During the third quarter we continued to make progress on our long-term growth initiatives, although re-igniting near-term Hotel segment growth has been more difficult than expected. Partners increasing marketing efficiency on our channel, which we outlined on our August call, as well as our decision to continue to manage to greater efficiency on performance-based marketing channels, caused Q3 TripAdvisor click-based and transaction revenue and revenue per hotel shopper to decline by 5% and 11%, respectively. These softer than expected click-based and transaction results led to negative 3% Hotel segment revenue growth in the period.

Despite the recent headwinds, we are pleased with our progress aligning our product experience with our consumer marketing campaigns, and we are confident this will enable us build more fruitful, long-lasting relationships with the more than 163 million average monthly hotel shoppers on our site during the quarter.

In our Non-Hotel segment, positive momentum continues to build, particularly in our Attractions and Restaurants businesses. Non-Hotel revenue grew 26% in Q3, and we are investing to broaden our marketplace, grow bookable supply, improve the product experience and further deepen traveler engagement with our platform throughout more moments of every trip.

We are striking an appropriate balance between near-term growth and profitability. Our television advertising investment was the primary driver of Q3 Hotel expense growth year-over-year, and prudent expense management across the business, as well as Non-Hotel strength, has enabled us to maintain our 2017 adjusted EBITDA expectations.

Our core TripAdvisor assets position us to capitalize on the $1.3 trillion global travel market opportunity. We have the world’s largest travel community, which grew 17% year-over-year to 455 million monthly unique visitors – more than half of which are on mobile devices – and our valuable travel content grew 32% to 570 million reviews and opinions during Q3. TripAdvisor’s influence on travel continues to grow and as we continue to help travelers find the best prices before they book their travel experiences, we believe we can drive long-term revenue growth, marketing efficiency and profit growth.

**Q3 Hotel Segment Update**

Our long-term Hotel growth strategy is to establish TripAdvisor as the best site not only for reviews, but also for finding the best price when booking a hotel. 2017 initiatives have been focused in two areas. First, on the product side we have improved our hotel shopping experience. Second, on the marketing front we are executing and optimizing our multi-year television
advertising campaign aimed at raising awareness of TripAdvisor as a great place to price compare.

First, in regard to product, we continue to improve our new hotel shopping experience.

Since our product re-launch in May, user surveys have shown that TripAdvisor’s new brand look and feel as well as the new hotel shopping experience continues to resonate. We also continue to get better at merchandising the best hotel deals to the right consumer at the right time, and we continue making it easier for users to search, filter, and find the best hotel deals.

The product re-design has accelerated our ability to test-and-learn. This is especially evident on mobile, where the pace has more than doubled and has yielded strong monetization gains. Mobile revenue per hotel shopper again grew by double-digit percentages in Q3, our third straight quarter of strong revenue per hotel shopper improvement on that device. On the volume side, mobile hotel shoppers grew 29% in Q3 and is nearing 45% of total hotel shoppers. TripAdvisor-branded click-based and transaction revenue on mobile grew by more than 45% year-over-year in Q3. Improving mobile monetization, is a key priority for us and we are pleased with our progress.

Our second area of focus has been to grow and optimize our television advertising presence.

In Q3, we invested $42 million in television advertising, making a significant push in the U.S., Canada, France, Spain, the U.K. and Australia during Q3. This brought the total amount invested in Q2 and Q3 to $58 million against our $70-to-$80 million brand advertising budget for 2017. Just four months into our multi-year campaign, it is obviously still early days. However, we are developing the muscles required to make this marketing channel a success. As intended, unaided awareness of TripAdvisor as a price comparison site and as a booking site has grown. When hotel shoppers visited our site in Q3, we continued to see better performance in markets where we were on television compared to our non-television markets in terms of branded metrics such as visitors, hotel shoppers, clickers and bookers. Further, recent Google Trends data suggests that in television markets we have been able to counter-balance some of the branded search share losses that we have been experiencing over the past few years.

Our television advertising investment steps down seasonally in Q4, and we continue to work on a number of optimizations that will further enhance the campaign’s effectiveness next year. We expect to grow our television campaign’s size and expand its reach and, as opposed to its late start in June 2017, we expect our campaign to be live during each quarter in 2018.

