



TripAdvisor, Inc. Q3 2016 Prepared Remarks

(All comparisons are against the same period of the prior year, unless otherwise noted)

Our objective throughout 2016 has been to better-position our products and platform for the future, and we have made progress on our key initiatives. Users around the globe can now plan, compare prices, and book all our major products on TripAdvisor, and we are working hard to further improve this end-to-end user experience.

In our Hotel segment, third quarter financial results declined year-over year, though revenue growth rates modestly improved compared to our second quarter results. We are still early days at demonstrating that we are plugging the monetization leak and capturing its expected financial benefits, though we continue to see nice leading indicators of success. We are moving fast, we are learning and improving, and we believe that we are on the best path to maximize long-term growth and shareholder value creation.

In the meantime, our core assets of content and community continue to grow quickly. Reviews and opinions grew nearly 50% and total average monthly unique visitors grew 11% in the quarter. Our Non-Hotel segment revenues grew quickly as well, up 35% in the quarter as these businesses continue to round out our complete value proposition.

Operational Update - Hotel

Our Hotel segment was 76% of total revenue in the third quarter.

On the partner side, CPC auction prices have been solid due to conversion improvements we have made this year, as well as to our strengthening relationships with hotelier and OTA partners. For instance, we continue to see steady adoption of our remarketing product, and have several additional initiatives in the works that are aimed at helping partners maximize their participation on our auction platform. Our highly-profitable metasearch business continues to get a lot of our focus.

On the user side, total average monthly unique hotel shopper growth stabilized in the quarter, and improved each month from the soft June and July. We continue, however, to experience hotel shopper growth headwinds on desktop, due to the shift to mobile devices as well as the general travel market and competitive backdrop.

On the product side, as previewed on our last quarterly update, we made some changes to make it easier to find the best prices for every hotel we list. This gives users increased confidence that they can find the best deals on TripAdvisor. User feedback has been very positive, and we have seen a nice conversion win from this initiative.

With phase two of our instant booking initiative completed in the second quarter, we spent the third quarter focused on phase three: improving our hotel shopping experience to drive increased user engagement and better conversion and more bookings for partners. We are furthest along in the U.S., and we remain hard at work deepening relationships with large hotel chains, OTAs, and

with an ever-increasing number of independent hotels, in order to further enhance our best price value proposition. In the interim, we remain very thoughtful about how and when we promote instant booking on hotel pages. In some cases, instant booking gets top billing; in others, the metasearch option takes the top spot. As we outlined last quarter, our phase three efforts continue to yield gains in conversion rates, repeat rates and monetization rates.

Notably, on mobile app, we have made instant booking more prominent, making a near-term monetization trade-off in favor of increasing long-term user engagement and building the booking habit. On the app, more than 20% of instant bookings are made using a previously vaulted credit card, which is the highest of all devices. Hotel shoppers on the app continued exhibiting strength, increasing approximately 50% year-over-year, highlighting our growing engagement on that platform. Our app is the perfect travel companion for the increasingly mobile, global traveler. According to a study published in September by AppAnnie, a business intelligence firm, TripAdvisor leads the online travel agencies on key app metrics, including downloads, usage, user retention and monthly active users for the U.S. and key European markets.

Late August marked the first full year since our instant booking launch in the U.S. Therefore, September was the first month with a clean instant booking comparison in that market. During September, we saw positive year-over-year growth for U.S. Click-based and transaction revenue and revenue per hotel shopper, compared to negative growth during our first year since rollout. These trends improved further in October. In contrast, revenue per hotel shopper growth in our Non-U.S. markets continued to experience significant headwinds in Q3, as we are still in our first year since our instant booking rollout. Total TripAdvisor Click-based and transaction revenue growth was negative 10% in the third quarter but we note that growth rates were lowest in July and improved each month throughout the quarter.

2016 marks the start of a new stage for our business and phase four of our instant booking initiative aims at continuing to earn users' trust as their booking site of choice. From more targeted email campaigns, to phone push notifications, to consumer promotions, we are driving more engagement, more repeat behavior and bookings. We also continued to see prior bookers returning via direct channels, another sign that we are delivering a stickier user experience than before.

