. And if you take all those things together, the seasonal decline that we're projecting between Q3 and Q4 is typical, but for the additional investment we're making in the Viator brand.

Richard J. Clarke
Analyst, Bernstein Autonomous LLP

Okay. And then just how should we think about those effects as we run into 2023? What is going to be the headwind to margins into 2023 from the effects you're giving?
Matthew A. Goldberg  
President, Chief Executive Officer & Director, TripAdvisor, Inc.

Well, so the comparison to 2019 hopefully will be in the rearview mirror as we move into next year and we'll have sort of normalized trends. There are just so many puts and takes if you compare it to 2019 because the profile of our business was different. The other difference there was in 2019 was we had a few businesses that we are no longer consolidating. We had our China business which is deconsolidated. We had our Smarter Travel business which we discontinued. We had a very different mix between different lines – revenue lines and segments, and so the comparison to 2019 is always going to be very difficult. Hopefully into next year, we will have a more normalized comparison through the trends that you've seen in 2022.

Richard J. Clarke  
Analyst, Bernstein Autonomous LLP

Okay. Thanks.

Matthew A. Goldberg  
President, Chief Executive Officer & Director, TripAdvisor, Inc.

Yeah, and I think I would just add that you've got this Viator investment that's unique to this quarter, and that could be a differential as well.

Richard J. Clarke  
Analyst, Bernstein Autonomous LLP

Okay. Okay. That's a one quarter investment. Got you.

Matthew A. Goldberg  
President, Chief Executive Officer & Director, TripAdvisor, Inc.

Well, it started in Q3 and extended into Q4, so there's a Q3, Q4 2022 investment.

Richard J. Clarke  
Analyst, Bernstein Autonomous LLP


Operator: Thank you. Please stand by for our next question. Our next question comes from Naved Khan at Truist Securities. Naved, your line is open.

Naved Khan  
Analyst, Truist Securities, Inc.

Yeah, hi. Thank you. Ernst, we're going to miss you on these calls, and, Mike, welcome.

So a couple of questions. Maybe the first one from me would be just on the branded ad campaign that you did for Viator. Can you just maybe talk about the relative size of this campaign and what kind of payback you're expecting and over what time period?

And then, Matt, you spoke about maybe some cost and affordability becoming more important to the travelers. Can you maybe just elaborate a little bit more on what you're seeing out there. Are you seeing people doing more searches or are you seeing more price sensitivity? A little more color there would be helpful. Thank you.
Matthew A. Goldberg  
President, Chief Executive Officer & Director, TripAdvisor, Inc.

Thanks, Naved. I'll take the first part of it. We've said that for Viator, we expect to be roughly breakeven on EBITDA between Q3 and Q4 which dimensionalizes the loss for you of Viator in Q4. Without the brand investment in Q4, we would have been breakeven plus on Viator for the quarter as well, which gives you a little bit of a sense of the magnitude.

We started this investment in Q3 already, but at a lower level. I just want to say a few things about why we're doing this and why we're doing this now.

Obviously, Viator has been on a spectacular path this year. But as we have been sort of observing the underlying economics underneath, we've seen improvements in conversion rate. We've seen improvements in the number of items people book per trip. We've been seeing improvements in trips per traveler, retention rates, take-up rates, and so all of these things multiply to an increasing estimate of lifetime value that we have and improvement of cohorts that we have.

And so that's been very encouraging underneath. We have nice loyalty and repeats from those users that have used us on Viator, but our awareness among the broader populace is still somewhat limited. And so we believe that by targeted and thoughtful and measuring ROI along the way investments that are a little bit more across the funnel, we can take advantage of these underlying improvements that we've taken and reach a broader audience. We're playing to win with Viator. We think we are in excellent position to be the global leader in this exciting category, and we're going to continue to invest in that.

So some of you may have seen us a little bit more than before on channels like Instagram, Facebook, Pinterest, podcasts, Spotify, and we are excited about that. It's a relatively – still relatively modest for us large investment in Viator and we're going to really carefully monitor what the impact is that we see as we think about the plans for next year.

Ernst J. Teunissen  
Chief Financial Officer & Chief Executive, Viator, TheFork and Cruise Critic, TripAdvisor, Inc.

Yeah, and I would just say before I get into your question about the consumer, Naved, Viator, we are so excited about this asset. We think there are lots of ways of leaning in, and the team is really executing well. The category is poised to continue to accelerate and we think market leadership has tremendous value, so it's something that we're just really excited about and I know we'll be talking a lot about as we go forward.

