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

Form 10-Q

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

For the quarterly period ended June 30, 2019
OR

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

For the transition period from _________ to _________

Commission file number: 001-35362

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

Delaware	**80-0743202**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

400 1st Avenue
Needham, MA 02494
(Address of principal executive office) (Zip Code)

Registrant's telephone number, including area code:
(781) 800-5000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock	TRIP	NASDAQ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Small reporting company	☐
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. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Class	Outstanding Shares at July 31, 2019
Common Stock, $0.001 par value per share	126,500,138 shares
Class B common stock, $0.001 par value per share	12,799,999 shares

TripAdvisor, Inc.
Form 10-Q
For the Quarter Ended June 30, 2019

Table of Contents

PART I – FINANCIAL INFORMATION
Item 1. Unaudited Condensed Consolidated Financial Statements

TRIPADVISOR, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share amounts)

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Revenue (Note 3)	$ 422	$ 433	$ 798	$ 811
Costs and expenses:				
Cost of revenue (1)	27	24	48	44
Selling and marketing (2)	180	217	357	416
Technology and content (2)	74	68	148	135
General and administrative (2)	45	46	88	88
Depreciation	23	21	46	41
Amortization of intangible assets	7	8	15	16
Total costs and expenses:	356	384	702	740
Operating income	66	49	96	71
Other income (expense):				
Interest expense	(2)	(3)	(3)	(6)
Interest income and other, net	4	(4)	8	(2)
Total other income (expense), net	2	(7)	5	(8)
Income before income taxes	68	42	101	63
Provision for income taxes	(34)	(10)	(41)	(27)
Net income	$ 34	$ 32	$ 60	$ 36
Earnings per share attributable to common stockholders (Note 4):				
Basic	$ 0.24	$ 0.23	$ 0.43	$ 0.26
Diluted	$ 0.24	$ 0.23	$ 0.43	$ 0.26
Weighted average common shares outstanding (Note 4):				
Basic	139	138	139	139
Diluted	141	140	141	140
(1) Excludes amortization as follows:				
Amortization of acquired technology included in amortization of intangible assets	$ 2	$ 2	$ 4	$ 4
Amortization of website development costs included in depreciation	15	15	32	30
	$ 17	$ 17	$ 36	$ 34
(2) Includes stock-based compensation expense as follows (Note 5):				
Selling and marketing	$ 6	$ 5	$ 11	$ 11
Technology and content	$ 14	$ 13	$ 27	$ 26
General and administrative	$ 12	$ 13	$ 22	$ 24

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

TRIPADVISOR, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions)

	Three months ended June 30,		Six months ended June 30,	
	2019	**2018**	**2019**	**2018**
Net income	$ 34	$ 32	$ 60	$ 36
Other comprehensive income (loss):				
Foreign currency translation adjustments (1)	(1)	(17)	(3)	(9)
Total other comprehensive loss	(1)	(17)	(3)	(9)
Comprehensive income	$ 33	$ 15	$ 57	$ 27

(1) Foreign currency translation adjustments exclude income taxes due to our intention to indefinitely reinvest the earnings of our foreign subsidiaries in those operations.

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

TRIPADVISOR, INC.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions, except number of shares and per share amounts)

	June 30, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents (Note 6)	$ 901	$ 655
Short-term marketable securities (Note 6)	65	15
Accounts receivable and contract assets, net of allowance for doubtful accounts of $22 and $21, respectively (Note 3)	270	212
Prepaid expenses and other current assets	35	33
Total current assets	1,271	915
Property and equipment, net (Note 7)	262	253
Operating lease right-of-use assets (Note 2)	75	-
Intangible assets, net of accumulated amortization of $155 and $140, respectively	102	118
Goodwill (Note 8)	754	756
Deferred income taxes, net	1	27
Other long-term assets	101	98
TOTAL ASSETS	$ 2,566	$ 2,167
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 13	$ 15
Deferred merchant payables	346	164
Deferred revenue (Note 3)	98	63
Accrued expenses and other current liabilities	181	151
Total current liabilities	638	393
Deferred income taxes, net	12	21
Other long-term liabilities (Note 11)	341	282
Total Liabilities	991	696
Commitments and contingencies (Note 12)		
Stockholders' equity: (Note 13)		
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: 138,525,158 and 137,158,010, respectively		
Shares outstanding: 126,468,470 and 125,101,322, 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	1,081	1,037
Retained earnings	1,106	1,043
Accumulated other comprehensive income (loss)	(65)	(62)
Treasury stock-common stock, at cost, 12,056,688 and 12,056,688 shares, respectively	(547)	(547)
Total Stockholders' Equity	1,575	1,471
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 2,566	$ 2,167

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

TRIPADVISOR, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(in millions, except number of shares)

Three months ended June 30, 2019

	Common stock		Class B common stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury Stock		
	Shares	Amount	Shares	Amount				Shares	Amount	Total
Balance as of March 31, 2019	**138,256,630**	**$ -**	**12,799,999**	**$ -**	**$ 1,046**	**$ 1,072**	**$ (64)**	**(12,056,688)**	**$ (547)**	**$ 1,507**
Net income						34				34
Other comprehensive loss							(1)			(1)
Issuance of common stock related to exercises of options and vesting of RSUs	268,528	-			1					1
Withholding taxes on net share settlements of equity awards					(4)					(4)
Stock-based compensation					38					38
Balance as of June 30, 2019	**138,525,158**	**$ -**	**12,799,999**	**$ -**	**$ 1,081**	**$ 1,106**	**$ (65)**	**(12,056,688)**	**$ (547)**	**$ 1,575**

Six months ended June 30, 2019

	Common stock		Class B common stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury Stock		
	Shares	Amount	Shares	Amount				Shares	Amount	Total
Balance as of December 31, 2018	**137,158,010**	**$ -**	**12,799,999**	**$ -**	**$ 1,037**	**$ 1,043**	**$ (62)**	**(12,056,688)**	**$ (547)**	**$ 1,471**
Net income						60				60
Cumulative effect adjustment from adoption of new accounting guidance (Note 2)						3				3
Other comprehensive loss							(3)			(3)
Issuance of common stock related to exercises of options and vesting of RSUs	1,367,148	-			1					1
Withholding taxes on net share settlements of equity awards					(26)					(26)
Stock-based compensation					69					69
Balance as of June 30, 2019	**138,525,158**	**$ -**	**12,799,999**	**$ -**	**$ 1,081**	**$ 1,106**	**$ (65)**	**(12,056,688)**	**$ (547)**	**$ 1,575**

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

TRIPADVISOR, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(in millions, except number of shares)

	Three months ended June 30, 2018									
	Common stock		Class B common stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury Stock		
	Shares	Amount	Shares	Amount				Shares	Amount	Total
Balance as of March 31, 2018	**136,396,872**	**$ -**	**12,799,999**	**$ -**	**$ 946**	**$ 934**	**$ (34)**	**(9,727,140)**	**$ (457)**	**$ 1,389**
Net income						32				32
Other comprehensive loss							(17)			(17)
Issuance of common stock related to exercises of options and vesting of RSUs	381,160	-			3					3
Repurchase of common stock (Note 13)								(2,329,548)	(90)	(90)
Withholding taxes on net share settlements of equity awards					(6)					(6)
Stock-based compensation					36					36
Balance as of June 30, 2018	**136,778,032**	**$ -**	**12,799,999**	**$ -**	**$ 979**	**$ 966**	**$ (51)**	**(12,056,688)**	**$ (547)**	**$ 1,347**

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

TRIPADVISOR, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(in millions, except number of shares)

Six months ended June 30, 2018

	Common stock		Class B common stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury Stock		
	Shares	Amount	Shares	Amount				Shares	Amount	Total
Balance as of December 31, 2017	**135,617,263**	**$ -**	**12,799,999**	**$ -**	**$ 926**	**$ 926**	**$ (42)**	**(9,474,490)**	**$ (447)**	**$ 1,363**
Net income						36				36
Cumulative effect adjustment from adoption of new accounting guidance						4				4
Other comprehensive loss							(9)			(9)
Issuance of common stock related to exercises of options and vesting of RSUs	1,160,769	-			3					3
Repurchase of common stock (Note 13)								(2,582,198)	(100)	(100)
Withholding taxes on net share settlements of equity awards					(18)					(18)
Stock-based compensation					68					68
Balance as of June 30, 2018	**136,778,032**	**$ -**	**12,799,999**	**$ -**	**$ 979**	**$ 966**	**$ (51)**	**(12,056,688)**	**$ (547)**	**$ 1,347**

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

TRIPADVISOR, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Six months ended June 30,	
	2019	**2018**
Operating activities:		
Net income	$ 60	$ 36
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	46	41
Amortization of intangible assets	15	16
Stock-based compensation expense	60	61
Deferred tax expense (benefit)	17	(3)
Other, net	6	11
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable and contract assets, prepaid expenses and other assets	(61)	(82)
Accounts payable, accrued expenses and other liabilities	(1)	29
Deferred merchant payables	183	201
Income tax receivables/payables, net	3	5
Deferred revenue	35	45
Net cash provided by operating activities	363	360
Investing activities:		
Capital expenditures, including internal-use software and website development	(38)	(31)
Purchases of marketable securities	(69)	(1)
Sales of marketable securities	-	45
Maturities of marketable securities	20	5
Acquisitions and other investments, net of cash acquired	-	(23)
Net cash used in investing activities	(87)	(5)
Financing activities:		
Repurchase of common stock	-	(100)
Proceeds from 2015 credit facility	-	5
Payments to 2015 credit facility	-	(235)
Proceeds from Chinese credit facilities	-	2
Payments to Chinese credit facilities	-	(10)
Proceeds from exercise of stock options	1	3
Payment of withholding taxes on net share settlements of equity awards	(26)	(18)
Other financing activities, net	(3)	-
Net cash used in financing activities	(28)	(353)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(2)	(9)
Net increase (decrease) in cash, cash equivalents and restricted cash	246	(7)
Cash, cash equivalents and restricted cash at beginning of period	655	673
Cash, cash equivalents and restricted cash at end of period	$ 901	$ 666

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

TRIPADVISOR, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: BUSINESS DESCRIPTION AND BASIS OF PRESENTATION

We refer to TripAdvisor, Inc. and our subsidiaries as “TripAdvisor”, “the Company”, “us”, “we” and “our” in these notes to the unaudited condensed consolidated financial statements.

Description of Business

TripAdvisor is an online travel company and our mission is to help people around the world plan, book and experience the perfect trip. We seek to achieve our mission by providing consumers and travel partners a global platform of rich content, price comparison tools and online reservation and related services for destinations, accommodations, travel activities and experiences, and restaurants.

TripAdvisor, Inc., by and through its subsidiaries, owns and operates a portfolio of leading online travel brands. Our flagship brand is TripAdvisor. TripAdvisor-branded websites include tripadvisor.com in the United States and localized versions of the website in 48 markets and 28 languages worldwide. TripAdvisor features approximately 795 million reviews and opinions on approximately 8.4 million places to stay, places to eat and things to do – including 1.4 million hotels, inns, B&Bs and specialty lodging, 900,000 rental properties, 5.0 million restaurants and 1.1 million travel activities and experiences worldwide. We also enable consumers to compare prices and book a number of these travel experiences on either a TripAdvisor website or mobile application (“mobile app”), or on the website or mobile app of one of our travel partners. In addition to the flagship TripAdvisor brand, we manage and operate the following other travel media brands: www.airfarewatchdog.com, www.bokun.io, www.bookingbuddy.com, www.cruisecritic.com, www.familyvacationcritic.com, www.flipkey.com, www.thefork.com (including www.lafourchette.com, www.eltenedor.com, and www.restorando.com), www.holidaylettings.co.uk, www.holidaywatchdog.com, www.housetrip.com, www.jetsetter.com, www.niumba.com, www.onetime.com, www.oyster.com, www.seatguru.com, www.smartertravel.com, www.tingo.com, www.vacationhomerentals.com, and www.viator.com.

During the first quarter of 2019, as part of our continuous review of the business, we evaluated our operations and realigned the reportable segment information which our chief operating decision maker, or CODM, regularly assesses to evaluate performance for operating decision-making purposes, including evaluation and allocation of resources. The CODM for the Company is our Chief Executive Officer. The revised segment reporting structure includes the following reportable segments: (1) Hotels, Media & Platform; and (2) Experiences & Dining. For further information on our segments, including the change in segments, and principal revenue streams within these segments refer to “Note 3: *Revenue Recognition*” and “Note 15: *Segment Information*,” in these notes to our unaudited condensed consolidated financial statements. All prior period segment disclosure information has been reclassified to conform to the current reporting structure in this Form 10-Q. These reclassifications had no effect on our unaudited condensed consolidated financial statements in any period.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements present our results of operations, financial position and cash flows on a consolidated basis. The unaudited condensed consolidated financial statements include TripAdvisor, our wholly-owned subsidiaries, and entities we control, or in which we have a variable interest and are the primary beneficiary of expected cash profits or losses. All inter-company accounts and transactions have been eliminated in consolidation. One of our subsidiaries that operates in China has variable interests in affiliated entities in China in order to comply with Chinese laws and regulations, which restrict foreign investment in Internet content provision businesses. Although we do not own the capital stock of these Chinese affiliates, we consolidate their results as we are the primary beneficiary of the cash losses or profits of these variable interest affiliates and have the power to direct the activity of these affiliates. Our variable interest entities’ financials were not material for all periods presented.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) and include all normal and recurring adjustments that management of the Company considers necessary for a fair presentation of its financial position and operating results. We prepared the unaudited condensed consolidated financial statements following the requirements of the U.S. Securities and Exchange Commission (“SEC”) for interim reporting. As permitted under those rules, we condensed or omitted certain footnotes or other financial information that are normally required by GAAP for annual financial statements. Additionally, certain prior period amounts have been reclassified for comparability with the current period presentation. Our interim unaudited condensed consolidated financial statements are not necessarily indicative of results that may be expected for any other interim period or for the full year. These interim unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2018, previously filed with the SEC. The unaudited condensed consolidated balance sheet as of December 31, 2018 included herein was derived from the audited consolidated financial statements as of that date, but does not include all disclosures including notes required by GAAP.

Accounting Estimates

We use estimates and assumptions in the preparation of our unaudited condensed consolidated financial statements in accordance with GAAP. Our estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of our unaudited condensed consolidated financial statements. These estimates and assumptions also affect the reported amount of net income or loss during any period. Our actual financial results could differ significantly from these estimates. The significant estimates underlying our unaudited condensed consolidated financial statements include: (i) recognition and recoverability of goodwill, definite-lived intangibles and other long-lived assets; and (ii) accounting for income taxes.

Seasonality

Global travel market expenditures tend to follow a seasonal pattern. Correspondingly, advertising investments made by travel partners and, therefore, our revenue and profits, also tend to follow a seasonal pattern. Our financial performance tends to be seasonally highest in the second and third quarters of a given year, which includes the seasonal peak in consumer demand, traveler hotel and rental stays, and travel activities and experiences taken, compared to the first and fourth quarters, which represent seasonal low points. Significant shifts in our business mix or adverse economic conditions could result in future seasonal patterns that are different from historical trends.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

New Accounting Pronouncements Not Yet Adopted

In August 2018, the Financial Accounting Standards Board ("FASB") issued new accounting guidance which require a customer in a cloud computing arrangement (i.e., hosting arrangement) that is a service contract to follow the internal-use software guidance to determine which implementation costs to capitalize as assets or expense as incurred. The accounting for the cost of the hosting component of the arrangement (i.e., service costs the customer pays for the cloud computing service) is not affected by this new guidance. The Company uses both internally-developed software and third-party software to operate its business. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted, including adoption in any interim period. Entities have the option to apply the guidance retrospectively or prospectively to all implementation costs incurred after the date of adoption. We plan on adopting this new guidance on January 1, 2020 on a prospective basis without adjusting the comparative periods presented. We do not expect the adoption of this new guidance will have a material impact on our consolidated financial statements and related disclosures.

In June 2016, the FASB issued new accounting guidance which replaces the existing incurred loss impairment model with an expected loss methodology on the measurement of credit losses for financial assets measured at amortized cost, which includes accounts receivable and available-for-sale debt securities. For financial assets measured at amortized cost, this new guidance requires an entity to: (1) estimate its lifetime expected credit losses upon recognition of the financial assets and establish an allowance to present the net amount expected to be collected; (2) recognize this allowance and changes in the allowance during subsequent periods through net income; and (3) consider relevant information about past events, current conditions and reasonable and supportable forecasts in assessing the lifetime expected credit losses. For available-for-sale debt securities, this new guidance made several targeted amendments to the existing other-than-temporary impairment model, including: (1) requiring disclosure of the allowance for credit losses; (2) allowing reversals of the previously recognized credit losses until the entity has the intent to sell, is more-likely-than-not required to sell the securities or the maturity of the securities; (3) limiting impairment to the difference between the amortized cost basis and fair value; and (4) not allowing entities to consider the length of time that fair value has been less than amortized cost as a factor in evaluating whether a credit loss exists. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted, including interim periods within those fiscal years beginning after December 15, 2018. Entities are required to adopt this new guidance on a modified retrospective basis with a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. We plan on adopting this new guidance on January 1, 2020 and are in the process of evaluating the impact of adopting this new guidance on our consolidated financial statements and related disclosures.

Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued new guidance which revises the accounting for leases ("ASC 842"). ASC 842 requires entities that lease assets to recognize right-of-use (ROU) assets representing its right to use the underlying asset for the lease term and lease liabilities related to the rights and obligations created by those leases on the balance sheet regardless of whether they are classified as finance or operating leases, with classification affecting the pattern and presentation of expenses and cash flows on our consolidated financial statements. In addition, new disclosures are required to meet the objective of enabling users of the financial statements to better understand the amount, timing, and uncertainty of cash flows arising from leases. We adopted ASC 842 on January 1, 2019 and elected the modified retrospective transition method that allowed for a cumulative-effect adjustment in the period of adoption. Financial results for reporting periods beginning after January 1, 2019 are presented under ASC 842, while prior period amounts were not adjusted and continue to be reported under the accounting standards in effect for those periods. The Company has also updated its accounting policies to reflect the new guidance and have implemented lease accounting software to support its accounting process, financial reporting, and new financial disclosure requirements.

We elected the following practical expedients available in transition upon adoption of ASC 842 and accounting policy updates: 1) the "practical expedients package of three", which allows us to not reassess the following: a) whether any expired or existing contracts are or contain a lease as of the adoption date, b) the lease classification for any expired or existing leases as of the adoption date; and c) the accounting treatment for initial direct costs for existing leases as of the adoption date; 2) the "short-term lease recognition exemption", which allows entities to forego recognition of ROU assets and lease liabilities for leases with a lease term of twelve months or less and which also do not include an option to renew the lease term that the entity is reasonably certain to exercise; 3) elect by asset class as an accounting policy, to combine lease and non-lease components as a single component and subsequently account for the combined single component as the lease component; and 4) apply the portfolio approach to similar types of leases where the Company does not reasonably expect the outcome to differ materially from applying the new guidance to individual leases.

The adoption of ASC 842 did not have a material impact to our unaudited condensed consolidated statement of operations during the three and six months ended June 30, 2019 or unaudited condensed consolidated statement of cash flows during the six months ended June 30, 2019. The effect on our unaudited condensed consolidated balance sheet as of January 1, 2019 from the adoption of ASC 842 is as follows:

	Balance at December 31, 2018	Adjustments due to ASC 842	Balance at January 1, 2019
		(in millions)	
Assets:			
Prepaid expenses and other current assets	$ 33	$ (3)	$ 30
Property and equipment, net (1)	253	8	261
Operating lease right-of-use assets (1)	—	75	75
Deferred income taxes, net	27	(1)	26
Other long-term assets	98	(2)	96
Liabilities:			
Accrued expenses and other current liabilities (2)	151	21	172
Other long-term liabilities (1)	282	53	335
Retained earnings (3)	$ 1,043	$ 3	$ 1,046

(1) Refer to the below discussion regarding the transition accounting for operating and finance leases upon adoption of ASC 842.
(2) This adjustment primarily represents the short-term portion of operating and finance lease obligations recorded upon adoption of ASC 842, discussed below.
(3) Represents a cumulative-effect adjustment of $3 million, net of tax to our beginning balance of retained earnings recorded upon adoption of ASC 842.

We lease office space in a number of countries around the world under non-cancelable lease agreements. Our corporate headquarters lease ("Headquarters Lease") is our most significant office space lease. The Company has also entered into data center and certain equipment leases, such as network equipment and other leases, which are not material to our unaudited condensed consolidated financial statements. We determine whether a contract is or contains a lease at inception of a contract. We define a lease as a contract, or part of a contract, that conveys the right to control the use of identified property, plant, or equipment (an identified asset) for a period of time in exchange for consideration. Control over the use of the identified asset means that we have both the right to obtain substantially all of the economic benefits from the use of the asset and the right to direct the use of the asset.

Our lease contracts contain both lease and non-lease components. We account separately for the lease and non-lease components of office space leases and certain other leases, such as data center leases. We allocate the consideration in the contract to the lease and non-lease components based on each component's relative standalone price. We determine standalone prices for the lease components based on the prices for which other lessors lease similar assets on a standalone basis. We determine standalone prices for the non-lease component based on the prices that other suppliers charge for services for similar assets on a standalone basis. If observable standalone prices are not readily available, we estimate the standalone prices based on other available observable information. However, for certain categories of equipment leases, such as network equipment and others, we account for the lease and non-lease components as a single lease component. Additionally, for certain equipment leases that have similar characteristics, we apply a portfolio approach to effectively account for operating lease ROU assets and operating lease liabilities, hence we do not expect the outcome to differ materially from applying the new guidance to individual leases.

The Company uses its estimated incremental borrowing rate as the discount rate in measuring the present value of our lease payments given the rate implicit in our leases is not typically readily determinable. Given we do not currently borrow on a collateralized basis, our incremental borrowing rate is estimated to approximate the interest rate in which the Company would expect to pay on a collateralized basis over a similar term and payments, and in economic environments where the leased asset is located. We use the portfolio approach to determine the discount rate for leases with similar characteristics or when the Company is reasonably certain that doing so would not materially affect the accounting for those leases to which a single discount rate is applied.

Operating Leases

Our office space leases, exclusive of our Headquarters Lease, are operating leases, which expire at various dates with the latest maturity in June 2027. Based on the present value of remaining lease payments on the Company's existing leases, we recognized $88 million of both operating ROU assets and operating lease liabilities, respectively on our unaudited condensed consolidated balance sheet upon adoption of ASC 842, as of January 1, 2019. These operating ROU assets were then reduced by a net deferred rent balance of $13 million as of January 1, 2019, which primarily consisted of existing deferred and prepaid rent balances.

Operating lease ROU assets and liabilities commencing after January 1, 2019 are recognized at lease commencement date, or the date the lessor makes the leased asset available for use, based on the present value of lease payments over the lease term using the Company's estimated incremental borrowing rate. ROU assets related to operating leases comprise the initial lease liability, and are then adjusted for any prepaid or deferred rent payments, unamortized initial direct costs, and lease incentives received. Amortization expense for operating lease ROU assets and interest accretion on operating lease liabilities are recognized as a single operating lease cost in our consolidated statement of operations, which results effectively in recognition of rent expense on a straight-line basis over the lease period. The carrying amount of operating lease liabilities are (1) accreted to reflect interest using the incremental borrowing rate if the rate implicit in the lease is not readily determinable; and (2) reduced to reflect lease payments made during the period. We present the combination of both the amortization of operating lease ROU assets and the change in the operating lease liabilities in the same line item in the adjustments to reconcile net income to net cash provided by operating activities in our unaudited condensed consolidated statement of cash flows. Lease incentives are recognized as reductions of rental expense on a straight-line basis over the term of the lease. Certain of our operating leases include options to extend the lease terms for up to 6 years and/or terminate the leases within 1 year, which we include in our lease term if we are reasonably certain to exercise these options. Payments under our operating leases are primarily fixed, however, certain of our operating lease agreements include rental payments which are adjusted periodically for inflation. We recognize these costs as variable lease costs on our unaudited condensed consolidated statement of operations, which were not material during the three and six months ended June 30, 2019 and 2018. In addition, our short-term lease costs were not material in any period. As of June 30, 2019, our operating lease ROU assets was $75 million as presented on our unaudited condensed consolidated balance sheet.

Finance Lease

In June 2013, we entered into our Headquarters Lease. Pursuant to the Headquarters Lease, the landlord built an approximately 280,000 square foot rental building in Needham, Massachusetts (the "Premises"), and leased the Premises to the Company as our new corporate headquarters for an initial term of 15 years and 7 months or through December 2030. The Company also has an option to extend the term of the Headquarters Lease for two consecutive terms of five years each. The Company was deemed to be the owner of the Premises for accounting purposes only during the construction period under legacy GAAP accounting rules for lease accounting, or ASC 840. Accordingly, the Company recorded project construction costs during the construction period incurred by the landlord as a construction-in-progress asset and a related construction financing obligation on our consolidated balance sheet. The amounts that the Company incurred for normal tenant improvements and structural improvements had also been recorded to the construction-in-progress asset. Upon completion of construction at the end of the second quarter of 2015, we evaluated the construction-in-progress asset and construction financing obligation for de-recognition under the criteria for "sale-leaseback" treatment under ASC 840. We concluded that it did not meet the provisions for sale-leaseback accounting. Therefore, the Headquarters Lease was accounted for as a financing obligation through December 31, 2018, in which we depreciated the building asset over its estimated useful life and incurred interest expense related to the financing obligation, imputed using the effective interest rate method.

Upon the adoption of ASC 842 on January 1, 2019, we derecognized the previous assets and liabilities recorded for the Headquarters Lease described above, with the exception of net assets and liabilities of $26 million, primarily related to structural improvements paid by the Company, net of tenant incentives and accumulated amortization, which is classified as net prepaid rent under the new guidance. The Company then assessed the lease classification of our Headquarters Lease and concluded it should be classified and accounted for as a finance lease upon adoption on January 1, 2019. Accordingly, on January 1, 2019, we recognized a finance lease ROU asset and a finance lease liability of $114 million and $88 million, respectively, on our unaudited condensed consolidated balance sheet. The difference between the finance lease ROU asset and finance lease liability represents the aforementioned $26 million of net prepaid rent, and is being amortized straight-line over the remaining lease term. As of June 30, 2019, the ROU asset related to our Headquarters Lease was $110 million, net of accumulated amortization of $5 million, and is included in the property and equipment, net on our unaudited condensed consolidated balance sheet.