As we power more bookings, we are developing a deeper understanding of the users on our site. We are early days at leveraging powerful transaction-level data to fuel our marketing campaigns and we are exploring a full suite of marketing channels in order to continue to drive user growth, awareness and engagement with our booking products. Brand re-education in an episodic category like travel is a multi-year process, and we remain encouraged by the positive trends we are seeing this year.

Our core assets of content and community continued to grow quickly. We added nearly 50 million reviews and opinions in the third quarter alone and, with 435 million reviews and opinions covering 6.8 million businesses around the globe, TripAdvisor's content advantage continues to strengthen. Our community grew to 390 million average monthly unique visitors, with nearly half of these visitors on the phone.

Operational Update - Non-Hotel

Our Non-Hotel segment businesses – Attractions, Restaurants and Vacation Rentals – constituted 24% of our total revenue in the third quarter.

Similar to our Hotel philosophy, we continue to round out our end-to-end user value proposition and earn more consumers' trust as a preferred booking site. Attractions remain our largest area of focus and opportunity in our Non-Hotel segment and we're matching more TripAdvisor user demand with Viator's bookable supply in pursuit of this billion-dollar revenue opportunity.

A key focus in 2016 has been to add more bookable supply, and the team has done a great job bringing more tours and attractions into our marketplace. We have grown partners by 60% and bookable products by 70% this year to more than 55,000. We have also tripled the number of suppliers connected via API for live availability this year. As one example, during the quarter we launched a mobile partnership with Radisson Blu Hotels in which our API enables users to book TripAdvisor attractions inventory through their Radisson Blu app and wifi landing page.

Mobile phone continues to play an increasing role in our product roadmap. This summer we drove increased user engagement with our new mobile push notifications and phone bookings have doubled as a percentage of total bookings this year as more users shift to that device for in-destination planning and booking. Across all devices, we launched improved Tours and Tickets pages as well as contextual recommendation pages that are better organized and help travelers find the right attraction experience.

Similar to Hotels, in Attractions we have seen nice early success leveraging promotions to help us drive trial, conversion, and repeat business. The team is employing a more sophisticated approach to paid marketing where we can better identify customers looking to book an attraction, at a better return on our investment.

With 730,000 listed tours, attractions, and activities, a leading global brand, fast-growing traveler content, engagement and demand, as well as continued rapid supply growth in our marketplace, we believe we are uniquely positioned for continued growth in this category.

The same demand and supply advantages are at play in our Restaurants business. We now have 4.2 million listings of places to eat around the globe and 100 million restaurant reviews and opinions. Our restaurant reservation brand, LaFourchette, is the leading restaurant reservation site in Europe and its network of more than 38,000 bookable restaurants spans 12 countries. Revenue continues to grow quickly, especially on phone, which accounts for approximately 60% of bookings. Throughout the summer, our phone app push notifications started to provide timely, helpful tips such as the best restaurants nearby, popular dish recommendations, and user review snapshots, all of which drive increased awareness and stickiness with our products when users are traveling for pleasure or out on the town close to home.

We have been rapidly expanding into new markets through some small recent transactions. This included a minority investment in Eatigo, a leading restaurant reservation business in Thailand

and Singapore, who we believe has an opportunity to scale into other markets across Southeast Asia.

Finally, in Vacation Rentals, our objective remains to maximize high-quality choice for the traveller and maximize qualified traffic for the property owner. To that end, listings grew to 830,000 properties, driven by our free-to-list model. Nearly 80% of our VR listings can be booked online and our team remains focused on adding high-quality supply, making easy-to-use owners tools that help maintain their calendars, respond to questions and booking requests. Our formula this year has driven dramatic conversion improvement in turning vacation rental lookers to bookers.

We are focused on scaling our Non-Hotel segment businesses quickly, globally, and profitably in the years to come.