Our data shows that the quality of our leads has been increasing, another positive indicator from our product and marketing work. Yet while the fundamental economic value of our traffic has improved, overall revenue per hotel shopper growth was negative 11% in Q3, decelerating from negative 2% in Q2, indicating that partners have increased their profitability targets on our channel. We do not control what our partners are willing to pay for leads, however, our ongoing initiatives are aimed at driving higher click-to-book conversion for partners, positioning us for greater revenue per hotel shopper over time.
To fund these strategic growth initiatives with attractive, long-term payback we have prudently managed expenses in order to mitigate bottom line impacts.

In Q3, outside of our $42 million television advertising investment, which was not part of our 2016 investment mix, we kept Hotel segment expense growth essentially flat. We will continue to invest in performance-based marketing channels, but will continue re-allocating some of our more marginal spend in the online marketing budget towards brand advertising. This we believe will enable us to effectively deliver our consumer message around best prices as well as to build a more durable, long-lasting direct consumer relationship that supports healthier long-term business economics. Our television advertising campaign is off to a good start thus far and we expect it will become a bigger component of our direct marketing budget next year.

Lower revenue per hotel shopper in Q3 had an outsized impact on our ability to invest in performance-based marketing channels. This, combined with removing some of our less-efficient performance-based marketing spend and longer-term payback from television advertising, caused average monthly unique hotel shopper growth to decelerate throughout Q3 and to be flat in October. This trend may challenge hotel shopper growth in Q4 and through the first half of next year.

On the profit side, television advertising accounted for a significant part of the $48 million year-over-year decline in Q3 Hotel segment adjusted EBITDA. We have been able to make ROAS improvements in this channel and expect to continue to do so as we further optimize the campaign.

In sum, we are making progress against our 2017 initiatives. Product and marketing have shown early positive signs, and we are optimizing our marketing mix for maximum long-term benefit. The near-term will remain volatile, but we are confident that we are on the right path. In the meantime, we are managing our investment levels to mitigate near-term bottom line impacts as we pursue our long-term goals.

Q3 Non-Hotel Segment Update

In our Non-Hotel segment, Q3 was another strong quarter in a year where our ongoing investments in user experience, bookable supply and marketing efficiency are driving strong bookings and revenue growth.

Attractions continues to be a key driver of Non-Hotel segment revenue and profit growth, as we continue to drive both partner supply and traveler demand growth in our marketplace. Bookable products growth accelerated to more than 30% year-over-year to nearly 71,000 and we are matching that with strong demand growth. This is netting out in continued strong bookings growth, particularly on mobile, as we match more users with more great travel experiences in more moments throughout a trip. Bookings continue to grow nicely on Viator’s site, and TripAdvisor-sourced bookings have doubled in the past year. Driving revenue synergies from matching TripAdvisor’s global demand with more bookable travel experiences remains our biggest current and future growth driver of the business. We believe we have a long growth runway ahead.
We are equally pleased with progress in our Restaurants business, another area where the TripAdvisor brand and global demand is a unique competitive advantage. Restaurants continued on its strong revenue growth trajectory in Q3, and turned adjusted EBITDA positive in the quarter amidst continued investment in sales, marketing and product experience. On the transaction side of this business, bookable listings grew by more than 20% year-over-year to nearly 46,000 restaurants. Repeat booking rates remained healthy and seated diners grew by over 40% year-over-year. Also, we have seen accelerating interest in our TripAdvisor Premium media product and we are growing this high-margin revenue product quickly since our launch late last year. Our sales pipeline is expanding nicely as restauranteurs are keenly interested in increasing their visibility on TripAdvisor’s approximately one billion restaurant page views per month.

Turning to Vacation Rentals, our Free-to-List product has continued to be a better experience for users. Users can now book more than 80% of our property listings online and we also launched our instant booking feature to make booking an alternative accommodation as frictionless as booking a hotel. All of our supply and product work has contributed to a sustained year-over-year interest-to-booking conversion increase. This remains a complementary, profitable business for us and it nicely rounds out consumers’ accommodation options on TripAdvisor.

Q3 Non-Hotel segment revenue grew 26%, powered by traction in our Attractions and Restaurants businesses. Continued strong revenue growth in these businesses, increased marketing and operational efficiency in Attractions as well as typical summer seasonality in our Attractions and Vacation Rentals businesses drove significant profit improvement in the quarter, delivering $44 million of adjusted EBITDA and 35% adjusted EBITDA margin. We are pleased we continue to drive strong topline growth while also demonstrating this segment’s attractive longer-term margin potential.