Finance lease ROU assets and finance lease liabilities commencing after January 1, 2019 are recognized similar to an operating lease, at the lease commencement date or the date the lessor makes the leased asset available for use. Finance lease ROU assets are generally amortized on a straight-line basis over the lease term, and the carrying amount of the finance lease liabilities are (1) accreted to reflect interest using the incremental borrowing rate if the rate implicit in the lease is not readily determinable, and (2) reduced to reflect lease payments made during the period. Amortization expense for finance lease ROU assets and interest accretion on finance lease liabilities are recorded to depreciation and interest expense, respectively, in our consolidated statement of operations.

We did not update any financial information or provide any disclosures required under the new guidance for the three and six months ended June 30, 2018, respectively, or as of December 31, 2018. The disclosures provided below for the three and six months ended June 30, 2018, respectively, or as of December 31, 2018 are based on the disclosure requirements under ASC 840.

The components of lease expense were as follows for the periods presented:

	Three months ended June 30, 2019	Six months ended June 30, 2019
	(in millions)	
Operating lease cost (1)	$ 6	$ 12
Finance lease cost		
Amortization of right-of-use assets (2)	$ 2	$ 5
Interest on lease liabilities (3)	1	2
Total finance lease cost	$ 3	$ 7
Sublease income (1)	(1)	(2)
Total lease cost, net	$ 8	$ 17

(1) Operating lease costs, net of sublease income, are included within operating expenses in our unaudited condensed consolidated statement of operations. During the three and six months ended June 30, 2018, we recorded operating lease expense of $5 million and $9 million, respectively; and sublease income of $1 million for both the three and six months ended June 30, 2018 in our unaudited condensed consolidated statement of operations in accordance with ASC 840.

(2) Amount is included in depreciation expense in our unaudited condensed consolidated statement of operations. During the three and six months ended June 30, 2018, we recorded depreciation expense of $1 million and $2 million, respectively, related to our Headquarters Lease in our unaudited condensed consolidated statement of operations in accordance with ASC 840.

(3) Amount is included in interest expense in our unaudited condensed consolidated statement of operations. During the three and six months ended June 30, 2018, we recorded interest expense of $2 million and $4 million, respectively, related to our Headquarters Lease in our unaudited condensed consolidated statement of operations in accordance with ASC 840.

Additional information related to our leases is as follows for the periods presented:

Supplemental Cash Flows Information:	Six months ended June 30, 2019 (in millions)
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash outflows from operating leases	$ 14
Operating cash outflows from finance lease	2
Financing cash outflows from finance lease (1)	3
Right-of-use assets obtained in exchange for lease liabilities:	
Operating leases (2)	$ 97
Finance lease (3)	88

(1) Amount is included in other financing activities, net on the unaudited condensed consolidated statement of cash flows.
(2) Amount includes operating leases existing on January 1, 2019 of $88 million and those that commenced during the six months ended June 30, 2019 of $9 million.
(3) Amount represents the finance lease liability arising from obtaining the ROU asset related to our Headquarters Lease, which was recognized upon the adoption of ASC 842 on January 1, 2019.

	As of June 30, 2019
Weighted-average remaining lease term:	
Operating leases	4.8 years
Finance lease	11.5 years
Weighted-average discount rate:	
Operating leases	4.32%
Finance lease	4.49%

Future lease payments under non-cancellable leases as of June 30, 2019 were as follows:

Year Ending December 31,	Operating Leases	Finance Lease
	(in millions)	
2019 (excluding the six months ended June 30, 2019)	$ 10	$ 4
2020	21	9
2021	20	10
2022	19	10
2023	12	10
Thereafter	12	67
Total future lease payments	94	110
Less imputed interest	(9)	(25)
Total lease liabilities	$ 85	$ 85

Reported on unaudited condensed consolidated balance sheet as of June 30, 2019	Operating Leases	Finance Lease
Accrued expenses and other current liabilities	$ 18	$ 5
Other long-term liabilities	67	80
Total lease liabilities	$ 85	$ 85

As of December 31, 2018, future minimum lease commitments under our Headquarters Lease and other non-cancelable operating leases for office space with terms of more than one year and contractual sublease income were as follows:

Year	Headquarters Lease (1)	Other Operating Leases	Sublease Income	Total Lease Commitments (Net of Sublease Income)
		(in millions)		
2019	9	$ 19	$ (3)	$ 25
2020	9	18	(2)	25
2021	10	16	(2)	24
2022	10	16	(2)	24
2023	10	9	—	19
Thereafter	67	9	—	76
Total	$ 115	$ 87	$ (9)	$ 193

(1) Amount includes an $83 million financing obligation in other long-term liabilities on our consolidated balance sheet at December 31, 2018, related to the Headquarters Lease.

As of June 30, 2019, we did not have any additional operating or finance leases that have not yet commenced but that create significant rights and obligations for us.

Significant Accounting Policies

Other than our accounting policy for leases, as described above, there have been no other significant changes to our significant accounting policies and estimates since December 31, 2018, as described under "Note 2: *Significant Accounting Policies*", in the notes to consolidated financial statements in Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2018.

NOTE 3: REVENUE RECOGNITION

We generate all of our revenue from contracts with customers. We recognize revenue when we satisfy a performance obligation by transferring control of the promised services to a customer in an amount that reflects the consideration that we expect to receive in exchange for those services. When we act as an agent in the transaction under *Revenue from Contracts with Customers* ("ASC 606"), we recognize revenue for only our commission on the arrangement. We determine revenue recognition through the following steps:

(1) Identification of the contract, or contracts, with a customer
(2) Identification of the performance obligations in the contract
(3) Determination of the transaction price
(4) Allocation of the transaction price to the performance obligations in the contract
(5) Recognition of revenue when, or as, we satisfy a performance obligation

At contract inception, we assess the services promised in our contracts with customers and identify a performance obligation for each promise to transfer to the customer a service (or bundle of services) that is distinct. To identify the performance obligations, we consider all of the services promised in the contract regardless of whether they are explicitly stated or are implied by customary business practices. We have provided qualitative information about our performance obligations for our principal revenue streams discussed below. There was no significant revenue recognized in the three and six months ended June 30, 2019 related to performance obligations satisfied in prior periods. We have applied a practical expedient and do not disclose the value of unsatisfied performance obligations that have an original expected duration of less than one year, and we do not have any material unsatisfied performance obligations over one year. The value related to our remaining or partially satisfied performance obligations relates to subscription services that are satisfied over time or services that are recognized at a point in time, but not yet achieved. Our timing of services, invoicing and payments are discussed in more detail below and do not include a significant financing component. Our customer invoices are generally due 30 days from the time of invoicing. The application of our revenue recognition policies and a description of our principal activities, organized by reported segment, from which we generate our revenue, are presented below.

Hotels, Media & Platform Segment

TripAdvisor-branded Hotels Revenue. Our largest source of Hotels, Media & Platform segment revenue is generated from click-based advertising on TripAdvisor-branded websites, which is primarily comprised of contextually-relevant booking links to our travel partners' websites. Our click-based travel partners are predominantly online travel agencies, or OTAs, and direct suppliers in the hotel category. Click-based advertising is generally priced on a cost-per-click, or “CPC”, basis, with payments from travel partners determined by the number of travelers who click on a link multiplied by the CPC rate for each specific click. CPC rates that our travel partners pay are determined in a dynamic, competitive auction process, also known as our hotel metasearch auction, as travel partner CPC bids for rates and availability listed on our site are submitted. When a CPC bid is submitted, the partner agrees to pay us the bid amount each time a traveler clicks on the link to that partner’s website. Bids can be submitted periodically – as often as daily– on a property-by-property basis. We record click-based advertising revenue as the click occurs and traveler leads are sent to the travel partner websites as our performance obligation is fulfilled at that time. Click-based revenue is generally billed to our travel partners on a monthly basis consistent with the timing of the service. We also generate transaction revenue from our hotel instant booking feature, which enables hotel shoppers to book directly with a travel partner, with the latter serving as the merchant of record for the transaction, without leaving our website. We earn a commission from our travel partners for each traveler that completes a hotel reservation on our website based on a pre-determined commission rate. Our hotel instant booking revenue includes (i) arrangements where commissions are billable on all instant booking hotel reservations; and (ii) arrangements where the commissions are billable only upon the completion of each traveler’s stay resulting from the reservation. The travel partners provide the service to the travelers and we act as an agent under ASC 606. Our performance obligation in both arrangements is complete at the time of the booking and the commission earned is recognized upon booking, as we have no post-booking service obligations. The amount of revenue recognized for commissions that are billable contingent upon a traveler stay requires an estimate of the impact of cancellations using historical cancellation rates. Contract assets are recognized at the time of booking for commissions that are billable at the time of stay.

In addition, we offer subscription-based advertising to hoteliers, owners of B&Bs and other specialty lodging properties. Our performance obligation is generally to enable subscribers to advertise their businesses on our website, as well as manage and promote their website URL, email address, phone number, special offers and other information related to their business. Subscription-based advertising services are predominantly sold for a flat fee for a contracted period of time of one year or less and revenue is recognized on a straight-line basis over the period of the subscription service as efforts are expended evenly throughout the contract period. Subscription-based advertising services are generally billed at the inception of the service. When prepayments are received, we recognize deferred revenue for the amount of prepayment in excess of revenue recognized until the performance obligation is satisfied.

We also offer travel partners the opportunity to advertise and promote their business through hotel sponsored placements on our website. This service is generally priced on a CPC basis, with payments from travel partners determined by the number of travelers who click on the sponsored link multiplied by the CPC rate for each specific click. CPC rates that our travel partners pay are based on a pre-determined rate. We record click-based advertising revenue as the click occurs and traveler leads are sent to the travel partner as our performance obligation is fulfilled at that time. Click-based revenue is generally billed to our travel partners on a monthly basis consistent with the timing of the service.

TripAdvisor-branded Display and Platform Revenue. Travel partners can promote their brands through display-based advertising placements on our websites across all of our segments and business units. Our display-based advertising clients are predominantly direct suppliers of hotels, airlines and cruises, as well as destination marketing organizations. We also sell display-based advertising to OTAs and other travel related businesses, as well as advertisers from non-travel categories. Display-based advertising is sold predominantly on a cost per thousand impressions, or CPM, basis. The performance obligation in our display-based advertising arrangements is to display a number of advertising impressions on our websites and we recognize revenue for impressions as they are delivered. Services are generally billed monthly. We have applied the practical expedient to measure progress toward completion, as we have the right to invoice the customer in an amount that directly corresponds with the value to the customer of our performance to date, which is measured based on impressions delivered.

Experiences & Dining Segment

We provide information and services for consumers to research, book and experience activities and attractions in popular travel destinations both through Viator, our dedicated Experiences offering, and on our TripAdvisor website and mobile apps. We also power travel activities and experiences booking capabilities to consumers on affiliate partner websites, including some of the world’s top airlines, hotel chains, and online and offline travel agencies. We work with local tour or travel activities/experiences operators (“the supplier”) to provide consumers the ability to book tours, activities and experiences (“the activity”) in popular destinations worldwide. We generate commissions for each booking transaction we facilitate through our online reservation system. We provide post-booking service to the customer until the time of the activity, which is the completion of the performance obligation. Revenue is recognized at the time that the activity occurs. We do not control the activity before the supplier provides it to our customer and therefore act as agent for nearly all of these transactions under ASC 606. We generally collect payment from the customer at the time of booking that includes both our commission revenue and the amount due to the supplier. Our commission revenue is recorded as deferred revenue until the activity occurs and revenue is recognized, and the amount due to the supplier is recorded as deferred merchant payables on our consolidated balance sheet until completion of the activity and payment is made to the supplier. To a lesser extent, we earn commissions from affiliate partners, or third-party merchant partners who display and promote on their websites the supplier activities available on our platform to generate bookings. In these transactions, where we are not the merchant of record, we generally invoice and receive commissions directly from the third-party merchant partners. Our performance obligation is to allow the third-party merchant partners to display and promote on their website suppliers who utilize our platform and we earn a commission when consumers book and complete an activity. We do not control the service and act as an agent for these transactions under ASC 606. Our performance obligation is complete and revenue is recognized at the time of the booking, as we have no post-booking obligations. We recognize this revenue net of an estimate of the impact of cancellations using historical cancellation rates. Contract assets are recognized for commissions that are billable contingent upon completion of the activity.

We also provide information and services for consumers to research and book restaurants in popular travel destinations through our dedicated restaurant reservations offering, TheFork, and on our TripAdvisor-branded websites and mobile apps. TheFork is an online restaurant booking platform operating on a number of websites (including www.thefork.com, www.lafourchette.com, www.eltenedor.com, and www.restorando.com), with a network of restaurant partners located primarily across Europe, Australia, and South America. We primarily generate transaction fees (or per seated diner fees) that are paid by restaurants for diners seated primarily from bookings through TheFork's online reservation system. The transaction fee is recognized as revenue after the reservation is fulfilled, or as diners are seated by our restaurant customers. We invoice restaurants monthly for transaction fees. To a lesser extent, we also generate subscription fees for subscription-based advertising to restaurants, access to certain online reservation management services and marketing analytic tools provided by TheFork and TripAdvisor. As the performance obligation is to provide restaurants with access to these services over the subscription period, subscription fee revenue is recognized over the period of the subscription service on a straight-line basis as efforts are expended evenly throughout the contract period. Subscription fees are generally billable in advance of service. When prepayments are received, we recognize deferred revenue for the amount of prepayment in excess of revenue recognized until the performance obligation is satisfied. In addition, we also offer restaurant partners the opportunity to advertise and promote their business through restaurant sponsored placements on our website. This service is generally priced on a CPC basis, with payments from restaurant partners determined by the number of users who click on the sponsored link multiplied by the CPC rate for each specific click. CPC rates that our restaurant partners pay are based on a pre-determined rate. We record click-based advertising revenue as the click occurs and diner leads are sent to the restaurant partner as our performance obligation is fulfilled at that time. Click-based revenue is generally billed to our restaurant partners on a monthly basis consistent with the timing of the service.

Other

We provide information and services for travelers to research and book vacation and short-term rental properties, including full homes, condominiums, villas, beach properties, cabins and cottages. Our Rentals offering generates revenue primarily by offering individual property owners and managers the ability to list their properties on our websites and mobile apps thereby connecting with travelers through a free-to-list, commission-based option or, to a lesser extent, by an annual subscription-based fee structure. These properties are listed on www.flipkey.com, www.holidaylettings.co.uk, www.housetrip.com, www.niumba.com, and www.vacationhomerentals.com, and on our TripAdvisor-branded websites and mobile apps. We earn commissions associated with rental transactions through our free-to-list model from both the traveler and the property owner or manager. We provide post-booking service to the travelers, property owners and managers until the time the rental commences, which is the time the performance obligation is completed. Revenue from transaction fees is recognized at the time that the rental commences. We act as an agent, under ASC 606, in the transactions as we do not control any properties before the property owner provides the accommodation to the traveler and do not have inventory risk. We generally collect from the traveler at the time of booking payment representing the amount due to the property owner or manager, as well as our commission. That portion of the payment representing our commission is recorded as deferred revenue until revenue is recognized, and that portion of the payment representing the amount due to the property owner is recorded as deferred merchant payables until payment is made to the property owner after the completion of the rental. Payments for term-based subscription fees related to online advertising services for the listing of rental properties are generally due in advance. As the performance obligation is the listing service provided to the property owner or manager over the subscription period, revenue is recognized over the period of the subscription service on a straight-line basis as efforts are expended evenly throughout the contract period. We recognize deferred revenue for the amount of prepayment in excess of revenue recognized until the performance obligation is satisfied.

In addition, Other revenue includes revenue generated from our flights, cruise, and rental car offerings on TripAdvisor, as well as revenue from non-TripAdvisor-branded websites not otherwise described above, such as www.bookingbuddy.com, www.cruisecritic.com, www.onetime.com and www.smartertravel.com, and TripAdvisor China, which primarily includes click-based advertising and display-based advertising revenue. The performance obligations, timing of customer payments for these brands, and methods of revenue recognition are generally consistent with click-based advertising and display-based advertising revenue, as described above.

We disaggregate revenue from contracts with customers into major products/revenue sources. We have determined that disaggregating revenue into these categories achieves the disclosure objective to depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. As noted in "Note 15: *Segment Information*", our business consists of two reportable segments – Hotels, Media & Platform and Experiences & Dining. A reconciliation of disaggregated revenue to segment revenue is also included below.

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Major products/revenue sources (1):	(in millions)			
Hotels, Media & Platform				
TripAdvisor-branded hotels	$ 211	$ 231	$ 427	$ 447
TripAdvisor-branded display and platform	43	41	81	77
Total Hotels, Media & Platform	254	272	508	524
Experiences & Dining	125	98	206	161
Other	43	63	84	126
Total Revenue	$ 422	$ 433	$ 798	$ 811

(1) Our revenue is recognized primarily at a point in time for all reported segments.

The following table provides information about the opening and closing balances of accounts receivable and contract assets from contracts with customers (in millions):

	June 30, 2019	December 31, 2018
Accounts receivable	261	205
Contract assets	9	7
Total	$ 270	$ 212

Accounts receivable are recognized when the right to consideration becomes unconditional. Contract assets are rights to consideration in exchange for services that we have transferred to a customer when that right is conditional on something other than the passage of time, such as commission payments that are contingent upon the completion of the service by the principal in the transaction. Contract liabilities generally include payments received in advance of performance under the contract, and are realized as revenue as the performance obligation to the customer is satisfied, which we present as deferred revenue on our consolidated balance sheets. As of January 1, 2019, we had $63 million recorded as deferred revenue on our unaudited condensed consolidated balance sheet, of which $12 million and $46 million was recognized into revenue, during the three and six months ended June 30, 2019, respectively. As of January 1, 2018, we had $59 million recorded as deferred revenue on our unaudited condensed consolidated balance sheet, of which $13 million and $45 million was recognized in revenue, during the three and six months ended June 30, 2018, respectively. The difference between the opening and closing balances of our deferred revenue primarily results from the timing differences between when we receive customer payments and the time in which we satisfy our performance obligations. The difference between the opening and closing balances of our contract assets primarily results from the timing difference between when we satisfy our performance obligations and the time when the principal completes the service in the transaction. There were no significant changes in contract assets or deferred revenue during the six months ended June 30, 2019 and 2018 related to business combinations, impairments, cumulative catch-ups or other material adjustments.

NOTE 4: EARNINGS PER SHARE

Basic Earnings Per Share Attributable to Common Stockholders

We compute basic earnings per share, or Basic EPS, by dividing net income by the weighted average number of common shares outstanding during the period. We compute the weighted average number of common shares outstanding during the reporting period using the total of common stock and Class B common stock outstanding as of the last day of the previous year end reporting period plus the weighted average of any additional shares issued and outstanding less the weighted average of any common shares repurchased during the reporting period.

Diluted Earnings Per Share Attributable to Common Stockholders

Diluted earnings per share, or Diluted EPS, includes the potential dilution of common equivalent shares outstanding that could occur from stock-based awards and other stock-based commitments using the treasury stock method. We compute Diluted EPS by dividing net income (loss) by the sum of the weighted average number of common and common equivalent shares outstanding during the period. We computed the weighted average number of common and common equivalent shares outstanding during the period using the sum of (i) the number of shares of common stock and Class B common stock used in the Basic EPS calculation as indicated above; and (ii) if dilutive, the incremental weighted average common stock that we would issue upon the assumed exercise of outstanding common equivalent shares, primarily related to stock options and the vesting of restricted stock units using the treasury stock method; and (iii) if dilutive, performance-based and market-based awards based on the number of shares that would be issuable as of the end of the reporting period assuming the end of the reporting period was also the end of the contingency period.

Under the treasury stock method, the assumed proceeds calculation includes the actual proceeds to be received from the employee upon exercise of outstanding equity awards and the average unrecognized compensation cost during the period. The treasury stock method assumes that a company uses the proceeds from the exercise of an equity award to repurchase common stock at the average market price for the reporting period.

Below is a reconciliation of the weighted average number of shares of common stock outstanding in calculating Diluted EPS (shares in thousands and dollars in millions, except per share amounts) for the periods presented:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Numerator:				
Net income	$ 34	$ 32	$ 60	$ 36
Denominator:				
Weighted average shares used to compute Basic EPS	139,070	137,831	138,744	138,572
Weighted average effect of dilutive securities:				
Stock options	187	278	296	198
RSUs/MSUs	1,548	1,510	1,997	1,201
Weighted average shares used to compute Diluted EPS	140,805	139,619	141,037	139,971
Basic EPS	$ 0.24	$ 0.23	$ 0.43	$ 0.26
Diluted EPS	$ 0.24	$ 0.23	$ 0.43	$ 0.26

Potential common shares, consisting of outstanding stock options, service and performance-based restricted stock units ("RSUs") and market-based restricted stock units ("MSUs"), totaling approximately 6.1 million shares and 4.8 million shares for the three and six months ended June 30, 2019, respectively, and approximately 6.0 million shares and 9.0 million shares for the three and six months ended June 30, 2018, respectively, have been excluded from the calculation of Diluted EPS because their effect would have been antidilutive. In addition, potential common shares of certain performance-based awards of approximately 0.5 million shares for both the three and six months ended June 30, 2019, and approximately 0.8 million shares for both the three and six months ended June 30, 2018, for which all targets required to trigger vesting had not been achieved, were excluded from the calculation of weighted average shares used to compute Diluted EPS for those reporting periods.

The earnings per share amounts are the same for common stock and Class B common stock because the holders of each class are legally entitled to equal per share distributions whether through dividends or in liquidation.

NOTE 5: STOCK BASED AWARDS AND OTHER EQUITY INSTRUMENTS

Stock-Based Compensation Expense

The following table presents the amount of stock-based compensation expense related to stock-based awards on our unaudited condensed consolidated statements of operations during the periods presented:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
	(in millions)		(in millions)	
Selling and marketing	$ 6	$ 5	$ 11	$ 11
Technology and content	14	13	27	26
General and administrative	12	13	22	24
Total stock-based compensation expense	32	31	60	61
Income tax benefit from stock-based compensation	(8)	(8)	(14)	(15)
Total stock-based compensation expense, net of tax	$ 24	$ 23	$ 46	$ 46

We capitalized $5 million and $9 million of stock-based compensation expense as internal-use software and website development costs during the three and six months ended June 30, 2019, respectively, and $4 million and $7 million during the three and six months ended June 30, 2018, respectively.

Stock-Based Award Activity and Valuation

2019 Stock Option Activity

During the six months ended June 30, 2019, we granted 674,781 service-based non-qualified stock options under the TripAdvisor, Inc. 2018 Stock and Annual Incentive Plan (the "2018 Plan"). Our stock options generally have a term of ten years from the date of grant and typically vest equally over a four-year requisite service period.

A summary of our stock option activity during the six months ended June 30, 2019, is presented below:

	Options Outstanding (in thousands)		Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life (in years)		Aggregate Intrinsic Value (in millions)
Options outstanding at December 31, 2018	6,041	$	54.00			
Granted	675		53.31			
Exercised (1)	(160)		42.41			
Cancelled or expired	(209)		60.83			
Options outstanding at June 30, 2019	6,347	$	54.00	6.3	$	20
Exercisable as of June 30, 2019	3,516	$	60.19	4.5	$	7
Vested and expected to vest after June 30, 2019 (2)	6,347	$	54.00	6.3	$	20

(1) Inclusive of 100,356 of options which were not converted into shares due to net share settlement in order to cover the aggregate exercise price and the required amount of employee withholding taxes. Potential shares which had been convertible under stock options that were withheld under net share settlement remain in the authorized but unissued pool under the 2018 Plan and can be reissued by the Company. Total payments for the employees' tax obligations to the taxing authorities due to net share settlements are reflected as a financing activity within the unaudited condensed consolidated statements of cash flows.

(2) The Company accounts for forfeitures as they occur, rather than estimate expected forfeitures as allowed under GAAP and therefore do not include a forfeiture rate in our vested and expected to vest calculation unless necessary for a performance condition award.

Aggregate intrinsic value represents the difference between the closing stock price of our common stock and the exercise price of outstanding, in-the-money options. Our closing stock price as reported on NASDAQ as of June 30, 2019 was $46.29. The total intrinsic value of stock options exercised for the six months ended June 30, 2019 and 2018 was $2 million and $6 million, respectively.

The fair value of stock option grants has been estimated at the date of grant using the Black–Scholes option pricing model with the following weighted average assumptions for the periods presented:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Risk free interest rate	2.22%	2.71%	2.42%	2.66%
Expected term (in years)	5.18	5.45	5.19	5.45
Expected volatility	40.84%	42.08%	42.17%	42.29%
Expected dividend yield	— %	— %	— %	— %
Weighted-average grant date fair value	$ 19.75	$ 19.27	$ 21.80	$ 17.62

The total fair value of stock options vested was $10 million and $12 million for the six months ended June 30, 2019 and 2018, respectively. Cash received from stock option exercises was $1 million and $3 million for the six months ended June 30, 2019 and 2018, respectively.

2019 RSU Activity

During the six months ended June 30, 2019, we granted 2,652,790 primarily service-based RSUs under the 2018 Plan which typically vest equally over a four-year requisite service period. A summary of our RSU activity during the six months ended June 30, 2019 is presented below:

	RSUs Outstanding (in thousands)		Weighted Average Grant-Date Fair Value Per Share		Aggregate Intrinsic Value (in millions)
Unvested RSUs outstanding as of December 31, 2018	6,640	$	44.93		
Granted	2,653		53.38		
Vested and released (1)	(1,755)		47.40		
Cancelled	(414)		46.75		
Unvested RSUs outstanding as of June 30, 2019	7,124	$	47.70	$	332

(1) Inclusive of 461,987 RSUs withheld due to net share settlement to satisfy required employee tax withholding requirements. Potential shares which had been convertible under RSUs that were withheld under net share settlement remain in the authorized but unissued pool under the 2018 Plan and can be reissued by the Company. Total payments for the employees' tax obligations to the taxing authorities due to net share settlements are reflected as a financing activity within the unaudited condensed consolidated statements of cash flows.

A summary of our MSU activity during the six months ended June 30, 2019 is presented below:

	MSUs Outstanding (in thousands)		Weighted Average Grant-Date Fair Value Per Share		Aggregate Intrinsic Value (in millions)
Unvested MSUs outstanding as of December 31, 2018	284	$	37.41		
Granted (1)	78		57.62		
Vested and released	—		—		
Cancelled	—		—		
Unvested MSUs outstanding as of June 30, 2019	362	$	41.76	$	17

(1) MSUs provide for vesting based upon the Company's total shareholder return, or TSR, performance over the period commencing January 1, 2019 through December 31, 2021 relative to the TSR performance of the Nasdaq Composite Total Return Index. Based upon actual attainment relative to the target performance metric, the grantee has the ability to receive up to 200% of the target number of MSUs originally granted, or to be issued none at all. These MSUs were granted under the 2018 Plan.