On the consumer, yes, we're following the consumer very closely, and you asked about what we're seeing. Definitely searches are up across the board. Searches for hotels, experiences, and restaurants. But we are seeing in our data that inflationary pressures, while people want to continue spending, they're thinking about how they might adjust their travel plans. And so with rising cost of living, many more are going to be traveling at shorter lengths than maybe they planned in the past. Some are going to think about vacations being much closer to home. If maybe you were thinking about going international, you might go domestic. And of course, they're also thinking about what they're going to do on that trip, and what we are seeing is they still want to take the trip with a large majority, but that they'll be thoughtful.

We think there's an advantage there as they think about comparing pricing, as they think about making that choice. That sort of ability to guide the consumer through a period of time from real people who are having real
experiences and then at that moment when they want to make that decision, helping them make it happen, I think it plays right to our strength.

So the consumer behavior is very promising by and large, but of course some adjustments based on personal financial situations.

Naved Khan
Analyst, Truist Securities, Inc.

Thank you, Matt. Thank you, Ernst.

Operator: Thank you. Please stand by for our next caller. Next up is Lloyd Walmsley from UBS. Lloyd, your line is open.

Lloyd Walmsley
Analyst, UBS Securities LLC

Thanks. You talked a little bit about broadening the brand marketing channels. I don't think – correct me if I'm wrong, I don't think you've been in TV very broadly for the last few years, but it has been generally a portion of the ad mix at TripAdvisor.

How do you guys think about as we think about maybe the next year or so, how do you think about more broadly getting back into TV advertising? And then I guess strategically, are there any things we should contemplate over the next year? It's only been – it's still been a pretty short tenure since you've been here, Matt, but anything – any big overhauls that you guys are thinking about strategically as we get to next year that you can help shed light on? Thanks.

Matthew A. Goldberg
President, Chief Executive Officer & Director, TripAdvisor, Inc.

Thanks, Lloyd. Appreciate the question. I am so excited about the strategy work. It's been very energizing both for me and the team that we have engaged. We're really rallying around the opportunity, and I think it's something that we all feel there is real upside if we get this right and do it deliberately.

So I appreciate the time you've given me, given my tenure, to really get through that process. We're part of the way through now and we are building conviction about areas to prioritize.

The goal for the strategy work of course is to ensure we create sustainable value for the group as a portfolio and that we make sure that we have a really clear and compelling proposition.

We went through work like that with Viator and TheFork in the past, and so that's why our current focus is on Core TripAdvisor and really thinking about how we serve travelers as a modern guidance platform. And I think there's a lot we can do to be far more contemporary.

We have a lot of advantages, right, and we're going to lean into our heritage. We've got a trusted brand. We've got a community that really values connecting with us and with each other. And of course, we've got a content asset and we know we need to focus on our product to really start to utilize our unique data and ultimately to drive higher levels of direct traffic and engagement that will create multiple opportunities for monetization. And so we're going to balance how we think about reimagining the Core product while continuing to invest in the growth opportunities as we see them.
We recognize that there are headwinds. There has been a number of things like shift to mobile, obviously our traffic mix. There are geographic differences where we think we can improve with international focus. We can take a much more thoughtful lifetime value focus on the consumer in our marketing. We can lean into B2B and media and really drive those businesses harder, and we can think about our content asset and the way we want it to be far more immersive as we guide travelers and then be with them at that moment where they want to make their decision. So I think there is a lot of opportunity.

I wouldn't want to tell you we're going to overhaul something today. We think that certainly our Core meta business has bounced back. It's performing. It is showing relevance not only for consumers who come in not only to compare pricing but also to find that hotel and ultimately start to build that experience.

We also think it provides tremendous value for our partners, and that's what we're seeing is that high intent traffic continues to be valuable and we think our partners will continue to prioritize us as part of their marketing mix. So we're very excited about leaning into that, reinforcing it, thinking about how we can adjust both mobile and geographic opportunities.

On the question of our marketing, I think that what we've learned with Viator and to some degree TheFork is that when we do really thoughtful marketing, whether it be performance marketing or thinking about other promotional marketing in the channels that help us do that, as long as we look at that in a highly disciplined way and think about what's the purpose, who are we trying to reach, what's the expected result, and we watch that we're actually delivering those results as we go, we can consider all channels, and I think that's something we'll consider.