Over the past three years, we have been building three very valuable businesses within the Non-Hotel segment. The flywheel is gaining momentum and, given our large opportunity ahead, we will continue to invest to maximize near-term growth and long-term profitability.

**Financial Outlook**

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

Recent partner bidding trends and our re-allocation of dollars away from online channels with short-term payback will cause click-based and transaction revenue growth to slow further in Q4. As a result, we expect approximately flat click-based and transaction revenue growth and low-single digit consolidated revenue growth for 2017. However, investment discipline across our business enables us to maintain our 2017 adjusted EBITDA outlook of flat to down compared to
2016, and we expect that the year-over-year adjusted EBITDA performance in Q4 will improve relative to Q3.

We are early in our 2018 planning cycle, but would like to share some preliminary thoughts as we head into next year. We expect that recent trends in our click-based and transaction revenue and associated performance-based marketing spend will continue into 2018. While this will challenge near-term Hotel revenue growth, we will continue to actively manage paid marketing efficiency and other operating expenses. In Non-Hotel, we expect continued growth in 2018. Across both segments, we will continue to strike an appropriate balance between growth and profitability as we aim for long-term shareholder value creation.

* * *

TripAdvisor’s third quarter 2017 earnings press release is available on the Investor Relations section of the TripAdvisor website at http://ir.tripadvisor.com/. The earnings release is also included as Exhibit 99.1 to our Current Report on Form 8-K as furnished to the U.S. Securities Exchange Commission, or SEC, on November 6, 2017, which is available on the Investor Relations section of our website at http://ir.tripadvisor.com/ and the SEC’s website at www.sec.gov.

Forward-Looking Statements:

These prepared remarks contain “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. The following words, when used, are intended to identify forward-looking statements: “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “might,” “plan,” “project,” “result” “should,” “will,” and similar expressions which do not relate solely to historical matters. We caution investors that any forward-looking statements in these prepared remarks, or which management may make orally or in writing from time to time, are based on management’s beliefs and on assumptions made by, and information currently available to, management. Such statements are subject to risks, uncertainties and assumptions and are not guarantees of future performance, which may be affected by known and unknown risks, trends, uncertainties and factors that are beyond our control. Some of the risks and uncertainties that may cause our actual results, performance or achievements to differ materially from those expressed or implied by forward-looking statements are more fully described in Part II. Item 1A. "Risk Factors" of our Quarterly Report on Form 10-Q. Moreover, we operate in a rapidly changing environment. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We caution you that, while forward-looking statements reflect our good faith beliefs when we make them, they are not guarantees of future performance and are impacted by actual events when they occur after we make such statements. We expressly disclaim any responsibility to update our forward-looking statements, whether as a result of new information, future events or otherwise.
Investors should also refer to our quarterly reports on Form 10-Q for future periods and current reports on Form 8-K as we file them with the SEC and to other materials we may furnish to the public from time to time through Current Reports on Form 8-K or otherwise, for a discussion of risks and uncertainties that may cause actual results, performance or achievements to differ materially from those expressed or implied by forward-looking statements.

Use of Non-GAAP Financial Measures:

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

We encourage investors to review our earnings press release as it contains important information about our financial results, including tabular reconciliations to the most directly comparable GAAP financial measure, definitions, limitations and other related information about these non-GAAP financial measures. The earning press release in addition to other supplemental financial information is available on the Investor Relations section of our website at http://ir.tripadvisor.com/. The earnings press release is also included as Exhibit 99.1 to our Current Report on Form 8-K as furnished to the SEC on November 6, 2017, which is available on the Investor Relations section of our website at http://ir.tripadvisor.com/ and the SEC’s website at www.sec.gov.
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PRESENTATION
Operator
Good day, ladies and gentlemen, and welcome to TripAdvisor’s Third Quarter 2017 Earnings Conference Call. As a reminder, today’s conference call is being recorded. At this time, I would like to turn the conference call over to TripAdvisor’s Vice President of Investor Relations, Mr. Will Lyons. Please go ahead.

Will Lyons
Thanks, Sonja. Good morning, everyone, and welcome to our Third Quarter Earnings Conference Call. Joining me today are Steve Kaufer, our CEO, and Ernst Teunissen, our CFO. Last night, after market closed, we distributed and filed our Q3 earnings release. We filed our 10-Q and we made available our prepared remarks on our Investor Relations website located at ir.tripadvisor.com.

In the release, you’ll find reconciliations of non-GAAP financial measures to the most comparable GAAP financial measures discussed on this call. You will also find supplemental financial information which includes certain non-GAAP financial measures discussed on this call as well as other performance metrics.