A Monte-Carlo simulation model, which simulated the present value of the potential outcomes of future stock prices and TSR of the Company and the Nasdaq Composite Total Return Index over the performance period, was used to calculate the grant-date fair value of our MSU awards. The estimated grant-date fair value of these awards is being amortized on a straight-line basis over the requisite service period through December 31, 2021.

Total current income tax benefits associated with the exercise or settlement of TripAdvisor stock-based awards held by our employees was $3 million and $22 million during the three and six months ended June 30, 2019, respectively and $5 million and $9 million during the three and six months ended June 30, 2018, respectively.

Unrecognized Stock-Based Compensation

A summary of our remaining unrecognized stock-based compensation expense and the weighted average remaining amortization period at June 30, 2019 related to our non-vested equity awards is presented below (in millions, except in years information):

		Stock Options		RSUs/MSUs
Unrecognized compensation expense	$	41	$	292
Weighted average period remaining (in years)		2.9		2.8

NOTE 6: FINANCIAL INSTRUMENTS

Cash, Cash Equivalents, Restricted Cash and Marketable Securities

The following tables show our cash, cash equivalents, restricted cash, short-term and long-term available-for-sale marketable debt securities, by major security type, that are measured at fair value on a recurring basis and were categorized using the fair value hierarchy, as well as their classification on our unaudited condensed consolidated balance sheets, as of the periods presented (in millions):

	June 30, 2019				
	Amortized Cost	Fair Value (2)	Cash, Cash Equivalents and Restricted Cash	Short-Term Marketable Securities	Long-Term Marketable Securities
Cash and restricted cash (1)	$ 870	$ 870	$ 870	$ —	$ —
Level 1:					
Money market funds	31	31	31	—	—
Level 2:					
Commercial paper	65	65	—	65	—
Total	$ 966	$ 966	$ 901	$ 65	$ —

	December 31, 2018				
	Amortized Cost	Fair Value (2)	Cash, Cash Equivalents and Restricted Cash	Short-Term Marketable Securities	Long-Term Marketable Securities
Cash and restricted cash (1)	$ 522	$ 522	$ 522	$ —	$ —
Level 1:					
Money market funds	128	128	128	—	—
Level 2:					
Commercial paper	20	20	5	15	—
Total	$ 670	$ 670	$ 655	$ 15	$ —

(1) As of June 30, 2019 and December 31, 2018, our restricted cash, which primarily consists of escrowed security deposits, was not material and is included in other long-term assets on our unaudited condensed consolidated balance sheets.

(2) As of June 30, 2019 and December 31, 2018, any unrealized gains or losses related to our marketable securities were not material.

Our cash and cash equivalents consist of cash on hand in global financial institutions, money market funds and marketable securities with maturities of 90 days or less at the date of purchase. Our short-term marketable securities include maturities that were greater than 90 days at the date purchased and have 12 months or less remaining at June 30, 2019 and December 31, 2018, respectively.

For assets and liabilities required to be reported at fair value, GAAP provides a hierarchy that prioritizes inputs to valuation techniques used to measure fair value into three broad levels:

Level 1—Valuations are based on quoted market prices for identical assets and liabilities in active markets.

Level 2—Valuations are based on observable inputs other than quoted market prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3—Valuations are based on unobservable inputs reflecting our own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

We classify our money market funds and other marketable securities within Level 1 and Level 2 as we value these financial instruments using quoted market prices (Level 1) or alternative pricing sources (Level 2). The valuation technique we used to measure the fair value of money market funds was derived from quoted prices in active markets for identical assets or liabilities. Fair values for Level 2 marketable securities are considered “Level 2” valuations because they are obtained from independent pricing sources for identical or comparable instruments, rather than direct observations of quoted prices in active markets. Our procedures include controls to ensure that appropriate fair values are recorded, including comparing the fair values obtained from our independent pricing services against fair values obtained from another independent source.

There were no material realized gains or losses related to the sales of our marketable securities for both the three and six months ended June 30, 2019 and 2018. Realized gains and losses on the sale of securities are determined by specific identification of each security's cost basis. We consider any unrealized loss position in our available-for-sale marketable debt securities to be temporary in nature and do not consider any of these investments other-than-temporarily impaired as of both June 30, 2019 and December 31, 2018.

Derivative Financial Instruments

We typically use forward contracts to reduce the effects of foreign currency exchange rate fluctuations on our cash flows primarily for the Euro versus the U.S. Dollar. Counterparties to our forward contracts consist of major international financial institutions. We monitor our positions and the credit ratings of the counterparties involved and, by policy limits, the amount of credit exposure to any one party. For the three and six months ended June 30, 2019 and 2018, respectively, our forward contracts have not been designated as hedges and generally had maturities of less than 90 days. We do not use derivatives for trading or speculative purposes.

Our outstanding or unsettled forward contracts were carried at fair value on our unaudited condensed consolidated balance sheets at June 30, 2019 and December 31, 2018. We measure the fair value of our outstanding or unsettled derivatives using Level 2 fair value inputs, as we use a pricing model that takes into account the contract terms as well as current foreign currency exchange rates in active markets. We recognized any gain or loss resulting from the change in fair value of our foreign currency forward contracts in interest income and other, net on our unaudited condensed consolidated statement of operations which was not material for both the three and six months ended June 30, 2019, and a net loss of $3 million for both the three and six months ended June 30, 2018.

The following table shows the notional principal amounts of our outstanding derivative instruments as of the periods presented:

	June 30, 2019	December 31, 2018
	(in millions)	
Foreign currency exchange - forward contracts (1) (2)	$ 35	$ 13

(1) Our derivative contracts address foreign currency exchange fluctuations for the Euro versus the U.S. dollar. The Company had two outstanding derivative contracts as of both June 30, 2019 and December 31, 2018.

(2) The fair value of our outstanding derivatives as of both June 30, 2019 and December 31, 2018 was not material and is included in accrued expenses and other current liabilities on our unaudited condensed consolidated balance sheets.

Other Financial Instruments

Other financial instruments not measured at fair value on a recurring basis include accounts receivable and contract assets, accounts payable, deferred merchant payables, and accrued and other current liabilities. The carrying amount of these financial instruments approximate their fair value because of the short maturity of these instruments as reported on our unaudited condensed consolidated balance sheets as of June 30, 2019 and December 31, 2018.

In addition, we hold investments in equity securities of privately-held companies that do not have a readily determinable fair value. As of both June 30, 2019 and December 31, 2018, the total carrying value of our equity investments in these privately-held companies was $12 million and is included in other long-term assets on our unaudited condensed consolidated balance sheets. Our policy is to measure these investments at cost less impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. Such observable price changes may include instances where the investee issues equity securities to new investors, thus creating a new indicator of fair value, as an example. On a quarterly basis, we perform a qualitative assessment considering impairment indicators to evaluate whether these investments are impaired and also monitor for any observable price changes. During the three and six months ended June 30, 2019 and 2018, we did not record any impairment loss on these equity investments or identify any observable price change indicators.

The Company did not have any material assets or liabilities measured at fair value on a recurring basis using the Level 3 unobservable inputs at both June 30, 2019 and December 31, 2018.

NOTE 7: PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following for the periods presented:

	June 30, 2019	December 31, 2018
	(in millions)	
Capitalized software and website development	$ 297	$ 259
Building (1)	—	123
Finance lease right-of-use asset (1)	114	—
Leasehold improvements	45	41
Computer equipment and purchased software	61	52
Furniture, office equipment and other	20	18
	537	493
Less: accumulated depreciation	(275)	(240)
Total	$ 262	$ 253

(1) Refer to "Note 2: *Significant Accounting Policies*" regarding the transition accounting related to our adoption of ASC 842 and the subsequent accounting for our Headquarters Lease.

NOTE 8: GOODWILL

We assess goodwill, which is not amortized, for impairment annually during the fourth quarter, or more frequently, if events and circumstances indicate impairment may have occurred. We test goodwill for impairment at the reporting unit level. Goodwill is assigned to reporting units that are expected to benefit from the synergies of the business combination as of the acquisition date. Once goodwill has been allocated to the reporting units, it no longer retains its identification with a particular acquisition and becomes identified with the reporting unit in its entirety. Accordingly, the fair value of the reporting unit as a whole is available to support the recoverability of its goodwill. We evaluate our reporting units when changes in our operating structure occur, and if necessary, reassign goodwill using a relative fair value allocation approach.

Subsequent to our prior annual impairment test in the fourth quarter of 2018 the composition of our reportable segments has been revised, as discussed in "Note 15: *Segment Information*." Prior to implementing the revised segment reporting structure in the first quarter of 2019, our previously disclosed Hotel segment was considered a single reporting unit. Following the change in reportable segments, our legacy Hotel reporting unit was split into four distinct reporting units – (1) Hotels, Media & Platform, (2) SmarterTravel, (3) Flights, Cruises and Car Rentals; and (4) TripAdvisor China for the purposes of goodwill impairment testing. As a result, we first performed a qualitative assessment on our previous Hotel reporting unit prior to implementing the revised segment reporting structure and determined that it was more likely than not that the fair value of this reporting unit was greater than the carrying value; which was consistent with our conclusion in the fourth quarter of 2018. We then performed a goodwill impairment test for each of the new reporting units upon the change in reportable segments using a quantitative assessment. We concluded the estimated fair values were significantly in excess of the carrying values for these reporting units. We also performed sensitivity analysis, such as calculating estimated fair values using different rates for the weighted-average cost of capital and long-term rates of growth in the income approach and different revenue/income multiples in our market approach and the estimated fair values remained in excess of the carrying values. Therefore, no indications of impairment were identified as a result of these changes in the first quarter of 2019.

Management exercised significant judgment related to the above assessment, including the identification of reporting units, reassignment of assets and liabilities to the new reporting units, reassignment of goodwill to the new reporting units using the relative fair value method, and determination of the fair value of new reporting units. The fair value of our reporting units are generally estimated using an equal weighting of a market approach by using public company multiples and/or other precedent transactions; and a discounted cash flow methodology. The discounted cash flows model indicates the fair value of the reporting units based on the present value of the cash flows that we expect the reporting units to generate in the future. This analysis requires significant judgment, including estimation of future cash flows, which is dependent on internal forecasts, the estimation of the long-term growth rate and profitability of the reporting unit, determination of the Company's weighted average cost of capital and income tax rates. Our significant estimates in the market approach model include identifying similar companies with comparable business factors such as size, growth, profitability, risk and return on investment and assessing comparable revenue and/or income multiples in estimating the fair value of the reporting units. Changes in these estimates and assumptions could materially affect the estimated fair value of the reporting unit, potentially resulting in a non-cash impairment charge.

The following table summarizes our goodwill activity by reportable segment for the periods presented:

	Hotel	Non-Hotel	Hotels, Media & Platform	Experiences & Dining	Other (3)	Total
	(in millions)		(in millions)			
Balance as of December 31, 2018	$ 451	$ 305	$ -	$ -	$ -	$ 756
Allocation to new segments (1)	(451)	(305)	405	250	101	-
Other adjustments (2)	-	-	-	(2)	-	(2)
Balance as of June 30, 2019	$ -	$ -	$ 405	$ 248	$ 101	$ 754

(1) Refer to "Note 15: *Segment Information*" for information on our reporting segment changes in the first quarter of 2019.
(2) Primarily related to impact of changes in foreign currency exchange rates to goodwill.
(3) Other consists of the combination of our Rentals, Flights/Cruises/Car Rentals, SmarterTravel, and TripAdvisor China business units and does not constitute a reportable segment.

NOTE 9: DEBT

2015 Credit Facility

We are party to a credit agreement with a group of lenders which, among other things, provides for a $1.2 billion unsecured revolving credit facility (the "2015 Credit Facility") with a maturity date of May 12, 2022. Borrowings under the 2015 Credit Facility generally bear interest, at the Company's option, at a rate per annum equal to either (i) the Eurocurrency Borrowing rate, or the adjusted LIBO rate for the interest period in effect for such borrowing; plus an applicable margin ranging from 1.25% to 2.00% ("Eurocurrency Spread"), based on the Company's leverage ratio; or (ii) the Alternate Base Rate ("ABR") Borrowing, which is the greatest of (a) the Prime Rate in effect on such day, (b) the New York Fed Bank Rate in effect on such day plus 1/2 of 1.00% per annum and (c) the Adjusted LIBO Rate (or LIBO rate multiplied by the Statutory Reserve Rate) for an interest period of one month plus 1.00%; in addition to an applicable margin ranging from 0.25% to 1.00% ("ABR Spread"), based on the Company's leverage ratio. The Company may borrow from the 2015 Credit Facility in U.S. dollars, Euros and British pound sterling. In addition, our 2015 Credit Facility includes $15 million of borrowing capacity available for letters of credit and $40 million for Swing Line borrowings on same-day notice. As of June 30, 2019, we had issued $3 million of outstanding letters of credit under the 2015 Credit Facility. We are also required to pay a quarterly commitment fee, at an applicable rate ranging from 0.15% to 0.30%, on the daily unused portion of the revolving credit facility for each fiscal quarter and additional fees in connection with the issuance of letters of credit. As of June 30, 2019, our unused revolver capacity was subject to a commitment fee of 0.15%, given the Company's leverage ratio.

As of both June 30, 2019 and December 31, 2018, the Company had no outstanding borrowings under the 2015 Credit Facility. During the six months ended June 30, 2018, the Company made a net repayment of $230 million on our 2015 Credit Facility. These net repayments were primarily made from a one-time cash repatriation of $325 million of foreign earnings to the United States during the first quarter of 2018. We recorded total interest and commitment fees on our 2015 Credit Facility of $1 million for both the three and six months ended June 30, 2019, respectively and $1 million and $2 million for the three and six months ended June 30, 2018, respectively, to interest expense on our unaudited condensed consolidated statements of operations.

There is no specific repayment date prior to the maturity date for any borrowings under this credit agreement. We may voluntarily repay any outstanding borrowing under the 2015 Credit Facility at any time without premium or penalty, other than customary breakage costs with respect to Eurocurrency loans. Additionally, the Company believes that the likelihood of the lender exercising any subjective acceleration rights, which would permit the lenders to accelerate repayment of any outstanding borrowings, is remote. As such, we classify any borrowings under this facility as long-term debt. The 2015 Credit Facility contains a number of covenants that, among other things, restrict our ability to: incur additional indebtedness, create liens, enter into sale and leaseback transactions, engage in mergers or consolidations, sell or transfer assets, pay dividends and distributions, make investments, loans or advances, prepay certain subordinated indebtedness, make certain acquisitions, engage in certain transactions with affiliates, amend material agreements governing certain subordinated indebtedness, and change our fiscal year. The 2015 Credit Facility also requires us to maintain a maximum leverage ratio and contains certain customary affirmative covenants and events of default, including a change of control. If an event of default occurs, the lenders under the 2015 Credit Facility will be entitled to take various actions, including the acceleration of all amounts due under the 2015 Credit Facility. As of June 30, 2019 and December 31, 2018, we were in compliance with all of our debt covenants.

Chinese Credit Facilities

We also maintain two credit facilities in China (jointly, the "Chinese Credit Facilities") as of June 30, 2019. We are party to a $30 million, one-year revolving credit facility with Bank of America (the "Chinese Credit Facility—BOA") that is currently subject to review on a periodic basis with no specific expiration period. We are also party to a RMB 70,000,000 (approximately $10 million) one-year revolving credit facility with J.P. Morgan Chase Bank ("Chinese Credit Facility—JPM"). Our Chinese Credit Facilities generally bear interest at a rate based on the People's Bank of China benchmark, including certain adjustments which may be made in accordance with market conditions at the time of borrowing. As of both June 30, 2019 and December 31, 2018, there were no outstanding borrowings under our Chinese Credit Facilities.

NOTE 10: INCOME TAXES

Each interim period is considered an integral part of the annual period and, accordingly, we measure our income tax expense using an estimated annual effective tax rate. An enterprise is required, at the end of each interim reporting period, to make its best estimate of the annual effective tax rate for the full fiscal year and use that rate to provide for income taxes on a current year-to-date basis, as adjusted for discrete taxable events that occur during the interim period.

The Tax Cuts and Jobs Act of 2017 (the "2017 Tax Act") introduced significant changes to U.S. income tax law. Changes include, but are not limited to, a corporate tax rate decrease from 35% to 21% effective for tax years beginning after December 31, 2017, the transition of U.S. international taxation from a worldwide tax system to a territorial system, and a one-time tax on the mandatory deemed repatriation of cumulative foreign earnings (the "Transition Tax") as of December 31, 2017.

Our effective tax rate for the three and six months ended June 30, 2019 was 50.0% and 40.6%, respectively. Our effective tax rate for the three and six months ended June 30, 2018 was 23.8% and 42.9%, respectively. The change in our effective tax rate during the three months ended June 30, 2019, when compared to the same period in 2018, was primarily due to the recognition in the three months ended June 30, 2019 of a $15 million income tax expense for the cumulative benefit taken for excluding stock-based compensation from our inter-company cost-sharing arrangements (Refer to the discussion below of Altera Corporation ("Altera") litigation with the Internal Revenue Service ("IRS") for more information regarding this adjustment). The change in our effective tax rate during the six months ended June 30, 2019, when compared to the same period in 2018, was primarily due to the recognition in the three months ended June 30, 2019 of the $15 million income tax expense noted above, offset by a higher benefit from the recognition of excess tax benefits of stock-based compensation and decreased foreign valuation allowances.

Our policy is to recognize accrued interest and penalties related to unrecognized tax benefits and income tax liabilities as part of our income tax expense. As of June 30, 2019, we had an accrued interest liability of $18 million, net of federal and state benefit, and no penalties have been accrued.

By virtue of consolidated income tax returns previously filed with Expedia, we are currently under an IRS audit for the 2009, 2010 and short-period 2011 tax years. We are separately under examination by the IRS for the short-period 2011 and 2012-2016 tax years, under an employment tax audit by the IRS for the 2013 and 2014 tax years, and have various ongoing audits for state income tax returns. These audits include questioning of the timing and the amount of income and deductions and the allocation of income among various tax jurisdictions. These examinations may lead to proposed or ordinary course adjustments to our taxes. We are no longer subject to tax examinations by tax authorities for years prior to 2009. As of June 30, 2019, no material assessments have resulted, except as noted below regarding our 2009, 2010, and 2011 IRS audit with Expedia.

In January 2017 and April 2019, as part of the IRS audit of Expedia, we received Notices of Proposed Adjustment from the IRS for the 2009, 2010, and 2011 tax years. These proposed adjustments are related to certain transfer pricing arrangements with our foreign subsidiaries, and would result in an increase to our worldwide income tax expense in an estimated range of $15 million to $20 million at the close of the audit if the IRS prevails, after consideration of competent authority relief, exclusive of interest and penalties. We disagree with the proposed adjustments and we intend to defend our position through applicable administrative and, if necessary, judicial remedies. Our policy is to review and update tax reserves as facts and circumstances change. Based on our interpretation of the regulations and available case law, we believe the position we have taken with regard to transfer pricing with our foreign subsidiaries is sustainable. In addition to the risk of additional tax for 2009, 2010, and 2011 transactions, if the IRS were to seek transfer pricing adjustments of a similar nature for transactions in subsequent years, we would be subject to significant additional tax liabilities.

In July 2015, the United States Tax Court (the "Court") issued an opinion favorable to Altera with respect to Altera's litigation with the IRS. This opinion was submitted as a final decision under Tax Court Rule 155 during December 2015. The litigation relates to the treatment of stock-based compensation expense in an inter-company cost-sharing arrangement with Altera's foreign subsidiary. In its opinion, the Court accepted Altera's position of excluding stock-based compensation from its inter-company cost-sharing arrangement. The IRS appealed the Court decision on February 19, 2016. On June 7, 2019, a three-judge panel from the Ninth Circuit Court of Appeals reversed the Court's decision and upheld the validity of the Treasury regulation (Reg. sec. 1.482-7A(d)(2)) requiring stock-based compensation costs to be included in the costs shared in a cost-sharing arrangement. Based on this Ninth Circuit Court of Appeals decision, we recorded a cumulative income tax expense of $15 million during the three months ended June 30, 2019, which was a reversal of income tax benefits taken by the Company since the Court's 2015 opinion. On July 22, 2019, Altera requested a rehearing before the full Ninth Circuit. As a result, the final outcome of the case is uncertain. If the June 7, 2019 Ninth Circuit Court of Appeals decision is reversed, we would anticipate recording an income tax benefit at that time. The Company will continue to monitor this matter and related potential impacts to its consolidated financial statements.

NOTE 11: OTHER LONG-TERM LIABILITIES

Other long-term liabilities consists of the following for the periods presented:

	June 30, 2019	December 31, 2018
	(in millions)	
Unrecognized tax benefits	$ 156	$ 148
Long-term income taxes payable	31	31
Financing obligation, net of current portion (1)	—	83
Finance lease liabilities, net of current portion (1)	80	—
Operating lease liabilities, net of current portion (1)	67	—
Other (1)	7	20
Total	$ 341	$ 282

(1) Refer to "Note 2: *Significant Accounting Policies*" for additional information on our lease information, including transition accounting and updated accounting policy for leases upon adoption of ASC 842.

NOTE 12: COMMITMENTS AND CONTINGENCIES

There have been no material changes to our commitments and contingencies since December 31, 2018. Refer to "Note 14: *Commitments and Contingencies*," in the notes to our consolidated financial statements in Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2018.

Legal Proceedings

In the ordinary course of business, we are parties to regulatory and legal matters, including threats thereof, arising out of our operations. These matters may involve claims involving patent and intellectual property rights (including alleged infringement of third-party intellectual property rights), tax matters (including value-added, excise, transient occupancy and accommodation taxes), regulatory compliance (including competition, consumer matters and data privacy), defamation and other claims. Periodically, we review the status of all significant outstanding matters to assess any potential financial exposure. When (i) it is probable that an asset has been impaired or a liability has been incurred; and (ii) the amount of the loss can be reasonably estimated, we record the estimated loss in our consolidated statements of operations. We provide disclosures in the notes to the consolidated financial statements for loss contingencies that do not meet both of these conditions if there is a reasonable possibility that a loss may have been incurred that would be material to the consolidated financial statements. We base accruals on the best information available at the time which can be highly subjective. Although occasional adverse decisions or settlements may occur, we do not believe that the final disposition of any of these matters will have a material adverse effect on our business. However, the final outcome of these matters could vary significantly from our estimates. Finally, there may be claims or actions pending or threatened against us of which we are currently not aware and the ultimate disposition of which could have a material adverse effect on us. All legal fees incurred by the Company related to any regulatory and legal matters are expensed in the period incurred.

Income Taxes

We are under audit by the IRS and various other domestic and foreign tax authorities with regards to income tax matters. We have reserved for potential adjustments to our provision for income taxes that may result from examinations by, or any negotiated agreements with, these tax authorities. Although we believe our tax estimates are reasonable, the final determination of audits could be materially different from our historical income tax provisions and accruals. The results of an audit could have a material effect on our financial position, results of operations, or cash flows in the period for which that determination is made. Refer to "Note 10: *Income Taxes*" for further information on potential contingencies surrounding income taxes.

We intend to indefinitely reinvest the remaining foreign undistributed earnings although we will continue to evaluate the impact of the 2017 Tax Act on our capital deployment within and outside the U.S. Should we distribute, or be treated under certain U.S. tax rules as having distributed, the earnings of foreign subsidiaries in the form of dividends or otherwise, we may be subject to U.S. income taxes or tax benefits. The amount of any unrecognized deferred income tax on this temporary difference is not material.

NOTE 13: STOCKHOLDERS' EQUITY

On January 31, 2018, our Board of Directors authorized a repurchase of up to $250 million of our shares of common stock under a share repurchase program. This share repurchase program has no expiration date but may be suspended or terminated by our Board of Directors at any time. Our Board of Directors authorized and directed management, working with the Executive Committee of our Board of Directors, to affect the share repurchase program in compliance with applicable legal requirements.

The Company did not repurchase any shares of outstanding common stock during the three and six months end June 30, 2019 under the share repurchase program. During the three and six months ended June 30, 2018, we repurchased 2,329,548 and 2,582,198 shares of outstanding common stock under the share repurchase program at an aggregate cost of $90 million and $100 million, or an average share price of $38.60 and $38.73, exclusive of fees and commissions. As of both June 30, 2019 and December 31, 2018, there were 12,056,688 shares of the Company's common stock held in treasury with an aggregate cost of $547 million. As of June 30, 2019, we had a remaining $150 million available to repurchase shares of our common stock under this share repurchase program.

NOTE 14: RELATED PARTY TRANSACTIONS

We consider Liberty TripAdvisor Holdings, Inc. ("LTRIP") a related party. As of June 30, 2019, LTRIP beneficially owned approximately 18.2 million shares of our common stock and 12.8 million shares of our Class B common stock, which constitute 14.4% of the outstanding shares of common stock and 100% of the outstanding shares of Class B common stock. Assuming the conversion of all of LTRIP's shares of Class B common stock into common stock, LTRIP would beneficially own 22.2% of the outstanding common stock. Because each share of Class B common stock is entitled to ten votes per share and each share of common stock is entitled to one vote per share, LTRIP may be deemed to beneficially own equity securities representing 57.4% of our voting power.

We had no related party transactions with LTRIP during both the three and six months ended June 30, 2019 and 2018.

NOTE 15: SEGMENT INFORMATION

Beginning in the first quarter of 2019 we have two reportable segments: (1) Hotels, Media & Platform; and (2) Experiences & Dining. Our Hotels, Media & Platform reportable segment includes the following revenue sources: (1) TripAdvisor-branded hotels revenue – primarily consisting of TripAdvisor-branded hotel metasearch auction-based revenue, transaction revenue from our hotel instant booking feature, subscription-based advertising and hotel sponsored placements advertising revenue; and (2) TripAdvisor-branded display and platform revenue – consisting of TripAdvisor-branded display-based revenue. Our focus within the Hotels, Media & Platform reportable segment is to generate profit while driving increased customer and client engagement with, and high-margin media advertising revenue from, the TripAdvisor platform. Our Experiences & Dining reportable segment, which includes an aggregation of our Experiences and Restaurants operating segments, reflects our ongoing investment focus to drive revenue growth and to reinforce our market leading position in these growing offerings. All remaining business units have been combined into and reported as "Other", which includes Rentals, Flights/Cruises/Car Rentals, SmarterTravel, and TripAdvisor China, as none of these businesses meet the quantitative thresholds and other criteria to qualify as reportable segments, and therefore are combined and disclosed as Other.