Mike and I have talked about this. We're going to take a very disciplined approach, but I think you can expect us as we continue to drive our product offering to be wanting to talk about it and really get the benefit for the work that we're planning to do.

Lloyd Walmsley  
Analyst, UBS Securities LLC

Okay. Thanks. And good luck, Ernst, and congrats, Mike. Good to have you on board.

Ernst J. Teunissen  
Chief Financial Officer & Chief Executive, Viator, TheFork and Cruise Critic, TripAdvisor, Inc.

Thanks, Lloyd.

Operator: Thank you. Stand by. We're queuing the next call. Next up we have Jed Kelly from Oppenheimer & Company. Jed, your line is open.

Jed Kelly  
Analyst, Oppenheimer & Co., Inc.

Hey, great. Thanks for taking my question. Ernst, good luck, and, Mike, welcome aboard.

Two questions, if I may. One, can you just talk about investing in Viator and how you're thinking about some of the competition that Google's recently done with their Maps?
And then my second question, any change to potentially unlocking strategic value with Viator once the public markets sort of settle down? Thank you.

**Ernst J. Teunissen**

Yeah, I'll take the first, and Matt will take the second.

This is an exciting area and there will be multiple players trying to get a piece of the experiences business. Of course, Google is active, others are active. We have competition. It's a large market. It's 80% still offline; a lot of secular growth to be had.

We are playing with enormous breadth of supply that we have aggregated, which is hard to aggregate and we've been aggregating over time which will be difficult for others to copy. And we're growing quickly which is cementing our relationships with suppliers globally. And so we – although there is competition, there should be in a market that is this attractive, we really like our chances and continue to do well.

**Matthew A. Goldberg**
*President, Chief Executive Officer & Director, TripAdvisor, Inc.*

Yeah. Thanks, Jed. It's Matt. And I just wanted to add to what – your question about Google. I've spent a career I think as I said last time in businesses that have to contend with Google and done it in such a way that has worked out reasonably well. You have to think about what you're going to do that is going to be different than Google, and I think we have a lot that we can do that will be different from Google. If we focus on our content and our trust and the security that travelers have with us when they think about the decision that they're going to make, the way that we're able to guide with a point of view and leverage the community, we know that we're ranked above Google, Facebook, Airbnb, Booking when we track our brand in terms of trust.

We know that our community has value. We know that curating content and really thinking about a more longitudinal relationship to serve consumers at every step along the journey, not just at a moment when they're ready to make a particular search I think are all ways that we're thinking about how to do that. I don't want to suggest that it's easy. I have a lot of respect for Google and they're an important player in the ecosystem, but we think we can differentiate.

On the question of strategic value at Viator, part of the work we're doing is to, of course, create value for the whole of the group, and that's inclusive of maximizing value for Viator and that's why I shared with you that we see a lot of growth potential there and want to continue to invest and have a lifetime value focus and think about how we add value to suppliers. And it also means that we're going to think about every option we have to drive more recognition for and value in the business. And so while the markets make it challenging to have a point of view on that today, we're just going to lean in and focus on driving the market opportunity.
James Lee  
Analyst, Mizuho Securities USA LLC

Great. Thanks for taking my question. Can you guys comment about maybe future Trip Plus? How does that fit into your strategy going forward? And also, second question. Maybe with the uncertain economy, how should we think about your cost structure and how flexible can you navigate in this choppy environment? Thanks.

Matthew A. Goldberg  
President, Chief Executive Officer & Director, TripAdvisor, Inc.

Thank you, James. Appreciate the question. So I think I said in the last call together that we thought that the direct-to-consumer opportunity was an interesting one that we really want to dive into and of course it's an area that we are deeply exploring as part of our strategy work. We think we can certainly do better with consumer-facing products and services.

We haven't yet finalized how TripAdvisor Plus would fit into that, but I think the direct-to-consumer offering needs to address very clear travel needs with tangible benefits that consumers value and we need to communicate that clearly to drive a compelling opportunity.

We think with a brand that we have with the trust that we have, thinking about a broader membership opportunity is a natural place to develop the relationship further. And we have to do it in a way that reinforces the entire value proposition. It can't just be a separate proposition just about discounting which is kind of the starting point for TripAdvisor Plus. We need to find ways to recognize and reward loyalty that users come and we need to make sure that when we think about membership, it can be easy to engage. Certainly, it could be tiered. There ought to be a way think about membership where it's not just about the consumer necessarily paying for something, but rather if you're a member, we can learn more about you and engage with you and monetize in multiple different ways.