Before we begin, I’d like to remind you that this call may contain estimates and other forward-looking statements that represent the company’s view as of today, November 7, 2017. TripAdvisor disclaims any obligation to update these statements to reflect future events or circumstances. Please refer to our earnings release and our filings with the SEC for information concerning factors that could cause actual results to differ materially from those expressed or implied by such statements. And with that, I’ll pass the call over to Steve.
Stephen Kaufer - TripAdvisor, Inc. - Co-Founder, CEO, President and Director

Thank you, Will. Good morning, everyone, and thank you for joining our call. As we discussed in our prepared remarks last night, we continued to make progress on our long-term growth initiatives and to building more durable direct relationships with hotel shoppers on our platform. Reallocating marketing dollars to brand-building channels has contributed to softer top line results but we believe this is the best path towards driving profitable revenue growth over the long term.

In Non-Hotel's, strong momentum continues, particularly in Attractions and Restaurants, products that deepen traveler engagement with our platform. We are investing to further broaden our marketplace, to grow bookable supply and to improve the product experience, helping more travelers throughout more moments of every trip. In both segments, we have a lot more work to do but we play the long game and remain focused on building for the long term. Ernst?

Ernst J. Teunissen - TripAdvisor, Inc. - CFO, SVP and Treasurer

Thanks, Steve, and good morning, everyone. Reigniting our near-term hotel revenue growth has proven more challenging than we expected this quarter and this year, but our product and marketing initiatives continued to deliver early positive signs and we're optimizing our marketing mix for maximum long-term benefit.

Our television advertising investment was the primary driver of Q3 operating expense growth year-over-year. The prudent expense management as well as continued strength in our Non-Hotel segment has enabled us to maintain our 2017 adjusted EBITDA expectations. Across our business, we will continue to strike an appropriate balance between growth and profitability as we aim for long-term shareholder value creation. With that, we'll open it up for your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Lloyd Walmsley of Deutsche Bank.

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

Two if I can. First, in the prepared remarks, you guys had said hotel shopper growth is flattish in October. So just wondering if mobile continues to hover around, say, the mid-20s range. It would imply desktop shopper growth falling double digits into October. Is that the right way to think about it? And then second one, on the Non-Hotel side, can you give us some color on the cost structure to the business here relative maybe to the core business? Is it more advertising-intensive historically? And we asked because, obviously, you’re seeing a nice margin expansion. Some of it’s driven by declining OpEx year-over-year, so trying to get a sense for what the cost structure looks like where it may have bottomed out such that future EBITDA will be more driven by top line growth on that side.

Ernst J. Teunissen - TripAdvisor, Inc. - CFO, SVP and Treasurer

Lloyd, the mobile question. Yes, we did see deceleration. Actually throughout Q3 and in October, we saw flattish overall shopper growth. It is a continuation of relative outperformance of mobile shopper growth and underperformance of desktop shopper growth. That’s a trend that continues and is underlying that overall trend. In terms of your second question and cost structure between Hotel and Non-Hotel, so what we see is that the cost structure is quite comparable in terms of the line items of sales and marketing, tech and content and general admin in terms of the structure of the P&L. So not that much different. What we’ve seen this year is scale benefits in the Non-Hotel business. We’re particularly growing faster on our TripAdvisor platforms for Attractions, for instance, but also for Vacation Rentals, which has allowed us to be more efficient with our
marketing spend this year compared to other years, and its overall scale benefits actually that is driving most of the margin expansion in that segment this year.

**Operator**

Our next question comes from Kevin Kopelman of Cowen and Company.

**Kevin Campbell Kopelman - Cowen and Company, LLC, Research Division - Director and Senior Research Analyst**

Can you give us — you gave a lot of really good color on click-based and transaction-based revenue. Can you give us more color on what Q4 or the full year is looking like for Non-Hotel and perhaps some of the other Hotel lines to get to that full year revenue -- new revenue guided for low-single digits growth?

**Ernst J. Teunissen - TripAdvisor, Inc. - CFO, SVP and Treasurer**

Yes, Kevin. The other lines see a continuation of trends more or less. The Non-Hotel sees into Q4 a very similar growth trends as we've seen throughout the year. Early in the year, we said we would expect similar growth in '17 as we did in '16. That still holds. So not much movement in other lines from Q3 to Q4 in terms of relative growth rate. It's really the click-based and transaction that's the big difference.