All direct general and administrative costs are included in the applicable segments and business units; however, all corporate general and administrative costs are included in the Hotels, Media & Platform reportable segment. In addition, the Hotels, Media & Platform reportable segment includes all TripAdvisor-related brand advertising expenses (primarily television advertising), and technical infrastructure and other costs supporting the TripAdvisor platform.

The nature of the services provided and revenue recognition policies are summarized by reported segment in "Note 3: *Revenue Recognition*." All prior period segment disclosure information has been reclassified to conform to the current reporting structure in this Form 10-Q. These reclassifications had no effect on our unaudited condensed consolidated financial statements in any period.

Adjusted EBITDA is our segment profit measure and a key measure used by our management and board of directors to understand and evaluate the operating performance of our business and on which internal budgets and forecasts are based and approved. We define 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 asset and intangible asset impairments; (7) legal reserves and settlements; and (8) non-recurring expenses and income.

The following tables present our segment information for the three and six months ended June 30, 2019 and 2018 and includes a reconciliation of Adjusted EBITDA to Net Income. We record depreciation of property and equipment, including amortization of internal-use software and website development, amortization of intangible assets, stock-based compensation and other stock-settled obligations, legal reserves and settlements, other income (expense), net, other non-recurring expenses and income, net, and income taxes, which are excluded from segment operating performance, in corporate and unallocated. In addition, we do not report our assets, capital expenditures and related depreciation expense by segment as our CODM does not use this information to evaluate operating segments. Accordingly, we do not regularly provide such information by segment to our CODM. Intersegment revenue is not material and is included in Other.

	Three months ended June 30, 2019				
	Hotels, Media & Platform (1)	Experiences & Dining	Other (3)	Corporate and Unallocated	Total
	(in millions)				
Revenue	$ 254	$ 125	$ 43	$ -	$ 422
Adjusted EBITDA	108	7	13	-	128
Depreciation				(23)	(23)
Amortization of intangible assets				(7)	(7)
Stock-based compensation				(32)	(32)
Operating income					66
Other income, net					2
Income before income taxes					68
Provision for income taxes					(34)
Net income					34

	Three months ended June 30, 2018				
	Hotels, Media & Platform (2)	Experiences & Dining	Other (3)	Corporate and Unallocated	Total
	(in millions)				
Revenue	$ 272	$ 98	$ 63	$ -	$ 433
Adjusted EBITDA	85	16	8	-	109
Depreciation				(21)	(21)
Amortization of intangible assets				(8)	(8)
Stock-based compensation				(31)	(31)
Operating income					49
Other expense, net					(7)
Income before income taxes					42
Provision for income taxes					(10)
Net income					32

	Six months ended June 30, 2019				
	Hotels, Media & Platform (1)	Experiences & Dining	Other (3)	Corporate and Unallocated	Total
	(in millions)				
Revenue	$ 508	$ 206	$ 84	$ -	$ 798
Adjusted EBITDA	212	(17)	22	-	217
Depreciation				(46)	(46)
Amortization of intangible assets				(15)	(15)
Stock-based compensation				(60)	(60)
Operating income					96
Other income, net					5
Income before income taxes					101
Provision for income taxes					(41)
Net income					60

	Six months ended June 30, 2018				
	Hotels, Media & Platform (2)	Experiences & Dining	Other (3)	Corporate and Unallocated	Total
	(in millions)				
Revenue	$ 524	$ 161	$ 126	$ -	$ 811
Adjusted EBITDA	162	12	15	-	189
Depreciation				(41)	(41)
Amortization of intangible assets				(16)	(16)
Stock-based compensation				(61)	(61)
Operating income					71
Other expense, net					(8)
Income before income taxes					63
Provision for income taxes					(27)
Net income					36

(1) Includes unallocated corporate general and administrative costs of $17 million and $31 million and TripAdvisor-branded advertising expenses (primarily television advertising) of $26 million and $55 million for the three and six months ended June 30, 2019, respectively.

(2) Includes unallocated corporate general and administrative costs of $19 million and $39 million and TripAdvisor-branded advertising expenses (primarily television advertising) of $35 million and $61 million for the three and six months ended June 30, 2018, respectively.

(3) Other consists of the combination of our Rentals, Flights/Cruises/Car Rentals, SmarterTravel and TripAdvisor China business units and does not constitute a reportable segment.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information included in this Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our unaudited condensed consolidated financial statements and the accompanying notes included in this Quarterly Report on Form 10-Q, and the consolidated financial statements and accompanying notes, as well as Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended December 31, 2018.

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements reflect the views of our management regarding current expectations and projections about future events and are based on currently available information. Actual results could differ materially from those contained in these forward-looking statements for a variety of reasons, including, but not limited to, those discussed in this Quarterly Report on Form 10-Q for the three and six months ended June 30, 2019, Part II, Item 1A, "*Risk Factors*." Other unknown or unpredictable factors also could have a material adverse effect on our business, financial condition and results of operations. Accordingly, readers should not place undue reliance on these forward-looking statements. The use of words such as "anticipates," "estimates," "expects," "intends," "plans" and "believes," among others, generally identify forward-looking statements; however, these words are not the exclusive means of identifying such statements. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. These forward-looking statements are inherently subject to uncertainties, risks and changes in circumstances that are difficult to predict. We are not under any obligation to, and do not intend to, publicly update or review any of these forward-looking statements, whether as a result of new information, future events or otherwise, even if experience or future events make it clear that any expected results expressed or implied by those forward-looking statements will not be realized. Please carefully review and consider the various disclosures made in this report and in our other reports filed with the SEC that attempt to advise interested parties of the risks and factors that may affect our business, prospects and results of operations.

Overview

TripAdvisor is an online travel company and our mission is to help people around the world plan, book and experience the perfect trip. We seek to achieve this mission by providing consumers and travel partners a global platform of rich content, price comparison tools and online reservation and related services for destinations, accommodations, travel activities and experiences, and restaurants.

TripAdvisor, Inc., by and through its subsidiaries, owns and operates a portfolio of leading online travel brands. Our flagship brand, TripAdvisor, is the world's largest travel site based on monthly unique visitors, which reached 490 million average monthly unique visitors during our seasonal peak during the year ended December 31, 2018, according to our internal log files.

Our TripAdvisor-branded websites include www.tripadvisor.com in the United States and localized versions of the TripAdvisor website in 48 markets and 28 languages worldwide. TripAdvisor features approximately 795 million reviews and opinions on approximately 8.4 million places to stay, places to eat and things to do – including 1.4 million hotels, inns, B&Bs and specialty lodging, 900,000 rental properties, 5.0 million restaurants and 1.1 million travel activities and experiences worldwide. We also enable consumers to compare prices and book a number of these travel experiences on either a TripAdvisor website or mobile application ("mobile app"), or on the website or mobile app of one of our travel partners.

In addition to the flagship TripAdvisor brand, we manage and operate the following other travel media brands: www.airfarewatchdog.com, www.bokun.io, www.bookingbuddy.com, www.cruisecritic.com, www.familyvacationcritic.com, www.flipkey.com, www.thefork.com (including www.lafourchette.com, www.eltenedor.com, and www.restorando.com), www.holidaylettings.co.uk, www.holidaywatchdog.com, www.housetrip.com, www.jetsetter.com, www.niumba.com, www.onetime.com, www.oyster.com, www.seatguru.com, www.smartertravel.com, www.tingo.com, www.vacationhomerentals.com, and www.viator.com.

Executive Financial Summary and Business Trends

TripAdvisor is the world's largest online travel site, as measured by average unique monthly visitors. As a result, TripAdvisor represents an attractive platform for travel partners – including hotel chains, independent hoteliers, OTAs, destination marketing organizations, and other travel-related and non-travel related product and service providers – who seek to market and sell their products and services to a global audience. TripAdvisor's platform and product offerings enable consumers to discover, research and price shop a variety of travel products, including hotels, flights, cruises, car rentals, rental properties, tours, travel activities and experiences, and restaurants and book a number of these travel experiences either directly on our websites or mobile apps, or on our travel partners' websites or mobile apps. Key drivers of our financial results are described below, including a summary of our long-term growth strategy, current trends affecting our business, and our segment reporting information.

Our Long-Term Growth Strategy

Our mission is to help people around the world plan, book and experience the perfect trip. We seek to deliver on this mission by delivering the best consumer experience throughout all phases of the travel journey, helping consumers with inspiration and travel-planning to trip-taking and sharing the experience. Phocuswright, an independent travel, tourism and hospitality research firm, estimates the annual global travel market at $1.7 trillion. With 490 million average monthly unique visitors at our seasonal peak in 2018, our influence over the $1.7 trillion global travel market is significant and creates large growth opportunities for our business. We seek to monetize our influence by deepening customer relationships across our platform. For consumers, this includes delivering the best consumer experience and driving consumer awareness of, and engagement with, our products and offerings. For travel partners, this includes offering an array of advertising opportunities. We also invest significantly in technology, product development, marketing and other strategic areas, to improve and grow the TripAdvisor platform. We believe that executing our growth strategy can generate more value for both consumers and travel partners, resulting in greater monetization on our platform over the long-term. We describe these strategic objectives in more detail below.

- ***Deliver the best consumer experience.*** TripAdvisor offers consumers 795 million reviews and opinions on approximately 8.4 million places to stay, places to eat and things to do. We have invested – and will continue to invest – in product innovation and enhancements to ensure consumers receive a comprehensive, assistive experience throughout the many phases of the travel journey – from inspiration and discovery, to researching and price shopping, to finding and booking things to do and places to eat, to sharing their experiences on TripAdvisor. We believe providing consumers a holistic experience helps increase brand awareness and brand loyalty and, over time, can deepen consumer engagement on our platform, grow members and increase loyalty, drive more qualified leads and bookings to travel partners and drive greater long-term monetization on our platform.
- ***Drive consumer awareness of, and engagement with, our products and offerings.*** TripAdvisor's rich content and global brand attracts a large, global travel audience and we believe significantly influences how people discover, plan, and book travel experiences. We seek to further amplify our brand by raising consumer awareness for – and engagement with – our end-to-end product offerings. We believe engaging consumers more frequently on (and directly to) our websites and mobile apps or via online channels including search engine optimization, or SEO, (i.e., free, or organic search) and search engine marketing, or SEM, and retargeting, and delivering impactful advertising via offline channels (including television and other brand advertising) can build deeper, more durable consumer relationships, increase advertising opportunities for travel partners, and drive greater long-term monetization on our platform.
- ***Deepen travel partner engagement on our platform.*** TripAdvisor's large, global audience also makes it an attractive platform for travel partners to list and advertise their business and their products in order to generate brand impressions, qualified leads and bookings for their businesses. We believe growing the number of travel partners, listings and bookable

supply offered on our platform, especially in our in-destination Experiences and Restaurants offerings, enables consumers to find and book the perfect trip, and helps drive transactions for travel partners' businesses. We provide travel partners with business-to-business products and services – including subscription-based advertising services for hoteliers and restaurants, which provide access to certain online reservation management services and marketing analytics tools, and media advertising opportunities – that can help our travel partners enhance their visibility and more effectively manage their presence on TripAdvisor, attract customers, and grow their businesses. We believe continuous product and platform improvements enable travel partners to market their businesses, attract qualified leads and drive bookings, and can result in deeper travel partner engagement and more monetization on our platform over the long-term.

- ***Invest in technology, product and marketing.*** We prioritize rapid product testing and speed to market as we seek to deliver consumers a richer, more engaging and assistive experience. We launch new product features on our websites and mobile apps on a regular product release cycle. We have invested – and will continue to invest – to improve the features, functionality and commercialization of our offerings on all devices as we aim to meet and exceed evolving consumer needs and expectations. Over time, we believe this can deepen customer engagement with, and drive greater long-term monetization on, our platform.

Segments

During the first quarter of 2019, as part of our continuous review of the business, we evaluated our operations and realigned the reportable segment information, which our chief operating decision maker, or CODM, regularly assesses to evaluate performance for operating decision-making purposes, including evaluation and allocation of resources. The CODM for the Company is our Chief Executive Officer. The revised reporting structure includes the following reportable segments: (1) Hotels, Media & Platform and (2) Experiences & Dining, which includes our Experiences and Restaurants operating segments. For further information, including the change in segments and principal revenue streams within these segments, refer to "Note 3: *Revenue Recognition*" and "Note 15: *Segment Information*," in the notes to our unaudited condensed consolidated financial statements in Item 1 in this Quarterly Report on Form 10-Q.

All prior period segment disclosure information has been reclassified to conform to the current reporting structure in this Form 10-Q. These reclassifications had no effect on our unaudited condensed consolidated financial statements in any period.

Business Trends

The online travel industry in which we operate is large and growing and also remains highly dynamic and competitive. Our overall strategy is to deliver more value to consumers and travel partners in order to generate more monetization on our platform. While we operate with a long-term growth focus, our specific growth objectives and resource allocation strategies can differ in both duration and magnitude within our reportable segments. We describe these dynamics, as well as other trends in our business, below.

Hotels, Media & Platform Segment

We operate the Hotels, Media & Platform segment for profit while also driving increased customer and client engagement with – and high-margin media advertising revenue from – the TripAdvisor platform. We seek to achieve this by delivering consumers a holistic product experience and by offering travel partners a diversified number of advertising opportunities.

For consumers, we seek to implement product enhancements that deliver a more engaging and comprehensive hotel shopping experience. This includes providing rich, immersive content – reviews, photos, videos and ratings, among other contributions – as well as increasing the number of travel partners, properties and room prices for available hotel supply through our platform. We believe providing consumers tools to discover, research, price shop and book a comprehensive selection of accommodations, helps increase brand awareness and brand loyalty and, over time, can result in deeper consumer engagement, more qualified leads delivered to travel partners and greater monetization on our platform. This segment has two revenue sources, as described below: (1) TripAdvisor-branded hotels; and (2) TripAdvisor-branded display and platform.

We seek to monetize our influence and achieve revenue growth through hotel-related product, supply and marketing efforts and customer advertising opportunities, including our hotel metasearch auction, as well as from other hotel-focused click-based and subscription-based advertising offerings. In TripAdvisor-branded hotels, we generally seek to maximize the revenue per hotel shopper we generate on our platform. We define hotel shoppers as visitors who view either a listing of hotels in a city or on a specific hotel page. We rely heavily on search engines, such as Google, to generate a significant amount of hotel shoppers to our websites, principally through SEM as well as through SEO. Given our ongoing profit focus, a key ongoing objective is to attract or acquire hotel shoppers at or above our desired marketing return on investment targets. To that end, starting in mid-2017, we began to reduce inefficient direct selling and marketing investments on paid online channels, primarily SEM, to improve profitability. This reduced the number of hotel shoppers to our platform and reduced TripAdvisor-branded hotels revenue growth, while generating significant Hotels, Media & Platform segment profit growth and margin expansion, including year-over-year profit growth during the three and six months ended June 30, 2019. Following moderate revenue growth from SEO during 2018, we have experienced revenue headwinds in this marketing channel, which we believe is related to search engines increasing the prominence of their own hotel products in search results. However, we believe executing on initiatives within our long-term growth strategy outlined above can enable us to deepen customer engagement on our platform, monetize our influence and grow Hotels, Media & Platform segment revenue in the future.

An example is in TripAdvisor-branded display and platform revenue, where we enable travel partners to amplify their brand, generate brand impressions, and potentially drive qualified leads and bookings for their businesses. Historically, we have limited both the type and number of display-based advertising opportunities we make available to travel partners, particularly on mobile phone, which, in turn, has limited display-based advertising revenue growth. Moving forward, we intend to better leverage our audience, data and platform breadth to open up new media advertising opportunities through a more modern, high-powered advertising suite spanning native, video and programmatic solutions in order to deliver increased value to a larger and broader set of advertising partners. We will continue to prioritize consumer experience as opposed to maximizing the number of advertising impressions we can sell in a given period, and are optimistic about our ability over the long-term to monetize TripAdvisor's influence through additional media advertising opportunities.

Experiences & Dining Segment

We operate the Experiences & Dining segment for platform expansion and sustained revenue growth. During 2019, we have increased investments in product, supply and marketing to enhance our long-term growth prospects. Bookable supply in newer experience categories in lower-priced options, such as events, tickets, and other experiences has grown rapidly and we believe offering consumers more selection can contribute to our goals to build deeper, more durable consumer relationships with our platform.

Over the long-term, these offerings enable us to deliver consumers a more comprehensive experience, which we believe will increase awareness of, loyalty to, and engagement with our products, drive more bookings to Experiences and Restaurants partners and generate greater revenue and profit on our platform. Given the significant market opportunities in these large and growing categories, as well as competition aiming to provide consumers a similar multimodal experience, we expect to continue to strategically prioritize investments to drive bookings and revenue growth over profit margin expansion or profit growth.

Other

Other is a combination of our Rentals, Flights/Cruises/Car Rentals, SmarterTravel, and TripAdvisor China business units and is not considered a reportable segment. Profits have been relatively stable to positive and revenues have declined in recent periods primarily due to strategic re-alignments and resource re-allocation to other areas of our business. We operate these offerings opportunistically as they complement our overall strategic objectives to deliver more value to consumers and travel partners.

Employees

As of June 30, 2019, we had 3,657 employees. Of these employees, nearly 50% were based in the United States. We believe we have good relationships with our employees, including relationships with employees represented by international works councils or other similar organizations.

Seasonality

Global travel market expenditures tend to follow a seasonal pattern. Correspondingly, advertising investments made by travel partners and, therefore, our revenue and profits, also tend to follow a seasonal pattern. Our financial performance tends to be seasonally highest in the second and third quarters of a given year, which includes the seasonal peak in consumer demand, traveler hotel and rental stays, and travel activities and experiences taken, compared to the first and fourth quarters, which represent seasonal low points. Significant shifts in our business mix or adverse economic conditions could result in future seasonal patterns that are different from historical trends.

Critical Accounting Policies and Estimates

Critical accounting policies and estimates are those that we believe are important in the preparation of our consolidated financial statements because they require that management use judgment and estimates in applying those policies. We prepare our consolidated financial statements and accompanying notes in accordance with GAAP. Preparation of the consolidated financial statements and accompanying notes requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements as well as revenue and expenses during the periods reported. Management bases its estimates on historical experience, when applicable and other assumptions that it believes are reasonable under the circumstances. Actual results may differ from estimates under different assumptions or conditions.

There are certain critical estimates that we believe require significant judgment in the preparation of our consolidated financial statements. We consider an accounting estimate to be critical if:

- It requires us to make an assumption because information was not available at the time or it included matters that were highly uncertain at the time we were making the estimate; and/or
- Changes in the estimate or different estimates that we could have selected may have had a material impact on our financial condition or results of operations.

There have been no material changes to our critical accounting policies and estimates as compared to the critical accounting policies and estimates described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

Significant Accounting Policies and New Accounting Pronouncements

Refer to "Note 2: *Significant Accounting Policies*" in the notes to our unaudited condensed consolidated financial statements in Item 1 in this Quarterly Report on Form 10-Q for an overview of new accounting pronouncements that we have adopted in 2019 or that we plan to adopt that have had or may have an impact on our unaudited condensed consolidated financial statements.

Notably, in the first quarter of 2019, we adopted new lease guidance, or ASC 842, using the modified retrospective approach and applied the guidance retrospectively at the effective date of January 1, 2019 through a cumulative-effect adjustment. Under this transition method, we did not update the financial information or provide any disclosures required under the new guidance for dates and periods prior to January 1, 2019. Upon adoption, we recognized ROU assets and lease liabilities for our operating leases, while our Headquarters Lease is accounted for as a finance lease under the new guidance. The adoption of ASC 842 did not have a material impact to our consolidated statement of operations during the three and six months ended June 30, 2019 or the statement of cash flows during the six months ended June 30, 2019, respectively. Refer to "Note 2: *Significant Accounting Policies*" in the notes to our unaudited condensed consolidated financial statements in Item 1 in this Quarterly Report on Form 10-Q for further discussion of our revised lease accounting policy and the adoption impact of ASC 842 to our unaudited condensed consolidated balance sheet.

There have been no significant changes to our significant accounting policies and estimates, other than to our lease accounting policy, as discussed above, as compared to the significant accounting policies and estimates described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018 under Item 8, "Note 2: *Significant Accounting Policies*" in the notes to our consolidated financial statements.

Statement of Operations
Selected Financial Data
(in millions, except percentages)

	Three months ended June 30, 2019	Three months ended June 30, 2018	% Change 2019 vs. 2018	Six months ended June 30, 2019	Six months ended June 30, 2018	% Change 2019 vs. 2018
Revenue	$ 422	$ 433	(3)%	$ 798	$ 811	(2)%
Costs and expenses:						
Cost of revenue	27	24	13%	48	44	9%
Selling and marketing	180	217	(17)%	357	416	(14)%
Technology and content	74	68	9%	148	135	10%
General and administrative	45	46	(2)%	88	88	0%
Depreciation	23	21	10%	46	41	12%
Amortization of intangible assets	7	8	(13)%	15	16	(6)%
Total costs and expenses:	356	384	(7)%	702	740	(5)%
Operating income	66	49	35%	96	71	35%
Other income (expense):						
Interest expense	(2)	(3)	(33)%	(3)	(6)	(50)%
Interest income and other, net	4	(4)	n.m.	8	(2)	n.m.
Total other income (expense), net	2	(7)	n.m.	5	(8)	n.m.
Income before income taxes	68	42	62%	101	63	60%
Provision for income taxes	(34)	(10)	240%	(41)	(27)	52%
Net income	$ 34	$ 32	6%	$ 60	$ 36	67%
Other Financial Data:						
Adjusted EBITDA (1)	$ 128	$ 109	17%	$ 217	$ 189	15%

n.m. = *not meaningful*

(1) *See "Adjusted EBITDA" discussion below for more information.*

Revenue and Segment Information

	Three months ended June 30, 2019	Three months ended June 30, 2018	% Change 2019 vs. 2018	Six months ended June 30, 2019	Six months ended June 30, 2018	% Change 2019 vs. 2018
Revenue by Segment:	(in millions)			(in millions)		
Hotels, Media & Platform	$ 254	$ 272	(7)%	$ 508	$ 524	(3)%
Experiences & Dining	125	98	28%	206	161	28%
Other (1)	43	63	(32)%	84	126	(33)%
Total revenue	$ 422	$ 433	(3)%	$ 798	$ 811	(2)%
Adjusted EBITDA by Segment:						
Hotels, Media & Platform	$ 108	$ 85	27%	$ 212	$ 162	31%
Experiences & Dining	7	16	(56)%	(17)	12	n.m.
Other (1)	13	8	63%	22	15	47%
Total Adjusted EBITDA	$ 128	$ 109	17%	$ 217	$ 189	15%
Adjusted EBITDA Margin by Segment (2):						
Hotels, Media & Platform	43%	31%		42%	31%	
Experiences & Dining	6%	16%		(8)%	7%	
Other (1)	30%	13%		26%	12%	

n.m. = *not meaningful*

(1) Other consists of our Rentals, Flights/Cruises/Car Rentals, SmarterTravel, and TripAdvisor China business units and does not constitute a reportable segment.

(2) We define “Adjusted EBITDA Margin by Segment”, as Adjusted EBITDA by segment divided by revenue by segment.

Hotels, Media & Platform Segment

Hotels, Media & Platform segment revenue decreased by $18 million and $16 million during the three and six months ended June 30, 2019, respectively, when compared to the same periods in 2018, primarily due to a decrease in our hotel metasearch auction revenue, as well as adverse changes in foreign currency, partially offset by increases in hotel sponsored placements advertising revenue and display-based advertising revenue, all of which are discussed below when compared to the same periods in 2018.

Hotels, Media & Platform segment Adjusted EBITDA increased $23 million and $50 million during the three and six months ended June 30, 2019, respectively, when compared to the same periods in 2018, primarily due to reduced direct selling and marketing expenses related to SEM and other online paid traffic acquisition costs on our least-profitable paid online marketing campaigns to improve our return on investment.

The following is a detailed discussion of the revenue sources within our Hotels, Media & Platform segment:

	Three months ended June 30,		% Change	Six months ended June 30,		% Change
	2019	2018	2019 vs. 2018	2019	2018	2019 vs. 2018
	(in millions)			(in millions)		
Hotels, Media & Platform:						
TripAdvisor-branded hotels	$ 211	$ 231	(9%)	$ 427	$ 447	(4%)
TripAdvisor-branded display and platform	43	41	5%	81	77	5%
Total Hotels, Media & Platform revenue	$ 254	$ 272	(7%)	$ 508	$ 524	(3%)

TripAdvisor-branded Hotels Revenue

TripAdvisor-branded hotels revenue includes hotel metasearch auction as well as other click-based revenue, such as hotel sponsored placements advertising that enable hotels to enhance their visibility on TripAdvisor hotel pages, and subscription-based advertising services that we offer to travel partners. Our travel partners are predominantly OTAs and hoteliers. For the three and six months ended June 30, 2019, 83% and 84%, respectively, of our total Hotels, Media & Platform segment revenue was derived from TripAdvisor-branded hotels revenue. For both the three and six months ended June 30, 2018, 85% of our total Hotels, Media & Platform segment revenue was derived from TripAdvisor-branded hotels revenue. TripAdvisor-branded hotels revenue decreased $20 million during both the three and six months ended June 30, 2019, when compared to the same periods in 2018. This decrease was primarily due to factors impacting our hotel metasearch auction revenue including optimized investments in SEM and other online paid traffic acquisition costs, and to a lesser extent, reduced revenue from our SEO marketing channel, which we believe is related to search engines increasing the prominence of their own hotel products in search results, and adverse changes in foreign currency when compared to the same periods in 2018, all of which was partially offset by growth in our hotel sponsored placements advertising revenue.

Hotel metasearch auction revenue drivers include the number of average monthly unique hotel shoppers and revenue per hotel shopper growth, the latter of which measures how effectively we convert hotel shoppers into referrals to, and bookings on our travel partner websites. We measure revenue per hotel shopper on an aggregate basis by dividing total hotel metasearch auction revenue by total average monthly unique hotel shoppers on TripAdvisor-branded websites. Revenue per hotel shopper in our metasearch auction increased during the three and six months ended June 30, 2019, while our average monthly unique hotel shoppers declined during the three and six months ended June 30, 2019, respectively, when compared to the same periods in 2018. Revenue per hotel shopper grew primarily due to product enhancements and competition for our high quality hotel shopper leads from travel partners, partially offset by a greater percentage of hotel shoppers visiting TripAdvisor-branded websites and apps on mobile phones which we continued to experience during the first half of 2019. The decrease in average monthly unique hotel shoppers was primarily due to our reduction of direct selling and marketing spend on our least-profitable paid online marketing campaigns to improve our return on investment and we believe search engines increasing the prominence of their own hotel products in search results.