So the work that we're doing, we are reviewing and rethinking, and as part of the strategic work I've outlined, we're going to share more when we discuss our strategy in more detail.

Ernst J. Teunissen  
Chief Financial Officer & Chief Executive, Viator, TheFork and Cruise Critic, TripAdvisor, Inc.

In terms of the cost structure, I would point out that, compared to 2019, we have shifted our cost structure to less fixed costs and more variable costs which would help in any scenario going forward.

We've taken out fixed costs during the pandemic. We've added some back, but not a lot. And in brands like Viator, we're currently operating with less fixed costs even with the enhanced scale than we had in 2019, which has allowed us to make all these investments in marketing and still be profitable last quarter. So that's been good.

Going forward, would we have levers there? Of course. There's always an opportunity to see how we can organize differently and create levers, and so there's flexibility in that too.

James Lee  
Analyst, Mizuho Securities USA LLC

Great. Thank you.
Operator: Thank you very much. Stand by for our next question. Next up is Mario Lu from Barclays. Mario, your line is open.

Mario Lu  
Analyst, Barclays Capital, Inc.

Great. Thanks for taking the question. I have a couple on TripAdvisor Core. It looks like the guide stepped down in 4Q versus 2019. It seems mostly timing related with tough comps in terms of the high TV ads in 3Q 2019. I know it's still early, but should we expect trends in this segment to then rebound in 1Q 2023, all else equal?

Ernst J. Teunissen  
Chief Financial Officer & Chief Executive, Viator, TheFork and Cruise Critic, TripAdvisor, Inc.

You're right to point out that there is some comp issues compared to Q4 2019. So although we see a step-down in performance from 2019 from Q3 to Q4, they're one-off items in Q4 2019 that we can point to, that if you isolate for those actually in September to October, October, November, December, is very smooth in terms of recovery. We had a very strong summer particularly in our core meta business, and August was even stronger than July and September. We were on average for the quarter in our meta business at 100% of 2019. August was substantially higher, and within that, the US did really well in August.

Took a step back in September but that was not weakness in September, that was the strength that we saw in August. September and July were quite similar. And then if you normalize for these one-off items in Q4 2019, the path versus 2019 has been very consistent, September to October to November, December.

Matthew A. Goldberg  
President, Chief Executive Officer & Director, TripAdvisor, Inc.

Yeah, and I would just add that for me putting fresh eyes on the top line growth in meta, steady recovery every quarter thus far in 2022, just suggests to me the continued relevance of that product. And of course, we recognize that the landscape has changed, but I think we can reinforce the relevance of the product and the way that we think about targeting consumers and understanding them better and creating user journeys on Core TripAdvisor that meet their particular need, whether it's for an accommodation shopping experience or they're looking to just start planning higher in the funnel. There are opportunities to look at increasing our effectiveness geographically with mobile.

I just think that there's a way to develop an opportunity that just reinforces that. So to me that, again, goes to the point of enduring and a really good foundation.

Mario Lu  
Analyst, Barclays Capital, Inc.

Great. Thank you both. Just a follow-up in terms of Trip's meta and the positioning within the travel ecosystem. The OTAs generally are ramping up their loyalty programs, and it sounds like they're prioritizing more direct traffic into their mobile apps. I guess how does that translate to Trip's positioning long-term? Any puts and takes to consider here? Thanks.

Matthew A. Goldberg  
President, Chief Executive Officer & Director, TripAdvisor, Inc.

Yeah, so we know that there's a continued demand for the product and of course our product really fits well with our strengths of being trusted and guidance and the reviews, and we continue to believe that partners find value...
in this offering as one of their channels because of the high intent nature of the traffic. And in fact, that’s what we’re seeing in the dynamic.

And so we'll continue to work to identify the ways to deliver the best product and service to those partners. And no doubt, OTAs have always wanted to focus on more direct traffic and that’s nothing new, and they’ll continue to do that. I don’t think that means that we will lose the opportunity to continue to be a part of their mix.

Mario Lu  
**Analyst, Barclays Capital, Inc.**

Great. Thank you.