**Kevin Campbell Kopelman - Cowen and Company, LLC, Research Division - Director and Senior Research Analyst**

And then just one follow-up on that. It looks like a very easy comp in, I think other Hotel revenue. Is that, in fact, an easy comp? Or what does it look like?

**Ernst J. Teunissen - TripAdvisor, Inc. - CFO, SVP and Treasurer**

Yes. So we've seen in the other Hotel revenue, we've seen deceleration, negative growth rates in the first half. We're happy to see that turn around again in Q3 again and, the trend into Q4 will likely not be too dissimilar from Q3.

**Kevin Campbell Kopelman - Cowen and Company, LLC, Research Division - Director and Senior Research Analyst**

And then just one final kind of big-picture question. As you plan out -- as you plan for 2018, how are you -- what are your balancing as you figure out what an appropriate level of growth and profit is? And how should we be thinking about it?

**Ernst J. Teunissen - TripAdvisor, Inc. - CFO, SVP and Treasurer**

Yes. As we think about 2018, clearly on the top line side, as we highlighted in our prepared remarks, we'll enter 2018 with the headwinds that we've seen on the top line in our core auction that we have described. So that will be a headwind moving into the New Year. We continue to think about our marketing budget as an increase of TV spend but a gradual increase of TV spend is next year but a reallocation of less efficient paid marketing spend as well. So all in all, we're going to balance the two aspects of our marketing mix. And then overall, we'll take a very prudent look at our other expenses as well in the Hotel segment. In Non-Hotel, we expect to continue progress on both the top and bottom and we'll continue to grow that business as we have over the last quarters and years.
Our next question comes from Deepak Mathivanan of Barclays.

Deepak Mathivanan - Susquehanna Financial Group, LLLP, Research Division - Associate

Two questions for me. So first, mobile monetization continues to improve well. I think it’s up 12% this quarter while desktop is where there’s been a sharp decline. Can you elaborate the trends that’s driving mobile versus desktop monetization, particularly considering the partner spend adjustments? And then second one, maybe you can elaborate a little bit on the marketing budgets. You noted that you’ll pull back from certain less efficient channels. How should we think about the scope of that going forward in 2018? Perhaps you can maybe call out what specific channels those are as well.

Ernst J. Teunissen - TripAdvisor, Inc. - CFO, SVP and Treasurer

Yes, Deepak. To start with the mobile monetization, indeed, again, year-on-year RPS growth on mobile monetization. The partner bid downs did have an impact on mobile as well but we were still able to grow revenue per shopper year-over-year. And the cause of that is the continued focus from our product teams on mobile and mobile monetization. It’s been a big push for us in parallel to all the other initiatives that we have going on. Particularly on mobile web, we’ve seen very impressive wins. As you know, in Q2, we kicked off a new site experience, which was a cross desktop and mobile, and we were happy to have seen very nice wins on the mobile side. On the marketing budget and how we have seen it evolve. Can you please restate the question? I don’t have the full question.

Deepak Mathivanan - Susquehanna Financial Group, LLLP, Research Division - Associate

Yes. Sure. I was trying to figure out what channels you have pulled back and how should we think about the scope of the program going forward in 2018? I know you’ve called out certain less efficient channels. I was wondering if it’s SEM-related or retargeting or a combination of both.

Ernst J. Teunissen - TripAdvisor, Inc. - CFO, SVP and Treasurer

Yes. Thank you. Thanks for specifying. It’s across a number of different channels. So it’s not a specific channel that we have identified. We have become a little bit more sophisticated in the attribution of our different channels to the downstream booking. We have, as you know, managed the whole portfolio of performance-based marketing more or less to breakeven. But if you dig deeper, there is some less efficient spend across multiple channels. And so we’ve been pulling back on that versus what we had planned initially in the year, which is a further impact on our revenue growth. We do believe there is more scope for efficiency optimization in our paid marketing. We are continuing to do that in Q4. And going into the next year, we do see further scope for more efficiency on the performance-based channel.

Our next question comes from Naved Khan of SunTrust Robinson Humphrey.

Naved Ahmad Khan - Cantor Fitzgerald & Co., Research Division - Former VP & Research Analyst

I had a couple of questions. Just wanted to clarify this but the fact that you have pulled back on some of the performance ad channels, is that having a more pronounced effect on desktop traffic versus mobile? And then I had a follow-up.
Ernst J. Teunissen - TripAdvisor, Inc. - CFO, SVP and Treasurer

Yes, Naved. It indeed has had a disproportionate effect on desktop. Our ability to spend on performance-based marketing is a direct function of the revenue per shopper that we can achieve. And as we discussed, we saw pressure on revenue per shopper in desktop but we were able to increase revenue per shopper on mobile. So the relative impact has been more significant on desktop.