Subscription-based advertising revenue was relatively flat during the three and six months ended June 30, 2019, when compared to the same periods in 2018.

TripAdvisor-branded Display and Platform Revenue

For the three and six months ended June 30, 2019, 17% and 16%, respectively, of Hotels, Media & Platform segment revenue was derived from our TripAdvisor-branded display and platform revenue, which consists of revenue from TripAdvisor-branded display-based advertising. For the three and six months ended June 30, 2018, 15% of Hotels, Media & Platform segment revenue was derived from our TripAdvisor-branded display and platform revenue.

TripAdvisor-branded display-based advertising revenue increased by $2 million or 5%, and $4 million or 5% during the three and six months ended June 30, 2019, respectively, when compared to the same periods in 2018, primarily due to an increase in pricing, partially offset by a decrease in impressions sold.

Experiences & Dining Segment

Experiences & Dining segment revenue increased by $27 million or 28%, and $45 million or 28% during the three and six months ended June 30, 2019, respectively, when compared to the same periods in 2018, primarily driven by growth in both Experiences bookings and Restaurants bookings, as well as Restaurants media advertising placement revenue, partially offset by adverse changes in foreign currency when compared to the same periods in 2018.

Experiences revenue growth during the three and six months ended June 30, 2019, when compared to the same periods in 2018, was primarily driven by growth in consumer demand and bookable supply on our platform contributing to bookings growth. We believe platform expansion and improvements contributed to our Experiences revenue growth. Restaurants revenue growth during the three and six months ended June 30, 2019, when compared to the same periods in 2018, was primarily driven by growth in seated diners and bookings growth on mobile, in addition to restaurant sponsored placements advertising and subscription revenue growth.

Experiences & Dining segment Adjusted EBITDA decreased by $9 million or 56%, and $29 million during the three and six months ended June 30, 2019, respectively, when compared to the same periods in 2018, primarily due to increased people costs to drive product and supply investments, as well as marketing investments, to fund long-term growth initiatives, offset by an increase in revenue, as noted above.

Other

Other revenue, which primarily includes click-based advertising and display-based advertising revenue from our rentals, flights, cruise and car rental offerings on TripAdvisor, and non-TripAdvisor branded websites, such as www.smartertravel.com, www.bookingbuddy.com, www.cruisecritic.com and www.onetime.com, decreased by $20 million or 32%, and $42 million or 33% during the three and six months ended June 30, 2019, respectively, when compared to the same periods in 2018. This was primarily driven by the elimination of some marginal and unprofitable revenue within these offerings, as well as strategic resource re-allocation of investment across other areas of our business and continued competition in our Rentals offering.

Adjusted EBITDA in Other increased $5 million or 63%, and $7 million or 47% during the three and six months ended June 30, 2019, respectively, when compared to the same periods in 2018. This increase was primarily due to reduced costs related to marketing and operational re-alignments, primarily offset by a decrease in revenue, as described above.

Consolidated Expenses

Cost of Revenue

Cost of revenue consists of expenses that are directly related or closely correlated to revenue generation, including direct costs, such as credit card and other booking transaction payment fees, data center costs, costs associated with prepaid tour tickets, ad serving fees, flight search fees, and other transaction costs. In addition, cost of revenue includes personnel and overhead expenses, including salaries, benefits, stock-based compensation and bonuses for certain customer support personnel who are directly involved in revenue generation.

	Three months ended June 30, 2019		Three months ended June 30, 2018		% Change 2019 vs. 2018	Six months ended June 30, 2019		Six months ended June 30, 2018		% Change 2019 vs. 2018
	(in millions)					(in millions)				
Direct costs	$	21	$	19	11%	$	37	$	34	9%
Personnel and overhead		6		5	20%		11		10	10%
Total cost of revenue	$	27	$	24	13%	$	48	$	44	9%
% of revenue		6.4%		5.5%			6.0%		5.4%	

Cost of revenue increased $3 million and $4 million during the three and six months ended June 30, 2019, respectively, when compared to the same periods in 2018, primarily due to increased direct costs from credit card and other transaction costs in our Experiences & Dining segment as a result of revenue growth.

Selling and Marketing

Selling and marketing expenses primarily consist of direct costs, including traffic generation costs from SEM and other online traffic acquisition costs, syndication costs and affiliate program commissions, social media costs, brand advertising (including television and other offline advertising), promotions and public relations. In addition, our sales and marketing expenses consist of indirect costs such as personnel and overhead expenses, including salaries, commissions, benefits, stock-based compensation expense, and bonuses for sales, sales support, customer support and marketing employees.

	Three months ended June 30, 2019		Three months ended June 30, 2018		% Change 2019 vs. 2018	Six months ended June 30, 2019		Six months ended June 30, 2018		% Change 2019 vs. 2018
	(in millions)					(in millions)				
Direct costs	$	120	$	159	(25%)	$	240	$	301	(20%)
Personnel and overhead		60		58	3%		117		115	2%
Total selling and marketing	$	180	$	217	(17%)	$	357	$	416	(14%)
% of revenue		42.7%		50.1%			44.7%		51.3%	

Direct selling and marketing costs decreased $39 million and $61 million during the three and six months ended June 30, 2019, respectively, when compared to the same periods in 2018, primarily due to an overall decrease in SEM and other online traffic acquisition costs driven by our Hotels, Media & Platform segment and Other, partially offset by an increase of marketing expenditures in our Experiences & Dining segment.

Personnel and overhead costs increased $2 million during both the three and six months ended June 30, 2019, respectively, when compared to the same periods in 2018, primarily due to an increase in personnel and overhead costs related to additional headcount in our Experiences & Dining segment to support business growth, partially offset by decreased personnel and overhead costs in Other as a result of strategic personnel re-allocation across the business, and decreased headcount in our Hotels, Media & Platform segment.

Technology and Content

Technology and content expenses consist primarily of personnel and overhead expenses, including salaries and benefits, stock-based compensation expense, and bonuses for salaried employees and contractors engaged in the design, development, testing, content support, and maintenance of our websites and mobile apps. Other costs include licensing, maintenance expense, computer supplies, telecom costs, content translation and localization costs, and consulting costs.

	Three months ended June 30, 2019	2018	% Change 2019 vs. 2018	Six months ended June 30, 2019	2018	% Change 2019 vs. 2018
	(in millions)			(in millions)		
Personnel and overhead	$ 66	$ 61	8%	$ 131	$ 122	7%
Other	8	7	14%	17	13	31%
Total technology and content	$ 74	$ 68	9%	$ 148	$ 135	10%
% of revenue	17.5%	15.7%		18.5%	16.6%	

Technology and content costs increased $6 million and $13 million during the three and six months ended June 30, 2019, respectively, when compared to the same periods in 2018. Personnel and overhead costs increased by $5 million and $9 million during the three and six months ended June 30, 2019, respectively, when compared to the same periods in 2018, primarily due to additional headcount in our Experiences & Dining segment to support business growth, partially offset by a decrease of personnel and overhead costs in Other as a result of strategic personnel re-allocation across the business.

General and Administrative

General and administrative expenses consist primarily of personnel and related overhead costs, including personnel engaged in leadership, finance, legal, and human resources, as well as stock-based compensation expense for those same personnel. General and administrative costs also include professional service fees and other fees including audit, legal, tax and accounting, and other costs including bad debt expense, non-income taxes, such as sales, use and other non-income related taxes.

	Three months ended June 30, 2019	2018	% Change 2019 vs. 2018	Six months ended June 30, 2019	2018	% Change 2019 vs. 2018
	(in millions)			(in millions)		
Personnel and overhead	$ 34	$ 34	0%	$ 67	$ 67	0%
Professional service fees and other	11	12	(8%)	21	21	0%
Total general and administrative	$ 45	$ 46	(2%)	$ 88	$ 88	0%
% of revenue	10.7%	10.6%		11.0%	10.9%	

General and administrative costs decreased $1 million and was flat during the three and six months ended June 30, 2019, respectively, when compared to the same periods in 2018. Personnel and overhead costs was flat during both the three and six months ended June 30, 2019, respectively, when compared to the same periods in 2018, primarily related to additional headcount in our Experiences & Dining segment to support business growth, partially offset by a decrease in personnel and overhead costs in Other as a result of strategic personnel re-allocation across the business.

Depreciation

Depreciation expense consists of depreciation on computer equipment, leasehold improvements, furniture, office equipment and other assets, and amortization of capitalized software and website development costs and ROU assets related to our finance lease.

	Three months ended June 30, 2019	2018	Six months ended June 30, 2019	2018
	(in millions)		(in millions)	
Depreciation	$ 23	$ 21	$ 46	$ 41
% of revenue	5.5%	4.8%	5.8%	5.1%

Depreciation expense increased $2 million and $5 million during the three and six months ended June 30, 2019, respectively, when compared to the same periods in 2018, primarily due to incremental amortization related to the ROU asset related to our Headquarters Lease recorded upon adoption of ASC 842 and to a lesser extent increased amortization related to capitalized software and website development costs. Refer to "Note 2: *Significant Accounting Policies*" in the notes to our unaudited condensed consolidated financial statements in Item 1 in this Quarterly Report on Form 10-Q for additional information on our adoption of ASC 842.

Interest Expense

Interest expense primarily consists of interest incurred, commitment fees and debt issuance cost amortization related to our 2015 Credit Facility, Chinese Credit Facilities, as well as interest on finance leases.

	Three months ended June 30,		Six months ended June 30,	
	2019	**2018**	**2019**	**2018**
	(in millions)		**(in millions)**	
Interest expense	$ (2)	$ (3)	$ (3)	$ (6)

Interest expense decreased $1 million and $3 million during the three and six months ended June 30, 2019, respectively, when compared to the same periods in 2018, primarily due to lower finance costs related to our Headquarters Lease under ASC 842 and lower average outstanding borrowings on our 2015 Credit Facility during 2019. Refer to "Note 2: *Significant Accounting Policies*" in the notes to our unaudited condensed consolidated financial statements in Item 1 in this Quarterly Report on Form 10-Q for additional information on our adoption of ASC 842.

Interest Income and Other, Net

Interest income and other, net primarily consists of interest earned from our money market funds and marketable securities, amortization of discounts and premiums on our marketable securities, net foreign exchange gains and losses, and realized gains and losses on sales of our marketable securities.

	Three months ended June 30,		Six months ended June 30,	
	2019	**2018**	**2019**	**2018**
	(in millions)		**(in millions)**	
Interest income and other, net	$ 4	$ (4)	$ 8	$ (2)

Interest income and other, net increased $8 million and $10 million during the three and six months ended June 30, 2019, respectively, when compared to the same periods in 2018, primarily due to an increase in interest income earned from our money market funds and other investments due to increased interest rates and increased investment, as well as lower foreign currency transaction losses as a result of the fluctuation of foreign exchange rates during 2019.

Provision for Income Taxes

	Three months ended June 30,		Six months ended June 30,	
	2019	**2018**	**2019**	**2018**
	(in millions)		**(in millions)**	
Provision for income taxes	$ 34	$ 10	$ 41	$ 27
Effective tax rate	50.0%	23.8%	40.6%	42.9%

Our effective tax rates for the three and six months ended June 30, 2019 was 50.0% and 40.6%, respectively. Our effective tax rates for the three and six months ended June 30, 2018 was 23.8% and 42.9%, respectively. The change in our effective tax rate for the three months ended June 30, 2019, when compared to the same period in 2018, was primarily due to a cumulative income tax expense of $15 million recorded during the three months ended June 30, 2019, as discussed below.

In July 2015, the United States Tax Court (the "Court") issued an opinion favorable to Altera Corporation ("Altera") with respect to Altera's litigation with the IRS. The litigation relates to the treatment of stock-based compensation expense in an inter-company cost-sharing arrangement with Altera's foreign subsidiary. In its opinion, the Court accepted Altera's position of excluding stock-based compensation from its inter-company cost-sharing arrangement. The IRS appealed the Court decision on February 19, 2016. On June 7, 2019, a three-judge panel from the Ninth Circuit Court of Appeals reversed the Court's decision and upheld the validity of the Treasury regulation (Reg. sec. 1.482-7A(d)(2)) requiring stock-based compensation costs to be included in the costs shared in a cost-sharing arrangement. Based on this Ninth Circuit Court of Appeals decision, we recorded a cumulative income tax expense of $15 million during the three months ended June 30, 2019, which was a reversal of income tax benefits taken by the Company since the Court's 2015 opinion. On July 22, 2019, Altera requested a rehearing before the full Ninth Circuit. As a result, the final outcome of the case is uncertain. If the June 7, 2019 Ninth Circuit Court of Appeals decision is reversed, we would anticipate recording an income tax benefit at that time. The Company will continue to monitor this matter and related potential impacts to its consolidated financial statements.

The change in the effective tax rate for the six months ended June 30, 2019, when compared to the same period in 2018, was primarily due to the recognition in the second quarter of 2019 of the cumulative income tax expense of $15 million noted above, offset by a higher benefit from the recognition of excess tax benefits of stock-based compensation and decreased foreign valuation allowances.

Adjusted EBITDA

To provide investors with additional information regarding our financial results, we also disclose Adjusted EBITDA, which is a non-GAAP financial measure. 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.

Adjusted EBITDA is also our segment profit measure and a key measure used by our management and board of directors to understand and evaluate the financial performance of our business 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 and better enables management and investors to compare financial results between periods as these costs may vary independent of core business performance. Accordingly, we believe that Adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors. We define 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 asset and intangible asset impairments; (7) legal reserves and settlements; and (8) other non-recurring expenses and income. The items above 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.

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, if any;
- 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 certain income and expenses not directly tied to the core operations of our business, such as legal reserves and settlements;
- 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.

The following table presents a reconciliation of Adjusted EBITDA to Net income, the most directly comparable financial measure presented in accordance with GAAP, for the periods presented:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
	(in millions)			
Net income	**$ 34**	**$ 32**	**$ 60**	**$ 36**
Add: Provision for income taxes	34	10	41	27
Add: Other expense (income), net	(2)	7	(5)	8
Add: Stock-based compensation	32	31	60	61
Add: Amortization of intangible assets	7	8	15	16
Add: Depreciation	23	21	46	41
Adjusted EBITDA	$ 128	$ 109	$ 217	$ 189

Related Party Transactions

For information on our relationship with LTRIP, which may be deemed to beneficially own equity securities representing 57.4% of our voting power as of June 30, 2019, refer to "Note 14: *Related Party Transactions*" in the notes to our unaudited condensed consolidated financial statements in Item 1 in this Quarterly Report on Form 10-Q. We had no related party transactions with LTRIP during the three and six months ended June 30, 2019 and 2018, respectively.

Stock-Based Compensation

Refer to "Note 5: *Stock Based Awards and Other Equity Instruments*" in the notes to our unaudited condensed consolidated financial statements in Item 1 in this Quarterly Report on Form 10-Q for further information on current year equity award activity, including the issuance of 674,781 service-based stock options with a weighted average grant-date fair value per option of $21.80, 2,652,790 primarily service-based RSUs with a weighted average grant-date fair value of $53.38, and 78,050 MSUs with a weighted average grant-date fair value of $57.62 during the six months ended June 30, 2019.

Liquidity and Capital Resources

Our principal source of liquidity is cash flow generated from operations, and our liquidity needs can also be met through drawdowns under our 2015 Credit Facility and Chinese Credit Facilities. As of June 30, 2019 and December 31, 2018, we had $966 million and $670 million, respectively, of cash, cash equivalents and short-term available-for-sale marketable debt securities. As of June 30, 2019, approximately $319 million of our cash and cash equivalents, and $65 million of short-term available-for-sale marketable debt securities, were held by our international subsidiaries outside of the United States, with the majority held in the United Kingdom. As of June 30, 2019, the significant majority of our total cash on hand was denominated in U.S. dollars. During the three months ended March 31, 2018, we made a one-time repatriation of $325 million of foreign earnings to the United States primarily to repay our remaining outstanding debt under the 2015 Credit Facility. Cumulative undistributed earnings of foreign subsidiaries totaled approximately $728 million as of June 30, 2019. We intend to indefinitely reinvest the remaining foreign undistributed earnings although we will continue to evaluate the impact of the 2017 Tax Act on our capital deployment within and outside the U.S. Should we distribute, or be treated under certain U.S. tax rules as having distributed, the earnings of foreign subsidiaries in the form of dividends or otherwise, we may be subject to U.S. income taxes or tax benefits. The amount of any unrecognized deferred income tax on this temporary difference is not material.

As of June 30, 2019, we had no outstanding borrowings and approximately $1.2 billion of borrowing capacity available under our 2015 Credit Facility and approximately $40 million of borrowing capacity available under our Chinese Credit Facilities. For further discussion on our credit facilities, refer to "Note 9: *Debt*" in the notes to our unaudited condensed consolidated financial statements in Item 1 in this Quarterly Report on Form 10-Q.

On January 31, 2018, our Board of Directors authorized a repurchase of up to $250 million of our shares of common stock under a share repurchase program. Our Board of Directors authorized and directed management, working with the Executive Committee of our Board of Directors, to affect the share repurchase program discussed above in compliance with applicable legal requirements. During the three and six months ended June 30, 2018, we repurchased 2,329,548 and 2,582,198 shares of outstanding common stock under the share repurchase program at an aggregate cost of $90 million and $100 million, or an average share price of $38.60 and $38.73, exclusive of fees and commissions. The Company did not repurchase any shares of outstanding common stock during the three and six months end June 30, 2019 under the share repurchase program. As of June 30, 2019, we had a remaining $150 million available to repurchase shares of our common stock under this share repurchase program. This share repurchase program has no expiration date but may be suspended or terminated by the Board of Directors at any time.

Our business experiences seasonal fluctuations that affect the timing of our annual cash flows related to working capital. In our Rentals free-to-list model and our Experiences business, we generally receive cash from travelers at the time of booking and we record these amounts, net of commissions, on our consolidated balance sheets as deferred merchant payables. We pay the suppliers, or the property rental owners and experience providers, after the travelers' use. Therefore, we receive cash from the traveler prior to paying the supplier and this operating cycle represents a working capital source or use of cash to us. During the first half of the year Rentals and Experiences bookings typically exceed the amount of completed stays and tour-taking, resulting in higher cash flow related to working capital, while during the second half of the year, particularly in the third quarter, this pattern reverses and cash flows from these transactions are typically negative. While we expect the impact of seasonal fluctuations to continue, further significant shifts in our business mix or adverse economic conditions could result in future seasonal patterns that are different from historical trends.

We believe that our available cash, cash equivalents and marketable securities, combined with expected cash flows generated by operating activities and available borrowings from our credit facilities, will be sufficient to fund our foreseeable working capital requirements, capital expenditures, existing business growth initiatives, debt obligations, lease commitments, and other financial commitments through at least the next twelve months. Our future capital requirements may also include capital needs for acquisitions, share repurchases, and/or other expenditures in support of our business strategy, and may potentially reduce our cash balance and/or increase our debt.

Our cash flows for the six months ended June 30, 2019 and 2018, as reflected in our unaudited condensed consolidated statements of cash flows, are summarized in the following table:

	Six months ended June 30,	
	2019	2018
	(in millions)	
Net cash provided by (used in):		
Operating activities	$ 363	$ 360
Investing activities	(87)	(5)
Financing activities	(28)	(353)

During the six months ended June 30, 2019, our primary use of cash was from operations, financing activities (including payment of withholding taxes on net share settlements of our equity awards of $26 million), and investing activities (including capital expenditures incurred during the six months ended June 30, 2019 of $38 million and cash used of $69 million in purchases of marketable securities). This use of cash was funded primarily with cash on hand and cash equivalents, cash provided by operations, and investing activities, including cash of $20 million generated from maturities of marketable securities.

During the six months ended June 30, 2018, our primary use of cash was from operations, financing activities (including the repayment of outstanding borrowings under the 2015 Credit Facility of $235 million, repurchases of our outstanding common stock at an aggregate cost of $100 million under our existing share repurchase program, and payment of withholding taxes on net share settlements of equity awards of $18 million), and investing activities (including capital expenditures incurred during the year of $31 million and business acquisitions and other investing activities of $23 million). This use of cash was funded primarily with cash on hand and cash equivalents, which included a one-time cash repatriation $325 million of foreign earnings to the United States, cash provided by operations, and investing activities, including cash generated of $50 million from sales and maturities of marketable securities.

Net cash provided by operating activities for the six months ended June 30, 2019 increased by $3 million or 1% when compared to the same period in 2018, primarily due to an increase in net income of $24 million and incremental non-cash items affecting cash flow of $18 million, which was primarily due to an increase in deferred income tax expense. These increases were partially offset by a decrease in working capital movements of $39 million primarily due to the timing of collection of customer receivables, vendor payments, income tax payments, and deferred merchant payments.

Net cash used in investing activities for the six months ended June 30, 2019 increased by $82 million when compared to the same period in 2018, due to a decrease in net cash generated from the purchases, sales and maturities of marketable securities of $98 million and an increase in capital expenditures of $7 million, partially offset by cash paid for business acquisitions and other investments of $23 million during the six months ended June 30, 2018, which did not reoccur in 2019.

Net cash used in financing activities for the six months ended June 30, 2019 decreased by $325 million when compared to the same period in 2018, primarily due to a net repayment on our 2015 Credit Facility of $230 million and cash used to purchase shares of our common stock under our share repurchase program of $100 million, both during the six months ended June 30, 2018, which did not reoccur in 2019.

Contractual Obligations, Commercial Commitments and Off-Balance Sheet Arrangements

There have been no material changes outside the normal course of business to our contractual obligations and commercial commitments since December 31, 2018. As of June 30, 2019, other than our contractual obligations and commercial commitments, we did not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K promulgated by the SEC. Refer to "*Liquidity and Capital Resources*" in Part II, Item 7. — Management's Discussion and Analysis of Financial Condition and Results of Operations of our Annual Report on Form 10-K for the year ended December 31, 2018 for a discussion of our contractual obligations and commercial commitments.

Contingencies

In the ordinary course of business, we are parties to regulatory and legal matters, including threats thereof, arising out of our operations. These matters may involve claims involving patent and intellectual property rights (including alleged infringement of third-party intellectual property rights), tax matters (including value-added, excise, transient occupancy and accommodation taxes), regulatory compliance (including competition, consumer matters and data privacy), defamation and other claims. Periodically, we review the status of all significant outstanding matters to assess any potential financial exposure. When (i) it is probable that an asset has been impaired or a liability has been incurred; and (ii) the amount of the loss can be reasonably estimated, we record the estimated loss in our consolidated statements of operations. We provide disclosures in the notes to the consolidated financial statements for loss contingencies that do not meet both of these conditions if there is a reasonable possibility that a loss may have been incurred that would be material to the consolidated financial statements. We base accruals on the best information available at the time which can be highly subjective. Although occasional adverse decisions or settlements may occur, we do not believe that the final disposition of any of these matters will have a material adverse effect on our business. However, the final outcome of these matters could vary significantly from our estimates. Finally, there may be claims or actions pending or threatened against us of which we are currently not aware and the ultimate disposition of which could have a material adverse effect on us.

We are also under audit by the IRS and various other domestic and foreign tax authorities with regards to income tax matters. We have reserved for potential adjustments to our provision for income taxes that may result from examinations by, or any negotiated agreements with, these tax authorities. Although we believe our tax estimates are reasonable, the final determination of audits could be materially different from our historical income tax provisions and accruals. The results of an audit could have a material effect on our financial position, results of operations, or cash flows in the period for which that determination is made.

By virtue of consolidated income tax returns previously filed with Expedia, we are currently under an IRS audit for the 2009, 2010 and short-period 2011 tax years. We are separately under examination by the IRS for the short-period 2011 and 2012-2016 tax years, under an employment tax audit by the IRS for the 2013 and 2014 tax years, and have various ongoing audits for state income tax returns. These audits include questioning of the timing and the amount of income and deductions and the allocation of income among various tax jurisdictions. These examinations may lead to proposed or ordinary course adjustments to our taxes. We are no longer subject to tax examinations by tax authorities for years prior to 2009. As of June 30, 2019, no material assessments have resulted, except as noted below regarding our 2009, 2010, and 2011 IRS audit with Expedia.

In January 2017 and April 2019, as part of the IRS audit of Expedia, we received Notices of Proposed Adjustment from the IRS for the 2009, 2010, and 2011 tax years. These proposed adjustments are related to certain transfer pricing arrangements with our foreign subsidiaries, and would result in an increase to our worldwide income tax expense in an estimated range of $15 million to $20 million at the close of the audit if the IRS prevails, after consideration of competent authority relief, exclusive of interest and penalties. We disagree with the proposed adjustments and we intend to defend our position through applicable administrative and, if necessary, judicial remedies. Our policy is to review and update tax reserves as facts and circumstances change. Based on our interpretation of the regulations and available case law, we believe the position we have taken with regard to transfer pricing with our foreign subsidiaries is sustainable. In addition to the risk of additional tax for 2009, 2010, and 2011 transactions, if the IRS were to seek transfer pricing adjustments of a similar nature for transactions in subsequent years, we would be subject to significant additional tax liabilities.

In July 2016, the European Council formally adopted an Anti-Tax Avoidance Directive, which was further amended in February 2017. The Directive is aimed at preventing aggressive tax planning, increasing tax transparency and creating a fairer tax environment for all businesses in the European Union. The Organization for Economic Cooperation and Development (the "OECD") is working towards a consensus-based solution to the challenges of the digitalization of the economy by 2020. In addition, on March 21, 2018, the European Commission released two draft directives on the Taxation of the Digital Economy. One directive aims at a more comprehensive solution whereby EU countries would be able to levy corporate income tax on companies that have digital presence in those countries regardless of whether they have a physical presence in those countries. The second directive provides for an interim solution whereby EU countries are to apply a 3% revenue based Digital Services Tax, or DST which, if enacted, would be effective beginning in 2020. In the interim, certain EU countries have proposed legislation to implement DST that, if enacted, would impose a tax on revenue earned by larger companies from users of digital services located in these respective EU countries as early as 2019. On July 11, 2019, France's Parliament approved a law implementing a 3% digital services tax on French revenues, retroactive to January 1, 2019. On July 24, 2019, the French DST was signed into law by President Macron. We are currently assessing the financial impact of this new law. The Company will continue to monitor developments and determine the financial impact worldwide of these initiatives.