**Operator:** Thank you. Stand by for the next question. Next up we have Brian Fitzgerald with WFS.

Brian Fitzgerald  
**Analyst, Wells Fargo Securities LLC**

Thanks, guys. From Wells Fargo. Congrats, Ernst, and best of luck, and, Mike, welcome. I wanted to follow up on Naved’s question, actually and when you looking at what you’re seeing, I’m trying to parse apart maybe if you’re seeing many trends with respect to business travelers. If you’re looking for two to three nights in the middle of the week, you’re pricing [ph] elastic (44:04), it’s likely a small, medium business searching for travel. Are you seeing anything like that that would indicate business travel is starting to pick up as well?

Ernst J. Teunissen  
**Chief Financial Officer & Chief Executive, Viator, TheFork and Cruise Critic, TripAdvisor, Inc.**

As a brand, we tend to skew more to the consumer use case rather than the business use case. Undoubtedly that we have business travelers, small business travelers in our mix, but not the signal that you’re after.

Matthew A. Goldberg  
**President, Chief Executive Officer & Director, TripAdvisor, Inc.**

Yeah, I mean, what we do know is that some portion of travelers are going to travel at shorter lengths than maybe they’ve previously planned. I don’t know if that’s a direct indicator of business. But certainly I think that as we start to think about liberating the potential of our data, we’ll start to think in a far more segmentation oriented way and really understand who is coming to our site in ways that I think will create value for us both across the business as it stands now and ways to identify commercial opportunities in the future.

Brian Fitzgerald  
**Analyst, Wells Fargo Securities LLC**

Got it. Thanks, Ernst, and then thanks, Matt.

**Operator:** Thank you. Stand by for our next question. It’s coming from John Colantuoni from Jefferies. Stand by. John, your line is up.

Christopher Suchecki  
**Analyst, Jefferies LLC**

Hi. This is Chris Suchecki on for John. Thanks for taking my question. Can you just give us any more color on actual consumer behavior trends that you’re seeing throughout the third, maybe a little bit into the fourth quarter
here? Are you seeing any signs of a trade down or shorter trip duration and is that any different across your key geographies? Thank you.

Matthew A. Goldberg  
President, Chief Executive Officer & Director, TripAdvisor, Inc.

No, yeah, I mean, we've shared a bit of color on the consumer. We have a lot of confidence in the consumer. We haven't seen anything change. No signs of trading down. I think we referenced Europe has been different than the US. But beyond that, the consumer's been strong.

Christopher Suchecki  
Analyst, Jefferies LLC

Okay. Thanks so much.

Operator: Stand by. Our next question comes from Ron Josey of Citi. Ron, your line's open.

Ronald Josey  
Analyst, Citigroup Global Markets, Inc.

Great. Thanks for taking the question, and, Ernst, congrats, and, Mike, welcome, and, Matt, welcome again. I wanted to ask maybe a little bit more about Viator and specifically about the resiliency for consumer appetite of experiences and dining versus travel overall and just wondering if things as macro progresses and do you think we could see an acceleration in this mix shift towards Viator if you see continued macro pressures. I understand it's still early.

And then I think in the letter you talked about improving user experiences at Viator. Just, can you talk to us a little bit more about how the user experience is evolving here in terms of the products and services? Thank you.

Ernst J. Teunissen  
Chief Financial Officer & Chief Executive, Viator, TheFork and Cruise Critic, TripAdvisor, Inc.

Yes, I'll take the first part and ask Matt to add as well. We've seen very, very strong growth obviously in Viator, Viator point of sale but also the TripAdvisor point of sale and experiences, and we believe that is our good execution but it's also the secular trend in the market. I think there's two secular trends at play. One is a general shift from people wanting to experience rather than just go for the hotel or just go for the flight. The general trend from things to experiences which is clear signs of in the economy, and that's a benefit for us.

The other big sort of secular trend is, this is one of the last verticals within travel to really move online. I said this before. About 80% is still offline. And we are at the forefront on bringing this industry online and aggregating supply and in some ways the playbook is a bit like what hotels were for the early OTAs, and so we're going after that.

And then the enablement of mobile is really an important secular trend as well. As we have really seen in our business we're now over half our bookings on Viator are mobile and that was maybe one-third in 2019, and so you see the acceleration of mobile and that means it's opened up new use cases.