Naved Ahmad Khan - Cantor Fitzgerald & Co., Research Division - Former VP & Research Analyst

Okay. And then can you just comment on the dynamics between the fact that your partners might be looking for higher ROI or they might have moved their ROA targets when they advertise with you. And at the same time you are able to improve some of the monetization on mobile hotel shopper. What’s the interplay between the 2 in terms of when advertisers are bidding a bit different targets and when you’re also solving for increasing monetization?

Ernst J. Teunissen - TripAdvisor, Inc. - CFO, SVP and Treasurer

Yes. Being able to improve monetization is, of course, a plus. It allows us to lean into paid marketing, be more competitive either on Google or with retargeting. And so despite partner bid downs, our improvements there allow us to expand marketing spend on mobile.

Operator

Our next question comes from Mark May of Citi.

Mark Alan May - Citigroup Inc, Research Division - Director and Senior Analyst

Sorry if these have been addressed already, but in terms of the advertiser bid downs, are there any signs of source stability there? Or are there potential for those to keep adjusting? And then will the decrease in revenue per shopper in any way impact your thinking about your marketing plans and increase in marketing spend including kind of TV going forward?

Stephen Kaufer - TripAdvisor, Inc. - Co-Founder, CEO, President and Director

Mark, this is Steve. With regard to the bid downs, we’ve run this auction for so many years. There's always a fair amount of volatility month-to-month or quarter-to-quarter. In this particular case, I think you've seen some of our partners comment on increasing marketing efficiencies and they don't seem to be publicly commenting on an ever-declining direction, but rather, they've tightened their efficiency to afford to do some other things which presumably makes sense for their business model. So as we have always done, we take into account the new landscape and we forecast our future plans based upon a status quo of the current bid levels.

Ernst J. Teunissen - TripAdvisor, Inc. - CFO, SVP and Treasurer

To your second question, Mark, revenue per shopper and the impacts on marketing, broadly defined. Two things I’d like to highlight. Our revenue per shopper year-on-year was negative 11%. We bid separately for traffic on desktop and on mobile. The total was down 11%. Mobile RPS was up. Desktop was down but actually less down than the 11%. So the 11% is, to a significant degree, also driven by the mix shift between the lower monetizing mobile traffic. So in the meantime, we are improving our product quite significantly. One of the things that we called out is that if you look at in the quarter, the year on year performance of the economic value the underlying leads bring that we provide to our partners, that has been improving. So the decline that we've seen on desktop revenue per shopper has been largely driven by these partner bid downs. So while these partner bid downs have happened, we've also made significant strides in positive development. And as we think about our marketing budget -- the performance-based marketing budget and, to some extent, the TV budget as well, as we look at ROAS, ROAS is going to be impacted by our projections for revenue per shopper. And our projections for revenue per shopper are a function of what we expect the external environment to
do, obviously, how our partners behave but also what we believe we can improve over time in terms of the underlying economic value of our shoppers.

**Operator**

Our next question comes from Mike Olson of Piper Jaffray.

**Michael Joseph Olson - Piper Jaffray Companies, Research Division - MD and Senior Research Analyst**

I have a fairly high-level question. I think parts of this really have been asked already in different ways. And it may be hard for you to say but what do you think changed in how your major advertising partners are thinking about the meta search channel as a source of traffic? Did the ROI or conversion of the traffic that meta provides worsen? Or is that their ROI thresholds are higher than they were in the past? And then other than meta channel sources finding ways to deliver higher converting traffic, what could alter that trend?

**Stephen Kaufer - TripAdvisor, Inc. - Co-Founder, CEO, President and Director**

Sure, Mike. Thanks. This is Steve. I would not lump all of our partners into the ones that are currently looking for higher ROI, and the partners that I’ve had the chance to speak to are all quite appreciative and interested in buying more and more traffic on the part of TripAdvisor. So I think we are an excellent partner for our hotel and OTA clients. We provide a very flexible bid mechanism, a flexible downstream kind of conversion funnel for them. And when we are able to measure the lead, the quality of the clicks that we send down to our partners, they have become more effective. In other words, they convert better than they did before, and that’s direct work on our side to better qualify the traveler to be ready to book this hotel before we send them downstream to a hotel or an OTA. So we’re kind of doing all the things that we can on our side to make ourselves a better partner. And I don’t detect any reluctance on the part of partner hotels or OTAs to invest in the meta channel in general. And so again, you should, of course, be asking them. But when it comes to the overall health of meta as a channel, it still serves a very important function for travelers, and OTAs and hotels still recognize that. It’s a very important channel for them to tap into the type of demand that we bring to the table.