Additionally, we continue to accumulate positive cash flows in foreign jurisdictions, which we consider indefinitely reinvested, although we will continue to evaluate the impact of the 2017 Tax Act on our capital deployment within and outside the U.S. Should we distribute, or be treated under certain U.S. tax rules as having distributed, the earnings of foreign subsidiaries in the form of dividends or otherwise, we may be subject to U.S. income taxes or tax benefits. The amount of any unrecognized deferred income tax on this temporary difference is not material.

Refer to "Note 10: *Income Taxes*" in the notes to our unaudited condensed consolidated financial statements in Item 1 in this Quarterly Report on Form 10-Q for further information on the impact of potential contingencies surrounding current audits by the IRS and various other domestic and foreign tax authorities, and other income tax matters.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk refers to the risk of loss arising from adverse changes in stock prices, interest rates and foreign currency exchange rates. We are exposed to market risks primarily due to our international operations, and our ongoing investment and financial activities. The risk of loss can be assessed from the perspective of adverse changes in our future earnings, cash flows, fair values, and financial condition. Our exposure to market risk includes our credit facilities, derivative instruments, cash, cash equivalents, short term and long term marketable securities, accounts receivable, intercompany receivables/payables, accounts payable and deferred merchant payables denominated in foreign currencies. We have established policies, procedures and internal processes governing our management of market risks and the use of financial instruments to manage and attempt to mitigate our exposure to such risks.

There has been no material change in our market risk profile during the six months ended June 30, 2019. For additional information, refer to "*Quantitative and Qualitative Disclosures About Market Risk*" in Item 7A. in Part II of our Annual Report on Form 10-K for the year ended December 31, 2018.

Since the United Kingdom's referendum to exit the European Union, known as Brexit, the United Kingdom has reached a draft agreement with the European Union on the terms of its exit but the final terms of its withdrawal are still unknown. We have significant operations in both the United Kingdom and the European Union. Those operations are highly integrated across the United Kingdom and the European Union, and we are highly dependent on the free flow of labor and goods in those regions. There remains significant uncertainty about the future relationship between the United Kingdom and the European Union, including the possibility of the United Kingdom leaving the European Union without a negotiated and bilaterally approved withdrawal plan. The ongoing uncertainty and potential re-imposition of border controls and customs duties on trade between the United Kingdom and European Union nations could negatively impact our merchant and customer relationships and financial performance. In addition, uncertainty regarding the terms and timeline for Brexit could continue to adversely affect consumer confidence and spending in the United Kingdom. We could face new regulatory costs and challenges if the U.K. regulations diverge from those of the European Union. The ultimate effects of Brexit on us will depend on the timing and specific terms of any agreement the United Kingdom and the European Union reach to provide access to each other's respective markets. Since the terms of the United Kingdom's exit from the European Union are uncertain, we are unable to predict the effect Brexit will have on our business and results of operations.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of June 30, 2019, our management, with the participation of our Chief Executive Officer and President and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended, or the Exchange Act. Based upon that evaluation, our Chief Executive Officer and President and our Chief Financial Officer concluded that, as of June 30, 2019, our disclosure controls and procedures were effective in ensuring that material information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's, or the SEC's, rules and forms, including ensuring that such material information is accumulated and communicated to our management, including our Chief Executive Officer and President and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes to our internal control over financial reporting that occurred during the quarter ended June 30, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

In the ordinary course of business, we are parties to legal proceedings and claims involving alleged infringement of third-party intellectual property rights, defamation, taxes, regulatory compliance and other claims. Rules and regulations promulgated by the SEC require the description of material pending legal proceedings, other than ordinary, routine litigation incident to the registrant's business, and advise that proceedings ordinarily need not be described if they primarily involve damages claims for amounts (exclusive of interest and costs) not individually exceeding 10% of the current assets of the registrant and its subsidiaries on a consolidated basis. In the judgment of management, none of the pending litigation matters that we are defending involves or is likely to involve amounts of that magnitude. There may be claims or actions pending or threatened against us of which we are currently not aware and the ultimate disposition of which could have a material adverse effect on us.

Item 1A. Risk Factors

You should consider carefully the risks described below together with all of the other information included in this Quarterly Report as they may impact our business, results of operations and/or financial condition. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently believe are immaterial may also impair our business, results of operations or financial condition. If any of the following risks occur, our business, financial condition, operating results and cash flows could be materially adversely affected.

<u>Risks Related to Our Business and Industry</u>

If we are unable to continue to attract a significant amount of visitors to our websites and mobile apps, to cost-effectively convert these visitors into revenue-generating users and to continue to engage our users, our revenue, financial results and business could be harmed.

Our long-term success depends on our continued ability to attract a significant number of visitors to our platforms in a cost-effective manner, to convert those visitors into consumers and then to continue to engage those consumers throughout the travel planning, booking and trip-taking phases. Our traffic and user engagement could be adversely affected by a number of factors, including but not limited to, increased competition; inability to provide quality content, inventory or supply to our consumers; declines or inefficiencies in traffic acquisition; reduced awareness of our brands; and macroeconomic conditions. Certain of our competitors have advertising campaigns expressly designed to drive traffic directly to their websites, and these campaigns may negatively impact traffic to our site. Our traffic growth could decline over time, as our business matures, and our success could become increasingly dependent on our ability to increase levels of user engagement on our platform. There can be no assurances that we will continue to provide content and products in a manner that meets rapidly changing demand. Any failure to obtain and manage content and products in a cost-effective manner that will engage users, or any failure to provide content and products that are perceived as useful, reliable and trustworthy, could adversely affect user experiences and their repeat behavior, reduce traffic to our websites and negatively impact our business and financial performance.

We rely on internet search engines and application marketplaces to drive traffic to our platform, certain providers of which offer products and services that compete directly with our products. If links to our websites and apps are not displayed prominently, traffic to our platform could decline and our business would be negatively affected.

We rely heavily on internet search engines to generate a significant amount of traffic to our websites, principally through SEM (i.e., the purchase of travel-related keywords) as well as through SEO (i.e., free, or organic, search). The number of consumers we attract from search engines to our platform is due in large part to how and where information from, and links to, our websites are displayed on search engine results pages. The display, including rankings, of search results can be affected by a number of factors, many of which are not in our control and may change frequently. Search engines frequently update and change the logic that determines the placement and display of the results of a user's search, such that the purchased or algorithmic placement of links to our websites can be negatively affected. In addition, a search engine could, for competitive or other purposes, alter its search algorithms or results causing our websites to place lower in search query results. If a major search engine changes its algorithms in a manner that negatively affects the search engine ranking of our websites or those of our travel partners, or if competitive dynamics impact the cost or effectiveness of SEO or SEM in a negative manner, our business and financial performance would be adversely affected. Furthermore, our failure to successfully manage our SEO and SEM strategies and/or other traffic acquisition strategies could result in a substantial decrease in traffic to our websites, as well as increased costs to the extent we replace free traffic with paid traffic.

In some instances, search and metasearch companies and application marketplaces may change their displays or rankings in order to promote their own competing products or services or the products or services of one or more of our competitors. For example, Google, a significant source of traffic to our website accounting for a substantial portion of the visits to our websites, frequently promotes its own competing products in its web search results, which has negatively impacted the search ranking of our website. Google's promotion of its own competing products, or similar actions by Google in the future that have the effect of reducing our prominence or ranking on its search results, could have a substantial negative effect on our business and results of operations.

We also rely on application marketplaces, or app stores such as Apple's App Store and Google's Play, to drive downloads of our applications. In the future, Apple, Google or other marketplace operators may make changes to their marketplaces that make access to our products more difficult. For example, Google has entered various aspects of the online travel market, including by establishing a flight metasearch product and hotel metasearch product as well as reservation functionality. Our applications may receive unfavorable treatment compared to the promotion and placement of competing applications, such as the order in which they appear within marketplaces. Similarly, if problems arise in our relationships with providers of application marketplaces, traffic to our site and our user growth could be harmed.

We derive a substantial portion of our revenue from advertising and any significant reduction in spending by advertisers or redirections of advertising spend could harm our business.

We derive a substantial portion of our revenue from the sale of advertising, primarily through click-based advertising and, to a lesser extent, display-based and subscription-based advertising. We enter into advertising contracts with our advertising partners; however, the agreement terms are generally limited to legal matters, with campaign details and economics governed by insertion orders, and most of these contracts can be terminated by our partners at will or on short notice. Our ability to grow advertising revenue with our existing or new advertising partners is dependent in large part on our ability to generate revenue for them relative to other alternatives. Advertisers will not continue to do business with us if their investment in such advertising does not generate sales leads, customers, bookings, or revenue and profit on a cost-effective basis. Our ability to provide value to our advertising partners depends on a number of factors, including effectiveness of online advertising, competitiveness of our products, traffic quality, perception of our platform, availability and accuracy of analytics and measurement solutions to demonstrate our value, and macroeconomic conditions, whether in the advertising industry generally, among specific types of marketers or within particular geographies. We cannot guarantee that our current advertisers will fulfill their obligations under existing contracts, continue to advertise beyond the terms of existing contracts or enter into any additional contracts with us.

In addition, advertising revenue could be impacted by a number of other factors, including, but not limited to, the following:

- Our inability to increase or maintain user engagement, including time spent on our platform;
- Our inability to increase or maintain the quantity and quality of ads shown to consumers, including as a result of technical infrastructure constraints;
- The development of technologies that can block the display of our ads or block our ad measurement tools, particularly for advertising displayed on tablets and/or on mobile platforms;
- The effectiveness of our ad targeting or degree to which consumers opt out of certain types of ad targeting;
- Adverse government actions or legal developments relating to advertising, including legislative and regulatory developments and developments in litigation that limit our ability to deliver or target advertising, particularly in mobile devices; and
- The impact of macroeconomic conditions, whether in the advertising industry in general or among special types of marketers or within particular geographies.

The occurrence of any of these or other factors could result in a reduction in demand for our ads, which may reduce the prices we receive for our ads, or cause marketers to stop advertising with us altogether, either of which would negatively affect our revenue and financial results.

Click-based advertising revenue accounts for the majority of our advertising revenue. Our CPC pricing for click-based advertising depends, in part, on competition between advertisers. If our large advertisers become less competitive with each other, merge with each other or with our competitors, focus more on per-click profit than on traffic volume, or are able to reduce CPCs, this could have an adverse impact on our click-based advertising revenue which would, in turn, have an adverse effect on our business, financial condition and results of operations.

We rely on a relatively small number of significant advertising partners and any reduction in spending by or loss of these partners could seriously harm our business.

We derive a substantial portion of our revenue from a relatively small number of advertising partners and rely significantly on our relationships. For example, for the year ended December 31, 2018, our two most significant advertising partners, Expedia Group, Inc., or Expedia, and Booking Holdings, Inc., or Booking (and their subsidiaries), accounted for a combined 37% of total revenue. While we enter into master advertising contracts with our partners, as discussed above, most of these contracts can be terminated by our partners at will or on short notice. If any of our significant advertisers were to cease or significantly curtail advertising on our websites, we could experience a rapid decline in our revenue over a relatively short period of time which would have a material impact on our business.

Our business depends on a strong brand and any failure to maintain, protect and enhance our brand could hurt our ability to retain and expand our base of consumers and partners, as well as increase the frequency with which consumers utilize our products and services.

We believe that the strength of our brands (particularly the TripAdvisor brand) has contributed significantly to our success. We also believe that maintaining, protecting and enhancing our brands is critical to expanding our base of consumers, increasing the frequency with which consumers utilize our solutions and attracting advertisers and business partners. Our ability to maintain and protect our brand depends, in part, on our ability to maintain consumer trust in our products and in the quality, integrity, reliability of usefulness of the content and other information found on our platform. For example, if consumers do not view our reviews to be useful and reliable, they may seek other sources to obtain the information they are looking for and may not return to our platform as often in the future, or at all. This would negatively impact our ability to attract and retain consumers and partners and the frequency with which they use our platform. We dedicate significant resources to these goals, primarily through our computer algorithms and teams of moderators that are focused on identifying inappropriate, unreliable or deceptive content. We remove those types of content from our website and, in certain cases, take legal action against individuals or businesses that we believe have engaged in deceptive practices.

Media, legislative, or regulatory scrutiny of our decisions regarding user privacy, content, advertising, and other issues may adversely affect our reputation and brands. Negative publicity about our company, including our content, technology, business practices or strategic plans, could diminish our reputation and confidence in our brand, thereby negatively affecting the use of our products and potentially even our share price. For example, certain media outlets have alleged that we have improperly filtered or screened reviews, that we have not properly verified reviews, or that we manipulate reviews, ranking and ratings in favor of our advertisers against non-advertisers. We expend significant resources to ensure the integrity of our reviews and to ensure that the most relevant reviews are available to our consumers; we do not establish rankings and ratings in favor of our advertisers. Nevertheless, our reputation and brand, the traffic to our platform, our business and potentially even our share price may suffer from negative publicity about our company or if consumers otherwise perceive that our content is manipulated or biased. In addition, regulatory inquiries or investigations require management time and attention and could result in further negative publicity, regardless of their merits or ultimate outcomes.

In addition, unfavorable publicity regarding, for example, our practices relating to privacy and data protection, product changes, competitive pressures, litigation or regulatory activity, could adversely affect our reputation with our consumers and our partners. Such negative publicity also could have an adverse effect on the size, engagement, and loyalty of our user base and result in decreased revenue.

We continue to invest significant time and effort towards educating users about our brand and our product offerings and there can be no assurances that these efforts will continue to be successful.

In an effort to enhance our brand we invest significantly in brand marketing including, but not limited to, television advertising. We expect these investments to continue, and potentially even increase, as a result of a variety of factors, including relatively high levels of advertising spending by competitors, the increasing costs of supporting multiple brands, expansion into new geographies, product positioning where our brands are less well known, and the continued emergence and relative traffic share growth of search engines as destination sites for travelers. We expect to continue our television advertising campaign and to adjust our marketing efforts and spend among the different marketing channels, in each case as we think appropriate based on the relative growth opportunity, the expected returns and the competitive environment in the different segments and businesses in which we operate.

Such efforts may not maintain or enhance consumer awareness of our brands and, even if we are successful in our branding efforts, such efforts may not be cost-effective or as efficient as they have been historically. If we are unable to maintain or enhance consumer awareness of our brands or to generate demand in a cost-effective manner, it would have a material adverse effect on our business and financial performance. In addition, there are no assurances that these actions will have a positive impact on our marketing efficiencies or operating margins or when the financial benefit expected to result from these efforts will exceed the costs of such efforts. Furthermore, some of our current and potential competitors have access to significantly greater and more diverse resources than we do, and they may also be able to leverage other aspects of their businesses to enable them to compete more effectively with us.

Consumer adoption and use of mobile devices creates new challenges. If we are unable to operate effectively on these platforms or our products for such devices are not compelling, our business may be adversely affected.

Widespread adoption of mobile devices, such as the iPhone, Android-enabled smartphones and tablets such as the iPad, coupled with web browsing functionality and development of thousands of useful apps available on these devices, is driving substantial online traffic and commerce to mobile platforms. We have seen a significant shift of business to mobile platforms and our advertising partners are also seeing a rapid shift of traffic to mobile platforms. We anticipate that the rate of use of these devices will continue to grow. The functionality and user experience associated with these alternative devices, such as a smaller screen size or lack of a screen, may make the use of our platform through such devices more difficult. For example, mobile phone devices monetize at a significantly lower rate than desktops and advertising opportunities are more limited on these mobile devices. Additionally, consumer purchasing patterns differ on alternative devices. For example, accommodation reservations made on a mobile device typically are for shorter lengths of stay and are not made as far in advance. Mobile consumers may also be unwilling to download multiple apps from multiple companies providing similar services or contribute high quality content through such devices. As a result, the consumer experience with mobile apps and brand recognition are likely to become increasingly important. We expect that the ways in which consumers engage with our platform will continue to change over time as consumers increasingly engage via alternative devices.

As a result, it is increasingly important for us to develop and maintain effective platforms to drive adoption and user engagement by providing consumers with an appealing, easy-to-use experience. As new devices and platforms are continually being released, it is difficult to predict the problems we may encounter in adapting our products and services to them – and developing competitive new products and services - and we may need to devote significant resources to the creation, support and maintenance of such products. If we are unable to continue to rapidly innovate and create new, user-friendly and differentiated offerings and efficiently and effectively advertise and distribute on these platforms, or if our offerings are not used by consumers, we could lose market share and our business, future growth and results of operations could be adversely affected.

Our success will also depend on the interoperability of our products with a range of technologies, systems, networks and standards or in creating, maintaining and developing relationships with key participants in related industries, some of which may be our competitors. For example, Google's Android and Apple's iPhone are the leading smartphones in the world. Therefore, our products need to synergistically function on their respective operating systems in order to create a positive user experience on a mobile device. However, Google could leverage its Android operating system to give its travel services a competitive advantage, either technically or with prominence on its Google Play app store or within its mobile search results. Similarly, Apple obtained a patent for "iTravel," a mobile app that would allow a traveler to check in for a travel reservation. In addition, Apple's iPhone operating system includes "Wallet," a virtual wallet app that holds tickets, boarding passes, coupons and gift cards, and, along with iTravel, may be indicative of Apple's intent to enter the travel reservations business in some capacity. Apple has substantial market share in the smartphone category and controls integration of offerings, including travel services, into its mobile operating system. Apple also has more experience producing and developing mobile apps and has access to greater resources than we do. Apple may use or expand iTravel, Wallet, Siri (Apple's voice recognition "concierge" service), Apple Pay (Apple's mobile payment system) or another mobile app or functionality as a means of entering the travel reservations marketplace. To the extent Google or Apple use their mobile operating systems, app distribution channels or, in the case of Google, search services, to favor their own travel service offerings, there may be an adverse effect on our ability to compete in the mobile space. We may not be successful in developing products that operate effectively with these technologies, systems, networks and standards or in creating, maintaining and developing relationships with key participants in related industries. If we experience difficulties or increased costs in integrating our products into alternative devices, or if manufacturers elect not to include our products in their devices, make changes that degrade the functionality of our products, give preferential treatment to competitive products or prevent us from delivering advertising, our user growth and results of operations may be harmed. This risk may be exacerbated by the frequency with which consumers change or upgrade their devices. In the event consumers choose devices that do not already include or support our platform or do not install our products when they change or upgrade their devices, our traffic and user engagement may be harmed.

In addition, the market for advertising products on mobile and other devices is rapidly evolving. As new devices and platforms are released, consumers may begin consuming content in a manner that is more difficult to monetize. Similarly, as advertising products for mobile and other platforms develop, demand may increase for products that we do not offer or that may alienate our user base, which we must balance against our commitment to prioritizing the quality of user experience over short-term monetization. If we are not able to balance these competing considerations successfully to develop compelling advertising products, advertisers may stop or reduce their advertising with us and we may not be able to generate meaningful revenue from alternative devices despite the expected growth in their usage.

Declines or disruptions in the economy in general and travel industry in particular could adversely affect our businesses and financial performance.

Our businesses and financial performance are affected by the health of the global economy generally as well as the travel industry and leisure travel in particular. Sales of travel services tend to decline or grow more slowly during economic downturns and recessions when consumers engage in less discretionary spending, are concerned about unemployment or economic weakness, have reduced access to credit or experience other concerns that reduce their ability or willingness to travel. The global economy may be adversely impacted by unforeseen events beyond our control including incidents of actual or threatened terrorism, regional hostilities or instability, unusual weather patterns, natural disasters, political instability and health concerns (including epidemics or pandemics), defaults on government debt, significant increases in fuel and energy costs, tax increases and other matters that could reduce discretionary spending, tightening of credit markets and declines in consumer confidence. Decreased travel spending could reduce the demand for our services and have a negative impact on our business and financial performance. In addition, the uncertainty of macro-economic factors and their impact on consumer behavior, which may differ across regions, makes it more difficult to forecast industry and consumer trends and the timing and degree of their impact on our markets and business, which in turn could adversely affect our ability to effectively manage our business and our results of operations.

For example, since the United Kingdom’s referendum to exit the European Union, known as Brexit, global markets and foreign exchange rates have experienced increased volatility, including a decline in the value of the British pound as compared to the U.S. Dollar. We have significant operations in both the United Kingdom and the European Union. Our operations and those of our merchants are highly integrated across the United Kingdom and the European Union, and we are highly dependent on the free flow of labor and goods in those regions. There remains significant uncertainty about the future relationship between the United Kingdom and the European Union, including the possibility of the United Kingdom leaving the European Union without a negotiated and bilaterally approved withdrawal plan. The ongoing uncertainty and potential re-imposition of border controls and customs duties on trade between the United Kingdom and European Union nations could negatively impact our merchant and customer relationships and financial performance. In addition, uncertainty regarding the terms and timeline for Brexit could continue to adversely affect consumer confidence and spending in the United Kingdom. We could face new regulatory costs and challenges if the U.K. regulations diverge from those of the European Union. The ultimate effects of Brexit on us will depend on the timing and specific terms of any agreement the United Kingdom and the European Union reach to provide access to each other’s respective markets. Since the terms of the United Kingdom’s exit from the European Union are uncertain, we are unable to predict the effect Brexit will have on our business and results of operations.

We operate in an increasingly competitive global environment and our failure to compete effectively could reduce our market share and harm our financial performance.

We compete in rapidly evolving and competitive markets. We face competition for content, consumers, advertisers, online travel search and price comparison services, or what is known in the industry as metasearch, and online reservations. We compete globally with both online and offline, established and emerging, providers of travel, lodging, experiences and restaurant reservation and related services. The markets for the services we offer are intensely competitive, and current and new competitors can launch new services at a relatively low cost.

We also compete with different types of companies in the various markets and geographies where we operate, including large and small companies in the travel space as well as broader service providers. More specifically:

- In our Hotels, Media & Platform segment, we face competition from, and in some cases partner with, the following businesses: OTAs (including Expedia and Booking and many of their respective subsidiaries and operating companies); hotel metasearch providers (including trivago, a subsidiary of Expedia, Kayak and HotelsCombined, subsidiaries of Booking, and Ctrip.com International, Ltd); large online search, social media, and marketplace platforms and companies (including Google, Facebook, Microsoft's Bing, Yahoo, Baidu, Alibaba, and Amazon); and traditional offline travel agencies; and global hotel chains seeking to promote direct bookings.
- We also face competition from different companies in each of the offerings in our Experiences & Dining segment. Experiences competes with online travel agencies, such as Airbnb, Booking, and GetYourGuide; traditional travel agencies; online travel service providers; and wholesalers, among others. Restaurants competes with other online restaurant reservation services, such as SeatMe (owned by Yelp) and OpenTable (a subsidiary of Booking).
- Our Rentals business competes with companies focused on alternative lodging, shared accommodations and online accommodation searches, including Airbnb, HomeAway (a subsidiary of Expedia) and Booking.

There has been a proliferation of new channels through which providers can offer accommodations, experiences and restaurant reservations. Metasearch services may lower the cost for new companies to enter the market by providing a distribution channel without the cost of promoting the new entrant's brand to drive consumers directly to its website. Some of our competitors and potential competitors offer a variety of online services, many of which are used by competitors more frequently than online travel services. In addition, in some cases, our competitors are willing to make little or no profit on a transaction, or offer travel services at a loss, in order gain market share. Many of our competitors (such as Google, Booking and Ctrip) have significantly greater financial, technical, marketing and other resources than us and have more expertise in developing online commerce and facilitating internet traffic as well as large client bases. They also have the ability to leverage other aspects of their business to enable them to compete more effectively against us. For example, Google has entered various aspects of the online travel market, including by establishing a flight metasearch product ("Google Flights") and a hotel metasearch product ("Google Hotel Ads") that are growing rapidly, as well as its "Book on Google" reservation functionality and its Google Trips app.

In addition, Google and other large, established companies with substantial resources and expertise in developing online commerce and facilitating internet traffic have launched travel or travel-related search, metasearch and/or reservation booking services and may create additional inroads into online travel. Google's travel metasearch services, Google Hotel Ads and Google Flights, are growing rapidly and have achieved significant market share in a relatively short time. In addition, many of our competitors, including online search companies, continue to expand their voice and artificial intelligence capabilities, which may provide them with a competitive advantage in travel. We cannot assure you that we will be able to compete successfully against our current, emerging and future competitors or on platforms that may emerge, or provide differentiated products and services to our traveler base.

We compete with certain companies that we also do business with, including some of our click-based advertising travel partners. The consolidation of our competitors and travel partners, including Expedia (through its acquisitions of Orbitz, Travelocity, and HomeAway) and Booking (through its acquisitions of KAYAK and OpenTable), may affect our relative competitiveness and our travel partner relationships. Competition and consolidation could result in higher traffic acquisition costs, reduced margins on our advertising services, loss of market share, reduced customer traffic to our websites and reduced advertising by travel companies on our websites.

As the industry shifts towards online travel services and the technology supporting it continues to evolve, including platforms such as mobile phone and tablet computing devices, competition is likely to intensify. Competition in our industry may result in pricing pressure, loss of market share or decreased user engagement, any of which could adversely affect our business and financial performance.

We rely on information technology to operate our business and remain competitive, and any failure to adapt to technological developments or industry trends could harm our businesses.

We depend on the use of sophisticated information technologies and systems for website and mobile apps, supplier connectivity, communications, reservations, payment processing, procurement, customer service and fraud prevention. Our future success depends on our ability to continuously improve and upgrade our systems and infrastructure to meet rapidly evolving consumer trends and demands while at the same time maintaining the reliability and integrity of our systems and infrastructure. We may not be able to maintain or replace our existing systems or introduce new technologies and systems as quickly as we would like or in a cost-effective manner. We may not be successful, or as successful as our competitors, in developing technologies and systems that operate effectively across multiple devices and platforms in a way that is appealing to our consumers.

In addition, the emergence of alternative devices, such as mobile phones and tablets, and the emergence of niche competitors who may be able to optimize products, services or strategies for such platforms, will require additional investment in technology. New developments in other areas could also make it easier for competitors to enter our markets due to lower up-front technology costs. Technology changes, including new devices, services and home assistants, such as Amazon's Alexa Voice and Google Home, and developing technologies, such as machine learning and artificial intelligence, could negatively impact our business.

If we do not continue to innovate and provide products, services and features that are useful to users, we may not remain competitive, and our business and financial performance could suffer.