We saw in the past in Viator, we saw the predominant use case was someone before they went on a trip tried to plan activities. Now we increasingly see that happening on mobile and in-destination, and that is allowing us for repeat rates even within the trip. So maybe someone booked before they went on the trip and then we can cross-sell while they're in the trip.
And so we've spent a lot of our user experience development over the last two years is honing the app, making the app more attractive, making the app more performant, and really being more thoughtful and better at what do we present to a traveler at what point in time, how do we think about the first booking, the second booking, the third booking on the same trip or on subsequent trips? And so that's where we've been focusing our development and that has led to the improvement that I was citing in terms of conversion, in terms of numbers of trips, in terms of really across the spectrum.

Matthew A. Goldberg  
President, Chief Executive Officer & Director, TripAdvisor, Inc.

Yeah, that was a good answer. The only thing I would add is I think the work the team is doing has been really sharp not only on the consumer side driving some of these trends that Ernst just described, but also on the supplier side. I mean, they're really focused on growing the value of supplier offerings through the product and thinking about opportunities around engagement with suppliers and co-marketing with suppliers and that's delivering value both to supplier and benefits on take rate.

We will continue to look for opportunities to accelerate. The team is always thinking about what else we can do. There's an opportunity to leverage data across the group that would be really beneficial for Viator, given the vast amount of data we have across the various brands. And also, we can think differently about the relationship between Viator and TripAdvisor, and that's something we're really excited to think about because the two together give them a very distinct advantage in the marketplace. And so there's a lot of opportunity here and it's one that, again, I think we get excited about for years to come.

Operator: Stand by. Our next question comes from Deepak Mathivanan at Wolfe Research. Deepak, your line is open.

Deepak Mathivanan  
Analyst, Wolfe Research LLC

Great. Hey, guys. Thanks for taking the question. So, Matt, maybe I wanted to ask another kind of big picture question related to the prior one. Your traffic is still at healthy levels and recovering and all that, but if you look at kind of consumer behavior for travel research, particularly among younger demographics, that's increasingly shifting towards services like Instagram and TikTok partly due to the nature of content and the level of, the attractiveness and all that stuff. How are you thinking about defending and potentially enhancing the value prop of TripAdvisor's Core business for this changing consumer behavior over the long-term?

And then second question is for Ernst. Going back to your EBITDA margin comment on the Core hotel business, you're kind of near mid-30s this year compared to sort of high-30s in 2019, and you obviously made a lot of cost savings during the pandemic. I know there are certain one-time things in 2019, but this business carries very high incremental margins. How should we think about sort of like the margin trends for this segment in 2023 and beyond? Thank you so much.

Matthew A. Goldberg  
President, Chief Executive Officer & Director, TripAdvisor, Inc.

Yeah, thank you for the question, Deepak. And of course, again, coming out of the media space and doing it for so long, I've obviously had a chance to experience consumer shifts to lots of different kinds of platforms going all the way back to search and social and much more immersive content set. So when I think about Instagram and TikTok and the inspiration that they can deliver, they're absolutely platforms that make a lot of sense. They're also
platforms that we can experiment with and think about what’s our role in that world that balances what we do on our platform and off our platform.

But I think one of the areas that we can lean into is in our content. And when you think about combining our content with our data and what we can learn about a traveler, we have a pretty powerful asset. And we can both improve the content experience and think about different formats and really enhance the way that we deliver that immersive experience, and also think about the platform that brings to bear the best of our guidance to travelers because when you go into some of those other platforms, there's a trust factor. Now, some of it may be your friends and your family, but there's a trust factor around, is that something that I can really rely on, and I think our brand stands for trust and I think we're uniquely positioned to do just that.

Ernst J. Teunissen  
Chief Financial Officer & Chief Executive, Viator, TheFork and Cruise Critic, TripAdvisor, Inc.

On the margin part, if you look at Q3 comparison to 2019 in Core TripAdvisor, the EBITDA margin was very similar to what we had in Q3. But it comes together in a different way. We've lowered our fixed costs substantially versus Q3 2019. But we've seen an increase in the more variable costs compared to 2019, and the driver of that is that, as we are recovering, we have seen that the higher margin revenue streams have been slower to come back. And so, for instance, if you look at our meta business, as we've said, in Q3 we were at 2019 levels in our meta business, but for pay channels that was above and for free channels that was below. And so there's a higher – there's a lower contribution margin than we had back in 2019.

And then if you look at some of the high margin revenue streams such as our media business or display business as well as our hotel B2B business, they have been slower to recover than our meta auction, slower to recover than other revenue streams within our TripAdvisor Core business like TripAdvisor experiences and TripAdvisor restaurant B2C. And so there has been a shift from fixed cost to variable cost, but the margin we achieved in Q3 was very similar to 2019. Now, then there's a movement to Q4 that we talked about, but that's the 2019 to 2022 in Q3 in TripAdvisor Core.