**Operator**

Our next question comes from Justin Patterson of Raymond James.

**Justin Tyler Patterson - Raymond James & Associates, Inc., Research Division - Internet Analyst**

In the prepared remarks, you mentioned that Hotel segment expenses were effectively flat x TV advertising. How do you think about the trade-off between revenue growth and profitability? Do you worry that you’re underinvesting in tech and content and perhaps slowing the rate of innovation? And then secondly on Vacation Rentals, the OTAs are stepping up their investment, and Airbnb continues to execute well. How does that shape your strategy in the segment going forward? Why not apply a meta model to Vacation Rental and potentially capture some of that advertising budget of the OTAs and Airbnb?

**Ernst J. Teunissen - TripAdvisor, Inc. - CFO, SVP and Treasurer**

Justin, this is Ernst. Indeed, year-on-year in the third quarter, our expenses in Hotel were flat other than for the additional TV expenditure. We’re striking a balance between, on the one hand, investing enough for growth, on the other hand, adjust to the headwinds that we are encountering. So we’re actively striking that balance between revenue growth and EBITDA. We don’t believe we’re underinvesting in tech and content. If you look at what we’ve been doing over the last year, we’ve made some substantial investments in the product, both on desktop and on mobile to get ready for our brand campaign and our focus on price comparison as a key value proposition for our users, and on mobile just to make sure that
we keep improving that monetization. So we believe we have an appropriate level of investment there, and we're balancing future expense growth against our bottom line objectives as well.

**Stephen Kaufer - TripAdvisor, Inc. - Co-Founder, CEO, President and Director**

And then this is Steve. I'll take the second question on Vacation Rentals. So from our perspective, we're really aiming to make sure that, that alternative lodging category is well represented on TripAdvisor. So we have about 800,000 properties. That's a pretty darn good mix. Having said that, of course, we're open to change as well. We'd love to have even more than that and more different types available globally. To the question of why not a meta, I'm not sure that consumers are looking for the price comparison feature within a particular property more than the ability to find the widest range of properties, and that's why we do continue to grow our supply while making sure everything that's on our site is of high quality. So again, I think it's fair to say that it's important for our travelers. It doesn't have to be and we're making no claims that we will become bigger than some of the other guys but it does aid, clearly, our travelers' desire to have that alternative lodging choice on our site.

**Operator**

Our next question is comes from Jed Kelly of Oppenheimer.

**Jed Kelly - Oppenheimer & Co. Inc., Research Division - Director and Senior Analyst**

Can you talk to some of the engagement trends that you believe are benefiting from television advertising in terms of customer data such as store credit cards or repeat hotel shopper trends?

**Stephen Kaufer - TripAdvisor, Inc. - Co-Founder, CEO, President and Director**

Sure. This is Steve. I mean the best things we see from the TV ad relate to how many people are searching for TripAdvisor, when they come to TripAdvisor, how we see their behavior being more what we're looking for than kind of our on average customer. So when they come and they've seen the TV ad, they're more likely to book. They're more likely to go through the hotel shopping experience and actually consummate the transaction either on TripAdvisor or downstream on our client sites. So the goal, to remind folks, about TV was really to present TripAdvisor as a place where not only can you read reviews, but you can do your price comparison research and understand how TripAdvisor can save you money, not, to the specifics of your question, to help us generate more Instant Bookings whereby we might be able to have a credit card but to really change the perception. So I couldn't honestly tell you right now whether we are generating more saved credit cards from the TV campaign because it really wasn't the target of our branding exercise.

**Operator**

Our next question comes from Nat Schindler of Bank of America Merrill Lynch.