Our success depends in part on continued innovation to provide products, features and services that make our platform compelling to users and engage our consumers. Our competitors are continually developing innovations in online travel-related services and features. As a result, we are continually working to improve our business model and consumer experience in order to engage our consumers and drive user traffic and conversion rates. We have invested, and expect to continue to invest, significant resources in developing and marketing these innovations. We can give no assurances that the changes we make will yield the benefits we expect and will not have unintended or adverse impacts that we did not anticipate. If we are unable to continue offering innovative products and services and quality features that users want to use, existing consumers may become dissatisfied and use competitors' offerings and we may be unable to attract additional consumers, which could adversely affect our business and financial performance.

Our dedication to making the user experience our highest priority may cause us to prioritize rapid innovation and user experience over short-term financial results.

We strive to create the best experience for our users, providing them with the information, products and tools to enable them to plan, book, and experience the perfect trip. We believe that in doing so we will increase our rates of conversion, our revenue per hotel shopper and, ultimately, our financial performance over the long-term. We have taken actions in the past and may continue to make decisions in the future that have the effect of reducing our short-term revenue or profitability if we believe that the decisions benefit the overall user experience. For example, we may introduce new products or changes to existing products or the user experience that decrease rates of conversion but increases revenue per hotel shopper. In addition, our approach of putting users first may negatively impact our relationship with existing or prospective partners. These actions and practices could result in a loss of partners, which in turn could harm our results of operations. The short-term reductions in revenue or profitability could be more severe than we anticipate or these decisions may not produce the long-term benefits that we expect, in which case our user growth and engagement, our relationships with consumers and travel partners, and our business and results of operations could be harmed. In addition, if new or enhanced products fail to engage users or if we are unsuccessful in our effort to monetize these initiatives, we may fail to generate sufficient revenue, profit margin or other value to justify our investments, in which case our business and results of operations would be adversely affected.

We are dependent upon the quality of traffic in our network to provide value to our partners, and any failure in our ability to deliver quality traffic and/or the metrics to demonstrate the value of the traffic could have a material adverse effect on the value of our websites to our partners and adversely affect our revenue.

We use technology and processes to monitor the quality of the internet traffic that we deliver to our partners and have identified metrics to demonstrate the quality of that traffic. These metrics are used to not only identify the value of advertising on our website but also to identify low quality clicks such as non-human processes, including robots, spiders or other software; the mechanical automation of clicking; and other types of invalid clicks or click fraud. Even with such monitoring in place, there is a risk that a certain amount of low-quality traffic, or traffic that online advertisers deem to be invalid, will be delivered to such online advertisers. As a result, we may be required to credit amounts owed to us by our partners. Furthermore, low-quality or invalid traffic may be detrimental to our relationships with partners, and could adversely affect our advertising pricing and revenue.

We rely on assumptions and estimates and data to calculate certain of our key metrics, and real or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business.

We believe that certain metrics are key to our business. As both the industry in which we operate and our businesses continue to evolve, so too might the metrics by which we evaluate our businesses and the company. In addition, while the calculation of the metrics we use is based on what we believe to be reasonable estimates, our internal tools are not independently verified by a third party and have a number of limitations and, furthermore, our methodologies for tracking these metrics may change over time. For example, a single person may have multiple accounts or browse the internet on multiple browsers or devices, some consumers may restrict our ability to accurately identify them across visits, some mobile apps automatically contact our servers for regular updates with no user action, and we are not always able to capture user information on all of our platforms. As such, the calculations of our unique visitors may not accurately reflect the number of people actually visiting our platforms. We continue to improve upon our tools and methodologies to capture data and believe that our current metrics are accurate; however, the improvement of our tools and methodologies could cause inconsistency between current data and previously reported data, which could confuse investors or lead to questions about the integrity of our data. Also if the internal tools we use to track these metrics under-count or over-count performance or contain algorithm or other technical errors, the data we report may not be accurate. Finally, we may, in the future, identify new or other metrics that enable us to more accurately evaluate our business. Accordingly, readers should not place undue reliance on these metrics.

We rely on the performance of highly skilled personnel and, if we are unable to retain or motivate key personnel or hire, retain and motivate qualified personnel, our business would be harmed.

Our future success is largely dependent on the talents and efforts of highly skilled individuals. In particular, the contributions of Stephen Kaufer, our co-founder, Chief Executive Officer and President, the contributions of key senior management and the contributions of software engineers and other technology professionals, are critical to our overall management and the success of our business. We cannot ensure that we will be able to retain the services of our existing key personnel and the loss of one or more of our key personnel could seriously harm our business. We do not maintain any key person life insurance policies.

In addition, competition remains intense for well-qualified employees in certain aspects of our business, including software engineers, developers, product management and development personnel, and other technology professionals. Our continued ability to compete effectively depends on our ability to attract new employees and to retain and motivate existing employees. As a global company, we aim to attract quality employees from all over the world, so any restrictions on travel for professional or personal purposes may cause significant disruption to our businesses or negatively affect our ability to attract and retain employees on a global basis. If we do not succeed in attracting well-qualified employees or retaining or motivating existing employees, our business would be adversely affected.

Acquisitions, investments, significant commercial arrangements and/or new business strategies could disrupt our ongoing business and present new challenges and risks.

Our success will depend, in part, on our ability to expand our product offerings in order to grow our business in response to changing technologies, user and travel partner demands and competitive pressures. As a result, we have acquired, invested in and/or entered into significant commercial arrangements with a number of new businesses in the past and our future growth may depend, in part, on future acquisitions, investments, commercial arrangements and/or changes in business strategies. Such endeavors may involve significant risks and uncertainties, including, but not limited to, the following:

- Expected and unexpected costs incurred in identifying and pursuing these endeavors, and performing due diligence on potential targets that may or may not be successful;
- Use of cash resources and incurrence of debt and contingent liabilities in funding these endeavors that may limit other potential uses of our cash, including product development, stock repurchases, and/or dividend payments;
- Amortization expenses related to acquired intangible assets and other adverse accounting consequences;
- Diversion of management's attention or other resources from our existing business;
- Difficulties and expenses in integrating the operations, products, technology, privacy protection systems, information systems or personnel of the company, including the assimilation of corporate cultures;
- Difficulties in implementing and retaining uniform standards, controls, procedures, policies and information systems;
- The assumption of known and unknown debt and liabilities of the acquired company, including costs associated with litigation, cybersecurity risks, and other claims relating to the acquired company;
- Failure of any company which we have acquired, in which we have invested, or with which we have a commercial arrangement, to achieve anticipated revenues, earnings or cash flows or to retain key management or employees;
- Failure to generate adequate returns on acquisitions and investments;
- With respect to minority investments, limited management or operational control and reputational risk, which risk is heightened if the controlling person in such case has business interests, strategies or goals that are inconsistent with ours;
- Entrance into markets in which we have no direct prior experience and increased complexity in our business;
- Impairment of goodwill or other intangible assets such as trademarks or other intellectual property arising from acquisitions; and
- Adverse market reaction to acquisitions.

We have invested, and may in the future invest, in privately-held companies and these investments are currently accounted for using the measurement alternative for equity investments without a readily determinable fair value, which measure these investments at cost while subtracting any impairments, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. Such investments are inherently risky in that such companies are typically at an early stage of development, may have no or limited revenues, may not be or may never become profitable, may not be able to secure additional funding or their technologies, services or products may not be successfully developed or introduced into the market. Further, our ability to liquidate any such investments is typically dependent upon some liquidity event, such as a public offering or acquisition, since no public market exists for such securities. Valuations of such privately-held companies are inherently complex and uncertain due to the lack of liquid market for the company's securities. Moreover, we could lose the full amount of any of our investments and any impairment of our investments could have a material adverse effect on our financial condition and results of operations.

We cannot assure you that these investments will be successful or that such endeavors will result in the realization of the full benefits of synergies, cost savings, innovation and operational efficiencies that may be possible or that we will achieve these benefits within a reasonable period of time.

If we fail to manage our growth effectively, our brand, results of operations and business could be harmed.

Over the years, we have experienced rapid growth in some areas of our business, including through acquisitions of other businesses and in new international markets. We continue to make substantial investments in our technology, product and sales and marketing organizations. This growth places substantial demands on management and our operational infrastructure. In addition, as our business matures, we make periodic changes and adjustments to our organization in response to various internal and external considerations, including market opportunities, the competitive landscape, new and enhanced products and acquisitions. These changes may result in a temporary lack of focus or productivity or otherwise impact our business.

To manage our growth, we may need to improve our operational, financial and management systems and processes which may require significant capital expenditures and allocation of valuable management and employee resources. As we continue to grow, we must effectively integrate, develop and motivate a large number of new employees, including employees in international markets, while maintaining the beneficial aspects of our company culture. If we do not manage the growth of our business and operations effectively, the quality of our platform and efficiency of our operations could suffer, which could harm our brand, results of operations and business.

Risks Related to Legal and Regulatory Matters

We are a global company that operates in many different jurisdictions and these operations expose us to additional risks, which risks increase as our business continues to expand.

We operate in a number of jurisdictions both inside and outside of the United States and continue to expand our operations both domestically and internationally. Many regions have different economic conditions, languages, currencies, consumer expectations, legislation, regulatory environments (including labor laws and customs), tax laws, levels of consumer acceptance and use of the internet for commerce and levels of political stability. We are subject to associated risks typical of global businesses, including, but not limited to, the following:

- Compliance with additional laws and regulations (including the Foreign Corrupt Practices Act, the U.K. Bribery Act and the EU General Data Protection Regulation (or GDPR)), data privacy requirements, labor and employment law, laws regarding advertisements and promotions and anti-competition regulations;
- Diminished ability to legally enforce contractual rights;
- Increased risk and limits on enforceability of intellectual property rights;
- Restrictions on repatriation of cash as well as restrictions on investments in operations in certain countries;
- Financial risk arising from transactions in multiple currencies as well as foreign currency exchange restrictions;
- Difficulties in managing staff and operations due to distance, time zones, language and cultural differences;
- Uncertainty regarding liability for services, content and intellectual property rights, including uncertainty as a result of local laws and lack of precedent;
- Economic or political instability or laws and regulations involving economic or trade prohibitions or sanctions; and

- Threatened or actual acts of terrorism.

Our strategy includes continued expansion in existing international and new international markets. Many of these markets have different economic conditions, customers, languages, currencies, consumer expectations, levels of consumer acceptance and use of the internet for commerce, legislation, regulatory environments, tax laws and levels of political stability, and we are subject to associated risks typical of international businesses. International markets have strong local competitors with established brands and travel service providers or relationships that may make expansion in certain markets difficult and costly and take more time than anticipated. In addition, compliance with legal, regulatory or tax requirements in multiple jurisdictions places demands on our time and resources, and we may nonetheless experience unforeseen and potentially adverse legal, regulatory or tax consequences. In some markets, such as China, legal and other regulatory requirements may prohibit or limit participation by foreign businesses, such as by making foreign ownership or management of internet or travel-related businesses illegal or difficult or may make direct participation in those markets uneconomic, which could make our entry or expansion in those markets difficult or impossible, require that we work with a local partner or result in higher operating costs. If we are unsuccessful in expanding in new and existing markets and effectively managing that expansion, our business and results of operations could be adversely affected. A number of countries are actively pursuing changes to their tax laws applicable to corporate multinationals, such as the recently enacted U.S. tax legislation, the 2017 Tax Act. Foreign governments may enact tax laws that could result in further changes to global taxation and materially affect our financial position and results of operations.

The 2017 Tax Act resulted in significant changes to the U.S. corporate income tax system. The 2017 Tax Act requires complex computations to be performed that were not previously required in U.S. tax law, significant judgments to be made in interpretation of the provisions of the 2017 Tax Act and significant estimates in calculations, and the preparation and analysis of information not previously relevant or regularly produced. The U.S. Treasury Department, the IRS and other standard-setting bodies could interpret or issue guidance on how provisions of the 2017 Tax Act will be applied or otherwise administered that is different from our interpretation.

Additionally, we continue to accumulate positive cash flows in foreign jurisdictions, which we consider indefinitely reinvested, although we will continue to evaluate the impact of the 2017 Tax Act on our capital deployment within and outside the U.S. The repatriation of such funds for use in the United States, including for corporate purposes such as acquisitions, stock repurchases, or debt refinancing, may result in additional U.S. income tax expense and higher cost for such capital.

We are regularly subject to claims, lawsuits, government investigations, and other proceedings that may result in adverse outcomes.

We are regularly subject to claims, lawsuits, government investigations and other proceedings involving, among other matters, patent and intellectual property rights (including alleged infringement of third-party intellectual property rights), tax matters (including value-added, excise, transient, occupancy and accommodation taxes), regulatory compliance (including competition and consumer protection matters), defamation and free speech, labor and employment matters and commercial disputes.

Such claims, lawsuits, government investigations and proceedings are inherently uncertain and their results cannot be predicted with certainty. Regardless of the outcome, any of these types of legal proceedings could have an adverse impact on us because of legal costs, diversion of management resources, injunctions or damage awards and other factors. Determining reserves for our pending litigation or other legal proceedings is a complex, fact-intensive process that requires significant judgment. It is possible that a resolution of one or more such proceedings could result in substantial damages, fines or penalties that could adversely affect our business, consolidated financial position, results of operations, or cash flows in a particular period. These proceedings could also result in reputational harm, criminal sanctions, consent decrees, or orders preventing us from offering certain features, functionalities, products, or services, requiring a change in our business practices or other field action, or requiring development of non-infringing or otherwise altered products or technologies. Any of these consequences could adversely affect our business and results of operations.

A failure to comply with current laws, rules and regulations or changes to such laws, rules and regulations and other legal uncertainties may adversely affect our business or financial performance.

Our business and financial performance could be adversely affected by unfavorable changes in or interpretations of existing laws, rules and regulations or the promulgation of new laws, rules and regulations applicable to us and our business, including those relating to internet and online commerce, internet advertising, consumer protection, data security and privacy, travel and rental licensing and listing requirements and tax. In some cases, these laws continue to evolve.

For example, there is, and will likely continue to be, an increasing number of laws and regulations pertaining to internet and online commerce that may relate to liability for information retrieved from or transmitted over the internet, online editorial and user-generated content, user privacy, data security, behavioral targeting and online advertising, taxation, liability for third-party activities and the quality of products and services. In addition, enforcement authorities continue to rely on their authority under existing consumer protection laws to take action against companies relating to data privacy and security practices. The growth and development of online commerce may prompt calls for more stringent consumer protection laws and more aggressive enforcement efforts, which may impose additional burdens on online businesses generally.

Further, Rentals has been and continues to be subject to regulatory developments globally that affect the rental industry and the ability of companies like us to list those rentals online. For example, some states and local jurisdictions, both domestically and internationally, have adopted, or are considering adopting, statutes or ordinances that prohibit property owners and managers from renting certain properties on a short-term basis or otherwise limit their ability to do so, and other states and local jurisdictions may introduce similar regulations. Some states and local jurisdictions also have fair housing or other laws governing whether and how properties may be rented, which they assert apply to vacation rentals. In addition, many homeowners, condominium and neighborhood associations have adopted or are considering adopting rules that prohibit or restrict property owners and managers from short-term rentals. Many of the fundamental statutes and ordinances that impose taxes or other obligations on travel and lodging companies were established before the growth of the internet and e-commerce, which creates a risk of these laws being used in ways not originally intended that could burden property owners and managers or otherwise harm our business. Operating in this dynamic regulatory environment requires significant management attention and financial resources. We cannot assure that our efforts will be successful, and the investment and additional resources required to manage growth will produce the desired levels of revenue or profitability.

We also have been subject, and we will likely be subject in the future, to inquiries from time to time from regulatory bodies concerning compliance with consumer protection, competition, tax and travel industry-specific laws and regulations. The failure of our businesses to comply with these laws and regulations could result in fines and/or proceedings against us by governmental agencies and/or consumers, which if material, could adversely affect our business, financial condition and results of operations. Further, if such laws and regulations are not enforced equally against other competitors in a particular market, our compliance with such laws may put us at a competitive disadvantage vis-à-vis competitors who do not comply with such requirements.

The promulgation of new laws, rules and regulations, or the new interpretation of existing laws, rules and regulations, in each case that restrict or otherwise unfavorably impact the ability or manner in which we provide services could require us to change certain aspects of our business, operations and commercial relationships to ensure compliance, which could decrease demand for services, reduce revenues, increase costs and/or subject the company to additional liabilities. For example, in 2018, the European Union adopted GDPR implementing enhanced data protection requirements and other jurisdictions are contemplating and may in the future adopt similar legislation. This legislation could increase the cost and complexity of delivering our services. Unfavorable changes could decrease demand for products and services, limit marketing methods and capabilities, impede development of new products, result in negative publicity, require significant management time, increase costs and/or subject us to additional liabilities. Violations of these laws and regulations could result in penalties and/or criminal sanctions against us, our officers or our employees and/or restrictions on the conduct of parts of our business in certain jurisdictions.

Likewise, the SEC, Department of Justice (“DOJ”) and Office of Foreign Assets Controls (“OFAC”), as well as foreign regulatory authorities, have continued to increase the enforcement of economic sanctions and trade regulations, anti-money laundering, and anti-corruption laws, across industries. U.S. economic sanctions relate to transactions with designated foreign countries, including Cuba, Iran, North Korea, Syria and nationals and others of those countries, Ukraine/Russia related sanctions, as well as certain specifically targeted individuals and entities. We believe that our activities comply with OFAC, European Union, United Kingdom and other regulatory authorities’ economic sanction and trade regulations, as well as anti-money laundering and anti-corruption regulations, including the Foreign Corrupt Practices Act (“FCPA”), the UK Bribery Act and the UK Criminal Finances Act. As regulations continue to evolve and regulatory oversight continues to increase, we cannot guarantee that our programs and policies will be deemed compliant by all applicable regulatory authorities. In the event our controls should fail or are found to be out of compliance for other reasons, we could be subject to monetary damages, civil and criminal money penalties, litigation and damage to our reputation and the value of our brands.

We cannot be sure that our intellectual property is protected from copying or use by others, including potential competitors.

Our websites rely on content, brands and technology, much of which is proprietary. We protect our proprietary content, brands and technology by relying on a combination of trademarks, copyrights, trade secrets, patents and confidentiality agreements. Any misappropriation or violation of our rights could have a material adverse effect on our business. Even with these precautions, it may be possible for another party to copy or otherwise obtain and use our proprietary technology, content or brands without authorization or to develop similar technology, content or brands independently.

Effective intellectual property protection is expensive to develop and maintain, both in terms of initial and ongoing registration requirements and expenses and the costs of defending our rights. In addition, effective intellectual property protection may not be available in every jurisdiction in which our services are made available, and policing unauthorized use of our intellectual property is difficult and expensive. Therefore, in certain jurisdictions, we may be unable to protect our intellectual property adequately against unauthorized third-party copying or use, which could adversely affect our business or ability to compete. We cannot be sure that the steps we have taken will prevent misappropriation or infringement of our intellectual property. Furthermore, we may need to go to court or other tribunals or administrative bodies in order to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. These proceedings might result in substantial costs and diversion of resources and management attention. Our failure to protect our intellectual property in a cost-effective or effective manner could have a material adverse effect on our business and ability to protect our technology, content and brands.

We currently license from third parties and incorporate the technologies and content into our websites. As we continue to introduce new services that incorporate new technologies and content, we may be required to license additional technology, or content. We cannot be sure that such technology or content will be available on commercially reasonable terms, if at all.

Risks Related to Data and Privacy

Our processing, storage and use of personal information and other data subjects us to additional laws and regulations and failure to comply with those laws and regulations could give rise to liabilities.

We collect, process, store and transmit data, including personal information, for our consumers. As a result, we are subject to a variety of laws in the United States and abroad regarding privacy and the storing, sharing, use, processing, disclosure and protection of personal information and other consumer data, the scope of which are changing, subject to differing interpretations, and may be inconsistent between countries or conflict with other rules. In addition, the security of data when engaging in electronic commerce is essential to maintaining consumer and travel service provider confidences in our services. The regulatory framework for privacy issues worldwide is currently in flux and is likely to remain so for the foreseeable future. Practices regarding the collection, use, storage, transmission and security of personal information by companies operating over the internet have recently come under increased public scrutiny. The U.S. Congress and federal agencies, including the Federal Trade Commission and the Department of Commerce, are reviewing the need for greater regulation for the collection and use of information concerning consumer behavior on the internet. Various U.S. courts are also considering the applicability of existing federal and state statutes, including computer trespass and wiretapping laws, to the collection and exchange of information online.

In addition, we are subject to GDPR, a new data protection legal framework adopted by the European Union that is intended to enhance the privacy and security of personal data, including credit card information. There are a number of proposals for data privacy laws pending or proposed in other jurisdictions, including at both the state and federal level of the United States (such as the California Consumer Privacy Act) as well as internationally. Implementing and complying with these laws and regulations may be more costly or take longer than we anticipate, or could otherwise affect our business operations. We strive to comply with all applicable laws, policies, legal obligations and industry codes of conduct relating to privacy and data protection. Any failure or perceived failure by us to comply with our privacy policies, privacy-related obligations to consumers or other third parties, or privacy-related legal obligations, may result in governmental enforcement actions, fines and/or penalties, litigation or public statements that could harm our reputation and cause our users and travel partners to lose trust in us, any of which could have an adverse effect on our business, brand, market share and results of operations.

We are subject to risks associated with processing credit card and other payment transactions and failure to manage those risks may subject us to fines, penalties and additional costs and could have a negative impact on our business.

We accept payments from consumers and travel partners using a variety of methods, including credit card, debit card, direct debit from a customer's bank account, and invoicing. For existing and future payment options we offer to our customers, we may become subject to additional regulations and compliance requirements (including obligations to implement enhanced authentication processes). These regulations and/or requirements could result in significant costs and reduce the ease of use of our payment products and yet may still be susceptible to fraudulent activity. In addition, we may be held liable for accepting fraudulent credit cards on our websites as well as other payment disputes with our customers. For certain payment methods, including credit and debit cards, we pay interchange and other fees, which may increase over time and raise our operating costs and lower profitability. We rely on third parties to provide certain payment methods and payment processing services, including the processing of credit cards and debit cards. In each case, our business could be disrupted if these companies become unwilling or unable to provide these services to us. We are also subject to payment card association operating rules, including data security rules, certification requirements, and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply. If we fail to comply with these rules or requirements or if our data security systems are breached or compromised, we may be liable for card issuing banks' costs, subject to fines and higher transaction fees, and/or lose our ability to accept credit and debit card payments, process electronic funds transfers, or facilitate other types of online payments. We are also subject to a number of other laws and regulations relating to payments, money laundering, international money transfers, privacy and information security, and electronic fund transfers. If we were found to be in violation of applicable laws or regulations, we could be subject to additional requirements and civil and criminal penalties, or forced to cease providing certain services.

System security issues, data protection breaches, cyberattacks and system outage issues could disrupt our operations or services provided to our consumers, and any such disruption could damage our reputation and adversely affect our business, financial results and stock price.

Our reputation and ability to attract, retain and service our consumers and travel partners is dependent upon the reliable performance and security of our computer systems and those of third parties we utilize in our operations. Significant security issues, data breaches, cyberattacks and outages, interruptions or delays, in our systems or third party systems upon which we rely, could impair our ability to display content or process transactions and significantly harm our business. Breaches of our security measures or the accidental loss, inadvertent disclosure or unapproved dissemination of proprietary information or sensitive or confidential data about us, our consumers or our travel partners, could expose us, our consumers and travel partners to a risk of loss or misuse of this information, damage our brand and reputation or otherwise harm our business and financial performance and result in government enforcement actions and litigation and potential liability for us.

Computer programmers and hackers also may be able to develop and deploy viruses, worms, ransomware and other malicious software programs that attack our products or otherwise exploit any security vulnerabilities of our products, or attempt to fraudulently induce our employees, consumers, or others to disclose passwords or other sensitive information or unwittingly provide access to our systems or data. In addition, sophisticated hardware and operating system software and applications that we produce or procure from third parties may contain defects in design or manufacture, including “bugs” and other problems that could unexpectedly interfere with the operation of the system. We may need to expend significant resources to protect against security breaches or to investigate and address problems caused by cyber or other security problems.

We may be unable to proactively address these techniques or to implement adequate preventive measures and our efforts to address these problems may not be successful and could result in interruptions, delays, cessation of service and loss of existing or potential customers that may impede our sales, manufacturing, distribution or other critical functions. Failure to adequately protect against attacks or intrusions, whether for our own systems or systems of vendors, could expose us to security breaches that could have an adverse impact on our financial performance. The costs of enhancing infrastructure to attain improved stability and redundancy may be time consuming and expensive and may require resources and expertise that are difficult to obtain. In addition, to the extent that we do experience a data breach, remediation may be costly and we may not have adequate insurance to cover such costs.

Much of our business is conducted with third party marketing affiliates or, to a lesser degree, through business partners powering our instant booking feature. A security breach at such third party could be perceived by consumers as a security breach of our systems and could result in negative publicity or damage our reputation, expose us to risk of loss or litigation and possible liability and subject us to regulatory penalties and sanctions. In addition, such incidents may also result in a decline in our active user base or engagement levels. Finally, failure of such third parties to comply with applicable disclosure requirements could expose us to liability.

We have acquired a number of companies over the years and may continue to do so in the future. As a result of these acquisitions, we may increase the volume of personal data that we collect, store, process and transmit. While we make significant efforts to address any information technology security issues and personal data protection issues with respect to our acquisitions, we may still inherit such risks when we integrate the acquired businesses.

Media coverage of data breaches has escalated, in part because of the increased number of enforcement actions, investigations and lawsuits. Security breaches could result in negative publicity, damage to reputation, exposure to risk of loss or litigation and possible liability due to regulatory penalties and sanctions. As this focus and attention on privacy and data protection increases, we also risk exposure to potential liabilities and costs resulting from the compliance with, or any failure to comply with, applicable legal requirements, conflicts among these legal requirements or differences in approaches to privacy and security. Security breaches could also cause travelers and potential consumers to lose confidence in our data security, which would have a negative effect on the value of our brand.

"Cookie" laws could negatively impact the way we do business.

A "cookie" is a text file that is stored on a user's web browser by a website. Cookies are common tools used by thousands of websites, including ours, to, among other things, store or gather information (e.g., remember log-on details so a user does not have to re-enter them when revisiting a website), market to consumers and enhance the user experience on a website. Cookies are valuable tools for websites like ours to improve the customer experience and increase conversion on their websites. Many countries have adopted regulations governing the use of "cookies" by websites servicing consumers. To the extent any such regulations require "opt-in" consent before certain cookies can be placed on a user's web browser or the ability of users to "opt-out", our ability to serve certain customers in the manner we currently do, including with respect to retargeting of advertising, might be adversely affected and our ability to continue to improve and optimize performance on our websites might be impaired, either of which could negatively affect a consumer's experience using our services and our business, market share and results of operations.