Matthew A. Goldberg  
President, Chief Executive Officer & Director, TripAdvisor, Inc.

I would just add, as part of our strategy work we are leaning into what do we want to do to differentiate ourselves and improve our operational performance in B2B and media, and that's something that we do think some of those self-inflicted things in the past around our sales teams and driving higher levels of productivity, but I think we can really drive more solution orientation.

I think I talked about product before. When we think about the product and services that we want to provide to deliver performance, leveraging engagement and data and productivity, as well as with media, getting into those formats where we're experimenting already but we primarily played into the display ad category which we know is declining. And so, as we focus on the consumer and look to drive more value for partners and advertisers, there's a real opportunity to lead into serving clients there more effectively.

Operator: We'll now take our final call from Vince Ciepiel at Cleveland Research Company. Stand by.

Vince Ciepiel  
Analyst, Cleveland Research Co. LLC

Great. Thank you for taking my question.
Vince Ciepiel  
Analyst, Cleveland Research Co. LLC  

Great. Thanks for taking my question. I wanted to follow-up on the prior comment. I thought that was a helpful explanation of variable as a percentage of revenue running higher. And just curious if you think that, over time, variable expense as a percentage of revenue can kind of get back down to the levels they were pre-COVID or if the mix shift in the business towards more Viator would cause that line item to be more inflated than it was pre-COVID? That's the first part of the question on variable.

And then second on fixed, you guys did a really nice job taking fixed costs out of the business through the pandemic. I think it was a little over $200 million. I'm curious how much of that's being added back this year given the 4Q guide and how you think about your ability to leverage on that over time.

Ernst J. Teunissen  
Chief Financial Officer & Chief Executive, Viator, TheFork and Cruise Critic, TripAdvisor, Inc.

I'll take those both in turn. The Viator mix shift impact on the overall margin structure is clearly a factor as we are continuing to grow Viator and investing in Viator. The Viator business has a lower EBITDA margin than our TripAdvisor Core and with the mix shift there will be a change.

In TripAdvisor Core, an important driver for margin improvement going forward will be bringing our media business and our B2B business back to pre-pandemic levels and beyond. And this is what Matt was just talking about. They have been slower to recover. That is not surprising. You see in other media-oriented advertising models that the growth there has been slower, especially around travel, and so we feel we are doing — we're performing in line with the broader media, travel media and upper funnel travel spend. But hotels, for instance, are not prioritizing upper funnel spend on media or our B2B offerings, and so it's slower to recover and that will change. That will change with the overall market coming back to more normal levels.

There are levers that we have internally. Matt talked about them. We continue to rebuild the sales force, the productivity in the sales force which took a hit in the pandemic. And so there's execution that we can affect there as well. Those were profitable, have been profitable parts of our portfolio and so bringing those back will be very effective.

Within our meta auction, we've seen in the pandemic that high CPCs have led us to an ability to buy more traffic paid. That may normalize to some extent going forward as well.

Oh, the second part. The fixed cost. Yeah, we took about from 2019 to 2020 about $200 million of fixed and discretionary costs. We've added back about 25% of that, mostly through inflationary pressures. You can imagine that over the last three years there's been some wage inflation but we've been very, very prudent in adding it back, limited head count and limited investment in additional discretionary marketing or above the line marketing in TheFork and Viator as we've described. So we've been prudent in adding that back.

Michael Noonan  
Chief Financial Officer & Senior Vice President, TripAdvisor, Inc.

Yeah, I'd just say — it's Mike here. I would say kudos to the team for being really prudent in their capital allocation and cost structure and it's clearly going to be something that we as a team are going to look at going forward.
Being – as my prepared comments and we think about 2023 planning being very focused on operating efficiencies and how we can drive value through those mechanisms as well. So I just wanted to chime in on that.

Vince Ciepiel  
Analyst, Cleveland Research Co. LLC

Great. Thank you.

Operator: Thank you. At this time, I would now like to turn the call back to Matt Goldberg for closing remarks.

Matthew A. Goldberg  
President, Chief Executive Officer & Director, TripAdvisor, Inc.

With that, I’d like to thank you all for your time today. I look forward to seeing you the next time. Bye-bye.

Operator: Thank you for your participation in today’s conference. This does conclude the program. You may now disconnect.