**Nathaniel Holmes Schindler - BofA Merrill Lynch, Research Division - Director**

You obviously have 2 large OTA partners who are your principal revenue source in the click-based revenue business. And from the discussion with you and the discussion with a competitor, it's pretty clear that one of them has changed their philosophy on ROI. How does that affect the other?
Stephen Kaufer - TripAdvisor, Inc. - Co-Founder, CEO, President and Director

Sure. This is Steve, Nat. We run an auction. There's 2 big players up there. With the 2 big players, of course, there's several brands within them when any one player feeds down, by mathematical definition, share shifts to the other players in the auction. I can't be telling you anything we don't know.

Nathaniel Holmes Schindler - BofA Merrill Lynch, Research Division - Director

Not just though on share. How does it affect their behavior, are they are lowering their bids? Do they follow bids lower or do they just simply get more share at the same bid?

Stephen Kaufer - TripAdvisor, Inc. - Co-Founder, CEO, President and Director

You'd have to look kind of market by market. When a single player changes their bids, it's in aggregate. So it's somewhat difficult for another partner to know exactly what they can and cannot do in response. So you should think of it as share shift, yes, but I wouldn't think of necessarily a big corresponding change on the part of the other client.

Nathaniel Holmes Schindler - BofA Merrill Lynch, Research Division - Director

And just one other clarification. You mentioned that it's individual brands within these companies. Is the partner that has changed their ROI philosophy, are they doing it across all their brands at a corporate level? Or do they do it on a specific brand in a specific region?

Stephen Kaufer - TripAdvisor, Inc. - Co-Founder, CEO, President and Director

Yes. I appreciate the question, but we really aren't able to talk about specific brands in our discussions.

Operator

Our next question comes from Paul Bieber of Crédit Suisse.

Paul Judd Bieber - Crédit Suisse AG, Research Division - Director

I was hoping you could help us size the components of the Non-Hotel business. Obviously, there's Vacation Rental, Restaurants and Attractions in there. Can you just give us some context for the relative size of those businesses and growth rates?

Ernst J. Teunissen - TripAdvisor, Inc. - CFO, SVP and Treasurer

Yes. In terms of growth rates, clearly, the faster growers are Attractions and Restaurants. So in terms of growth, they are driving the growth in the segment. In terms of relative sizes, I don't want to be too specific in breaking it out because we haven't broken it out, but Attractions is the largest of the 3 components, with the other 2 smaller. But that's the order of magnitude but I'm not going to go in more detail in breaking out as a percentage.

Operator

(Operator Instructions) Our next question comes from Brian Fitzgerald of Jefferies.
Brian Patrick Fitzgerald - Jefferies LLC, Research Division - MD and Senior Equity Research Analyst

We want to know what type of dynamic if there's anything notable to call out with respect to conversion of Non-Hotel from Hotel. Are you seeing any uplift or tailwinds in the Non-Hotel area where branded campaigns are running? And then a follow-up on Non-Hotel type of inventory. How do you feel about the breadth and depth of what you have there -- of your offering there and then the rate at which you're adding more inventory, if you will, there?

Stephen Kaufer - TripAdvisor, Inc. - Co-Founder, CEO, President and Director

Thanks, Brian. This is Steve. The TV campaign is very much focused around educating folks on price comparison around hotels. Looking at a conversion lift in the Non-Hotel category from the initial brand awareness, next to impossible for us to tell in part because those components on TripAdvisor are growing so strong all by themselves. So we just have a lot of goodness happening in that Attraction, Restaurant category. In terms of Non-Hotel inventory trends, we continue to grow both on Restaurants and Attractions in particular. And Attractions, the bookable products, up 30-plus-percent year-on-year. The overall Attractions listing, growing as well. And when you look back a couple of years, the bookable supply is up 5x. So the marketplace concept has really worked for us. We continue to grow in all regions of the world and we love it. It's the classic marketplace model where as we had more to the supply match to the TripAdvisor demand that we already have, it continues to grow. I think our TripAdvisor sourced bookings for the Attraction category was up 100% year-on-year in Q3. So we're just seeing really nice signs of that whole trip life cycle coming together, and you see that in the numbers, in that other Hotel business growth. So Ernst, do you want to add anything? I think we're good there. Thanks.

Operator

And I am showing no further questions at this time, now it's my pleasure to hand the conference back over to Mr. Stephen Kaufer, Chief Executive Officer, for some closing comments or remarks.

Stephen Kaufer - TripAdvisor, Inc. - Co-Founder, CEO, President and Director

All right. Well, thanks, everyone, for joining the call. I want to thank our employees around the globe for their continued hard work and we look forward to updating everyone next quarter. Thank you very much.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This concludes today's program. You may all disconnect. Everyone have a great day.