Risks Related to the Financial and Tax Matters

We may have future capital needs and may not be able to obtain additional financing on acceptable terms.

We are currently party to a credit agreement with respect to a $1.2 billion revolving credit facility maturing in May 2022 (the "2015 Credit Facility", as more fully discussed in Note 9: "*Debt*" in the notes to the unaudited condensed consolidated financial statements in Item 1 in this Quarterly Report on Form 10-Q). This agreement includes restrictive covenants that may impact the way we manage our business and may limit our ability to secure significant additional financing in the future on favorable terms. Our ability to secure additional financing and satisfy our financial obligations outstanding from time to time will depend upon our future operating performance, which is subject to then prevailing general economic and credit market conditions, including interest rate levels and the availability of credit generally, and financial, business and other factors, many of which are beyond our control. There can be no assurance that sufficient financing will be available or desirable, or even any, terms to fund investments, acquisitions, stock repurchases, dividends, debt refinancing or extraordinary actions or that counterparties in any such financings would honor their contractual commitments.

We have indebtedness which could adversely affect our business and financial condition.

At June 30, 2019, we had no outstanding long-term debt; however, we continue to have existing credit facilities from which we can borrow significant amounts. As such, we are still subject to risks relating to our indebtedness that include:

- Increasing our vulnerability to general adverse economic and industry conditions;
- Requiring us to dedicate a portion of our cash flow from operations to principal and interest payments on our indebtedness, thereby reducing the availability of cash flow to fund working capital, capital expenditures, acquisitions and investments and other general corporate purposes;
- Making it more difficult for us to optimally capitalize and manage the cash flow for our businesses;
- Limiting our flexibility in planning for, or reacting to, changes in our businesses and the markets in which we operate;
- Possibly placing us at a competitive disadvantage compared to our competitors that have less debt;
- Limiting our ability to borrow additional funds or to borrow funds at rates or on other terms that we find acceptable; and
- Exposing us to the risk of increased interest rates because our outstanding debt is expected to be subject to variable rates of interest.

In addition, it is possible that we may need to incur additional indebtedness in the future in the ordinary course of business. The terms of our 2015 Credit Facility allow us to incur additional debt subject to certain limitations; however, there is no assurance that additional financing will be available to us on terms favorable to us, if at all. In addition, if new debt is added to the then existing debt levels, the risks described above could intensify.

Our 2015 Credit Facility provides for various provisions that limit our discretion in the operation of our business and require us to meet financial maintenance tests and other covenants and the failure to comply with these covenants could have a material adverse effect on us.

We are party to a credit agreement providing for our 2015 Credit Facility. The agreements that govern the 2015 Credit Facility contain various covenants, including those that limit our ability to, among other things:

- Incur indebtedness;
- Pay dividends on, redeem or repurchase our capital stock;
- Enter into certain asset sale transactions, including partial or full spin-off transactions;
- Enter into secured financing arrangements;
- Enter into sale and leaseback transactions; and

- Enter into unrelated businesses.

These covenants may limit our ability to optimally operate our business. In addition, our 2015 Credit Facility requires that we meet certain financial tests, including a leverage ratio test. Any failure to comply with the restrictions of our credit facility may result in an event of default under the agreements governing such facility. Such default may allow the creditors to accelerate the debt incurred thereunder. In addition, lenders may be able to terminate any commitments they had made to supply us with further funds (including periodic rollovers of existing borrowings).

Our financial results will fluctuate from quarter to quarter and are difficult to predict.

Our quarterly financial results have fluctuated in the past and will likely fluctuate in the future. Additionally, we have limited operating history with the current scale of our business, which means it is difficult to forecast our financial results. As a result, you should not rely upon our quarterly financial results as indicators of future performance. Our financial results in any given quarter can be influenced by numerous factors, many of which we are unable to predict or are outside of our control, including:

- Our ability to maintain and grow our user base and to increase user engagement;
- Increase in marketing, sales and other operation expenses that we will incur to grow and expand our operations and to remain competitive;
- Fluctuations in the marketing spend of our travel partners due to seasonality, episodic global or regional events or other factors;
- The pricing of our ads and other products;
- User behavior or product changes that may reduce traffic to features or products that we successfully monetize;
- System failure or outages, which would prevent us from serving ads for any period of time;
- Breaches of security or privacy and the costs associated with any such breaches and remediation;
- Fees paid to third parties for content or promotion of our products and services;
- Adverse litigation judgments, settlement or other litigation related costs;
- Changes in the legislative or regulatory environment, including with respect to privacy and data protection, or engagement by government regulators, including final orders or consent decrees;
- The impact of changes in tax laws, which are recorded in the period enacted and may significantly affect our effective income tax rates;
- Tax obligations that may arise from resolutions of tax examinations, including the examinations we are currently under that may materially differ from the amounts we have anticipated;
- Fluctuations in currency exchange rates and changes in the proportion of our revenue and expenses denominated in foreign currencies;
- Changes in U.S. generally accepted accounting principles; and
- Changes in global business and macroeconomic conditions.

If we are unable to successfully maintain effective internal control over financial reporting, investors may lose confidence in our reported financial information and our stock price and business may be adversely impacted.

As a public company, we are required to maintain internal control over financial reporting and our management is required to evaluate the effectiveness of our internal control over financial reporting as of the end of each fiscal year. Additionally, we are required to disclose in our Annual Reports on Form 10-K our management's assessment of the effectiveness of our internal control over financial reporting and a registered public accounting firm's attestation report on this assessment. If we are not successful in maintaining effective internal control over financial reporting, there could be inaccuracies or omissions in the consolidated financial information we are required to file with the SEC. Additionally, even if there are no inaccuracies or omissions, we could be required to publicly disclose the conclusion of our management that our internal control over financial reporting or disclosure controls and procedures are not effective. These events could cause investors to lose confidence in our reported financial information, adversely impact our stock price, result in increased costs to remediate any deficiencies, attract regulatory scrutiny or lawsuits that could be costly to resolve and distract management's attention, limit our ability to access the capital markets or cause our stock to be delisted from NASDAQ or any other securities exchange on which we are then listed.

Our effective income tax rate is impacted by a number of factors that could have a material impact on our financial results and could increase the volatility of those results.

Due to the global nature of our business, we are subject to income taxes in the United States and other foreign jurisdictions. In the event we incur net income in certain jurisdictions but incur losses in other jurisdictions, we generally cannot offset the income from one jurisdiction with the loss from another. This lack of flexibility increases our effective income tax rate. Furthermore, significant judgment is required to calculate our worldwide provision for income taxes and depends on our ability to operate our business in a manner consistent with our corporate structure and intercompany arrangements. In the ordinary course of our business there are many transactions and calculations where the ultimate tax determination is uncertain.

We believe our tax estimates are reasonable. However, we are routinely under audit by federal, state and foreign taxing authorities. The taxing authorities of jurisdictions in which we operate may challenge our methodologies for valuing developed technology or intercompany arrangements, including our transfer pricing, or determine that the manner in which we operate our business does not achieve the intended tax consequences, which would increase our effective income tax rate and harm our financial position and results of operations. As we operate in numerous taxing jurisdictions, the application of tax laws can also be subject to diverging and sometimes conflicting interpretations by taxing authorities of these jurisdictions. It is not uncommon for taxing authorities of different countries to have conflicting views, for instance, with respect to, among other things, the manner in which the arm's length standard is applied for transfer pricing purposes, or with respect to the valuation of intellectual property. For example, the OECD has recently recommended changes to numerous long-standing international tax principles. If countries amend their tax laws to adopt certain parts of the OECD guidelines, this may increase tax uncertainty and may adversely impact our tax liabilities. Any of these changes could affect our financial performance.

The final determination of audits could be materially different from our income tax provisions and accruals and could have a material effect on our financial position, results of operations, or cash flows in the period or periods for which that determination is made. Also, our future effective income tax rates could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in valuation of deferred tax assets or changes in tax laws or their interpretation. If our effective income tax rates were to increase, our results of operations and cash flows would be adversely affected.

The income tax effects of the accounting for share-based compensation may significantly impact our effective income tax rate. In periods in which our stock price is higher than the grant-date price of the share-based compensation awards vesting in that period, we will recognize excess tax benefits that will decrease our effective income tax rate. In periods in which our stock price is lower than the grant-date price of the share-based compensation awards vesting in that period, our effective income tax rate will increase.

Additionally, we continue to accumulate positive cash flow in foreign jurisdictions, which we consider indefinitely reinvested, although we will continue to evaluate the impact of the 2017 Tax Act on our capital deployment within and outside the U.S. Should we distribute, or be treated under certain U.S. tax rules as having distributed, the earnings of foreign subsidiaries in the form of dividends or otherwise, we may be subject to U.S. income taxes or tax benefits. The amount of any unrecognized deferred income tax on this temporary difference is not material.

Application of U.S. state and local or international tax laws, changes in tax laws or tax rulings, or the examination of our tax positions, could materially affect our financial position and results of operations.

As an international business, we are subject to incomes taxes and non-income-based taxes in the United States and various other international jurisdictions. Tax laws are dynamic and subject to change as new laws are passed and new interpretations of the law are issued or applied. Our existing corporate structure and intercompany arrangements have been implemented in a manner we believe is in compliance with current prevailing tax laws. However, due to economic and political conditions, tax rates and tax regimes in various jurisdictions may be subject to significant change and the tax benefits that we intend to eventually derive could be undermined due to changing tax laws. Governments are increasingly focused on ways to increase tax revenues, which has contributed to an increase in audit activity, more aggressive positions taken by tax authorities and an increase in tax legislation. Any such additional taxes or other assessments may be in excess of our current tax provisions or may require us to modify our business practices in order to reduce our exposure to additional taxes going forward, any of which could have a material adverse effect on our business, results of operations and financial condition.

The 2017 Tax Act has resulted in significant changes to the U.S. corporate income tax system. The tax law changes by the 2017 Tax Act are broad and complex and there are still uncertainties about how the 2017 Tax Act will be interpreted at both the U.S. federal and state levels. The U.S. Treasury Department, the IRS and other standard-setting bodies could interpret or issue guidance on how provisions of the 2017 Tax Act will be applied or otherwise administered that is different from our interpretation. This could materially change the taxes that we recorded in 2017 and 2018, and the expected future impact of the 2017 Tax Act on our business.

In July 2016, the European Council formally adopted an Anti-Tax Avoidance Directive, which was further amended in February 2017. This Directive is aimed at preventing aggressive tax planning, increasing tax transparency and creating a fairer tax environment for all businesses in the European Union. The OECD is working towards a consensus-based solution to the challenges of the digitalization of the economy by 2020. In addition, on March 21, 2018, the European Commission released two draft directives on the Taxation of the Digital Economy. One directive aims at a more comprehensive solution whereby EU countries would be able to levy corporate income tax on companies that have digital presence in those countries regardless of whether they have a physical presence in those countries. The second directive provides for an interim solution whereby EU countries are to apply a 3% revenue based DST which, if enacted, would be effective beginning in 2020. In the interim, certain EU countries have proposed legislation to implement DST that, if enacted, would impose a tax on revenue earned by larger companies from users of digital services located in these respective EU countries as early as 2019. On July 11, 2019, France's Parliament approved a law implementing a 3% digital services tax on French revenues, retroactive to January 1, 2019. On July 24, 2019, the French DST was signed into law by President Macron. We are currently assessing the financial impact of this new law. The Company will continue to monitor developments and determine the financial impact worldwide of these initiatives.

Any changes to international tax laws, including new definitions of permanent establishment, could affect the tax treatment of our foreign earnings and adversely impact our effective income tax rate. Further, changes to tax laws and additional reporting requirements could increase the complexity, burden and cost of compliance. Due to the large and expanding scale of our international business activities, any changes in U.S. or international taxation of our activities or the combined effect of tax laws in multiple jurisdictions may increase our worldwide effective income tax rate, increase the complexity and costs associated with tax compliance (especially if changes are implemented or interpreted inconsistently across tax jurisdictions) and adversely affect our cash flows and results of operations.

In addition, the taxing authorities in the United States and other jurisdictions where we do business regularly examine our income and other tax returns as well as the tax returns of Expedia, our former parent. The ultimate outcome of these examinations (including the IRS audit described below) cannot be predicted with certainty. Should the IRS or other taxing authorities assess additional taxes as a result of examinations, we may be required to record charges to our operations, which could harm our operating results and financial condition.

Changes in tax treatment of companies engaged in e-commerce may adversely affect the commercial use of our sites and our financial results.

Due to the global nature of the internet, it is possible that various states or foreign countries might attempt to levy additional or new sales, income or other taxes relating to our activities. Tax authorities at the international, federal, state and local levels are currently reviewing the appropriate treatment of companies engaged in e-commerce. For example, Congress is considering various approaches to legislation that would require companies engaged in e-commerce to collect sales tax on internet revenue and a growing number of U.S. states and certain foreign jurisdictions have adopted or are considering proposals to impose obligations on remote sellers and online marketplaces to collect taxes on their behalf. Additionally, the U.S. Supreme Court's ruling in South Dakota v. Wayfair Inc., in which a Court reversed longstanding precedent that remote sellers are not required to collect state and local sales taxes, may have an adverse impact on our business. Also, as described in more detail above, the European Commission released two draft directives on the Taxation of the Digital Economy and, on July 24, 2019, President Macron signed into law the French Digital Services Tax. New or revised international, federal, state or local tax regulations or court decisions may subject us or our customers to additional sales, occupancy, income and other taxes. We cannot predict the effect of these and other attempts to impose sales, income or other taxes on e-commerce. New or revised taxes and, in particular, sales taxes, occupancy taxes, value added taxes ("VAT") and similar taxes would likely increase the cost of doing business online and decrease the attractiveness of selling products and services over the Internet. New taxes could also create significant increases in internal costs necessary to capture data and collect and remit taxes. Any of these events could have a material adverse effect on our business, financial condition and operating results.

Taxing authorities may successfully assert that we should have collected or in the future should collect sales and use, occupancy, VAT or similar taxes, and we could be subject to liability with respect to past or future sales, which could adversely affect our operating results.

We do not collect and remit sales and use, occupancy, VAT or similar taxes in all jurisdictions in which we have sales, based on our belief that such taxes are not applicable or legally required. Several states and other taxing jurisdictions have presented or threatened us with assessments, alleging that we are required to collect and remit certain taxes there. While we do not believe that we are subject to such taxes and intend to vigorously defend our position in these cases, we cannot be sure of the outcome of our discussions and/or appeals with these states or cases that are pending in the courts. In the event of an adverse outcome, we could face assessments for additional time periods since the last assessments we received, plus any additional interest and penalties. We also expect additional jurisdictions may make similar assessments or pass similar new laws in the future, and any of the jurisdictions where we have sales may apply more rigorous enforcement efforts or take more aggressive positions in the future that could result in greater tax liability allegations. Such tax assessments, penalties and interest or future requirements may materially adversely affect our business, financial condition and operating results.

We continue to be subject to significant potential tax liabilities in connection with the Spin-Off.

Under the Tax Sharing Agreement between us and Expedia entered into in connection with the Spin-Off, we are generally required to indemnify Expedia for any taxes resulting from the Spin-Off (and any related interest, penalties, legal and professional fees, and all costs and damages associated with related stockholder litigation or controversies) to the extent such amounts resulted from (i) any act or failure to act by us described in the covenants in the tax sharing agreement, (ii) any acquisition of our equity securities or assets or those of a member of our group, or (iii) any failure of the representations with respect to us or any member of our group to be true or any breach by us or any member of our group of any covenant, in each case, which is contained in the separation documents or in the documents relating to the IRS private letter ruling and/or the opinion of counsel.

We continue to be responsible for potential tax liabilities in connection with consolidated income tax returns filed with Expedia prior to or in connection with the Spin-Off. By virtue of previously filed consolidated tax returns with Expedia, we are currently under IRS audit for the 2009, 2010, and 2011 tax years. In connection with that audit, we received, in January 2017 and April 2019, notices of proposed adjustment from the IRS for the 2009, 2010, and 2011 tax years, which would result in an increase in our worldwide income tax expense. The proposed adjustments would result in an increase to our worldwide income tax expense in an estimated range totaling $15 million to $20 million for those specific years after consideration of competent authority relief, exclusive of interest and penalties. The outcome of these matters or any other audits could subject us to significant tax liabilities.

We are subject to fluctuation in foreign currency exchange risk.

We conduct a significant and growing portion of our business outside the United States but report our results in U.S. dollars. As a result, we face exposure to movements in foreign currency exchange rates, particularly those related to the Euro, British pound, and Australian dollar. These exposures include, but are not limited to, re-measurement of gains and losses from changes in the value of foreign denominated assets and liabilities; translation gains and losses on foreign subsidiary financial results that are translated into U.S. dollars upon consolidation; and planning risk related to changes in exchange rates between the time we prepare our annual and quarterly forecasts and when actual results occur. For example, Brexit caused significant volatility in currency exchange rates, especially between the U.S. dollar and the British pound. Continued uncertainty regarding Brexit may result in future exchange rate volatility. In addition, in the event that one or more European countries were to replace the Euro with another currency, our sales into such countries, or into Europe generally, would likely be adversely affected until stable exchange rates are established. Accordingly, fluctuations in foreign currency exchange rates, such as the strengthening of the U.S. dollar against the Euro or the British pound, could adversely affect our net revenue growth in future periods.

Depending on the size of the exposures and the relative movements of exchange rates, if we were to choose not to hedge or were to fail to hedge effectively our exposure, we could experience a material adverse effect on our financial statements and financial condition. As seen in some recent periods, in the event of severe volatility in exchange rates the impact of these exposures can increase, and the impact on results of operations can be more pronounced. In addition, the current environment and the increasingly global nature of our business have made hedging these exposures both more complex. We hedge certain short-term foreign currency exposures with the purchase of forward exchange contracts. These forward exchange contracts only help mitigate the impact of changes in foreign currency rates that occur during the term of the related contract period and carry risks of counter-party failure. There can be no assurance that our forward exchange contracts will have their intended effects.

Significant fluctuations in foreign currency exchange rates can affect consumer travel behavior. Volatility in foreign currency exchange rates and its impact on consumer behavior, which may differ across regions, makes it more difficult to forecast industry and consumer trends and the timing and degree of their impact on our markets and business, which in turn could adversely affect our ability to effectively manage our business and adversely affect our results of operations.

Risks Related to Ownership of our Common Stock

Liberty TripAdvisor Holdings, Inc. currently is a controlling stockholder.

Liberty TripAdvisor Holdings, Inc., or LTRIP, effectively controls the outcome of all matters submitted to a vote or for the consent of our stockholders (other than with respect to the election by the holders of our common stock of 25% of the members of our Board of Directors and matters as to which Delaware law requires separate class votes), including but not limited to, corporate transactions such as mergers, business combinations or dispositions of assets, the authorization or issuance of new equity or debt securities and determinations with respect to our business direction and policies. Our Chairman, Gregory Maffei, and one of our

Directors, Albert Rosenthaler, also serve as officers and directors of LTRIP. LTRIP may have interests that differ from those of our other stockholders and they may vote in a way with which our other stockholders may not agree or that may be adverse to other stockholders' interests. LTRIP is not restricted from investing in other businesses involving or related to our business. LTRIP's control of us, as well as the existing provisions of our organizational documents and Delaware law, may discourage or prevent a change of control that might otherwise be beneficial, which may reduce the market price of our common stock.

The market price and trading volume of our common stock may be volatile and may face negative pressure.

Our stock price has experienced, and could continue to experience in the future, substantial volatility. The market price of our common stock is affected by a number of factors, including the risk factors described in this section and other factors beyond our control. Factors affecting the trading price of our common stock could include:

- Quarterly variations in our or our competitors' results of operations;
- Changes in earnings estimates or recommendations by securities analysts;
- Failure to meet market expectations;
- The announcement of new products or product enhancements by us or our competitors;
- Repurchases of our common stock pursuant to our share repurchase program which could also cause our stock price to be higher than it would be in the absence of such a program and could potentially reduce the market liquidity for our stock;
- Developments in our industry, including changes in governmental regulations; and
- General market conditions and other factors, including factors related to our operating performance or the operating performance of our competitors.

Furthermore, the stock markets have experienced price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations often have been unrelated or disproportionate to the operating performance of those companies. These broad market and industry fluctuations and general economic, political and market conditions, such as recessions, interest rate changes or foreign currency exchange fluctuations, may negatively impact the market price of our common stock regardless of our actual operating performance.

We are currently relying on the "controlled company" exemption under NASDAQ Stock Market Listing Rules, pursuant to which "controlled companies" are exempt from certain corporate governance requirements otherwise applicable under NASDAQ listing rules.

The NASDAQ Stock Market Listing Rules exempt "controlled companies," or companies of which more than 50% of the voting power is held by an individual, a group or another company, from certain corporate governance requirements, including those requirements that:

- A majority of the Board of Directors consist of independent directors;
- Compensation of officers be determined or recommended to the Board of Directors by a majority of its independent directors or by a compensation committee comprised solely of independent directors; and
- Director nominees be selected or recommended to the Board of Directors by a majority of its independent directors or by a nominating committee that is composed entirely of independent directors.

We currently rely on the controlled company exemption for certain of the above requirements. Accordingly, our stockholders will not be afforded the same protections generally as stockholders of other NASDAQ-listed companies with respect to corporate governance for so long as we rely on these exemptions from the corporate governance requirements.

We do not intend to pay dividends for the foreseeable future and, as a result, our stockholders' ability to achieve a return on their investment will depend on appreciation in the price of our common stock.

We have never declared or paid any cash dividends on our common stock and do not intend to pay any cash dividends in the foreseeable future. We anticipate that we will retain all of our future earnings for use in the development of our business and for general corporate purposes. Any determination to pay dividends in the future will be at the discretion of our board of directors. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize future gains on their investments.

Future sales of shares of our common stock in the public market, or the perception that such sales may occur, may depress our stock price.

Sales of substantial amounts of our common stock in the public market, particularly sales by our directors, officers, employees and significant stockholders, or the perception that these sales might occur, could depress the market price of our common stock and could impact our ability to raise capital through the sale of additional equity securities. In addition, certain stockholders have rights, subject to some conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or other stockholders. If LTRIP or some other stockholder sells substantial amounts of our common stock in the public market, or if there is a perception in the public market that LTRIP might sell shares of our common stock, the market price of our common stock could decrease significantly. A decline in the price of shares of our common stock might impede our ability to raise capital through the issuance of additional shares of our common stock or other equity securities.

Anti-takeover provisions in our organizational documents and Delaware law may discourage or prevent a change of control, even if an acquisition would be beneficial to our stockholders, which could affect our stock price adversely and prevent attempts by our stockholders to replace or remove our current management.

Our certificate of incorporation and bylaws contain provisions that could delay or prevent a change of control of our company or changes in our Board of Directors that our stockholders might consider favorable. These provisions include:

- Authorization and issuance of Class B common stock that entitles holders to ten votes per share;
- Authorization of the issuance of preferred stock which can be created and issued by the Board of Directors without prior stockholder approval, with rights senior to those of our common stock;
- Prohibiting our stockholders from filling board vacancies or calling special stockholder meetings; and
- Limiting who may call special meetings of stockholders.

We are subject to the provisions of Section 203 of the Delaware General Corporation Law, which may prohibit certain business combinations with stockholders owning 15% or more of our outstanding voting stock. These and other provisions in our certificate of incorporation, bylaws and Delaware law could make it more difficult for stockholders or potential acquirers to obtain control of our Board of Directors or initiate actions that are opposed by our then-current Board of Directors, including a merger, tender offer or proxy contest involving our company. Any delay or prevention of a change of control transaction or changes in our Board of Directors could cause the market price of our common stock to decline.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Unregistered Sales of Equity Securities

During the quarter ended June 30, 2019, we did not issue or sell any shares of our common stock, Class B common stock or other equity securities pursuant to unregistered transactions in reliance upon an exemption from the registration requirements of the Securities Act of 1933, as amended.

Share Repurchases

On January 31, 2018, our Board of Directors authorized a repurchase of up to $250 million of our shares of common stock under a share repurchase program. This share repurchase program has no expiration date but may be suspended or terminated by the Board of Directors at any time. Our Board of Directors authorized and directed management, working with the Executive Committee of our Board of Directors, to affect the share repurchase program in compliance with applicable legal requirements. The Company did not repurchase any shares of outstanding common stock during the three and six months ended June 30, 2019 under this existing share repurchase program. As of June 30, 2019, we had a remaining $150 million available to repurchase shares of our common stock under this share repurchase program.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

The exhibits listed below are filed as part of this Quarterly Report on Form 10-Q.

Exhibit No.	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	SEC File No.	Exhibit	Filing Date
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X				
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X				
32.1	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X				
32.2	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X				
101	The following financial statements from the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2019, formatted in Inline XBRL: (i) Unaudited Condensed Consolidated Statements of Operations, (ii) Unaudited Condensed Consolidated Statements of Comprehensive Income, (iii) Unaudited Condensed Consolidated Balance Sheets, (iv) Unaudited Condensed Consolidated Statements of Changes in Stockholders' Equity, (v) Unaudited Condensed Consolidated Statements of Cash Flows, and (vi) Notes to Unaudited Condensed Consolidated Financial Statements.	X				

SIGNATURES

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

August 7, 2019

Exhibit 31.1

Certification

I, Stephen Kaufer, Chief Executive Officer of TripAdvisor, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended June 30, 2019 of TripAdvisor, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2019

/s/ STEPHEN KAUFER
Stephen Kaufer
President and Chief Executive Officer

Exhibit 31.2

Certification

I, Ernst Teunissen, Chief Financial Officer of TripAdvisor, Inc. certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended June 30, 2019 of TripAdvisor, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2019

/s/ ERNST TEUNISSEN
Ernst Teunissen
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report on Form 10-Q of TripAdvisor, Inc. (the "Company") for the quarter ended June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen Kaufer, Chief Executive Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1) the Report which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 7, 2019

/s/ STEPHEN KAUFER
Stephen Kaufer
President and Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report on Form 10-Q of TripAdvisor, Inc. (the "Company") for the quarter ended June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ernst Teunissen, Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1) the Report which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 7, 2019

/s/ ERNST TEUNISSEN
Ernst Teunissen
Chief Financial Officer