Financial Results

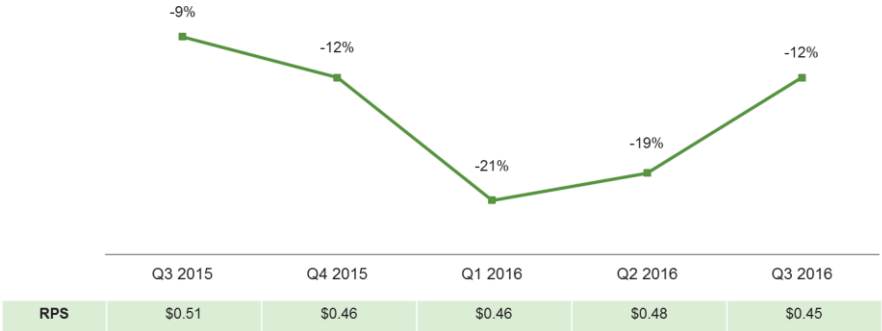
As expected, after some near-term pressures on revenues and profits in the first half of this year, growth rates modestly improved in the third quarter. Consolidated total revenue growth improved to 1% year-over-year in reported currency, and 3% in constant currency.

Hotel

Hotel segment revenue growth improved sequentially to negative 6% year-over-year while currency was approximately 1% headwind to Hotel segment growth in the period. TripAdvisor-branded click-based and transaction revenue, which includes metasearch and instant booking revenue on TripAdvisor-branded sites, improved sequentially to negative 10% year-over-year and currency was approximately 1% headwind in the period. Similar to the first half of this year, third quarter TripAdvisor-branded click-based and transaction revenue headwinds included dilution from our global instant booking launch and user shift to lower-monetizing phone.

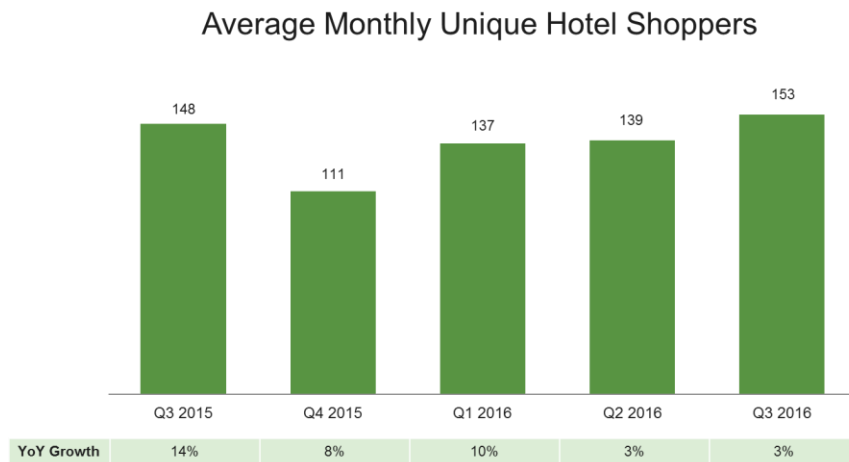
Revenue per hotel shopper growth improved sequentially to negative 12% year-over-year, but we note that growth rates were lowest in July and improved each month throughout the quarter.

TA Click-based and Transaction Revenue per Hotel Shopper Growth



The above curve shows the revenue per hotel shopper growth trend, worldwide. Looking at our U.S. market, year-over-year revenue per hotel shopper growth troughed in the first half of 2016, improved in the third quarter this year to roughly flat growth, and is currently exhibiting positive year-over-year growth.

Total average monthly unique hotel shopper growth stabilized at 3% in Q3 and showed sequential monthly improvement throughout the quarter.



Phone is another strategic area of investment and we have made a lot of progress improving our mobile products in 2016. Phone hotel shoppers grew 25% in the third quarter representing more than a third of total shoppers, and TripAdvisor-branded click-based and transaction revenue grew in excess of 20% on that device. This quarter, we promoted the instant booking experience on phone app, negatively impacting hotel shoppers in the period, but with an eye towards accelerating user adoption, repeat behavior and lifetime value through that platform.

Non-Hotel

Our Non-Hotel segment accounted for 24% of our third quarter revenue and revenue growth accelerated to 35% year-over-year, from continued growth in these businesses as well as higher revenue during our Q3 seasonal peak. As such, Non-Hotel Adjusted EBITDA margins improved sequentially to positive 15%.

As a reminder, more Vacation Rentals revenue is now being recognized at the time of stay, due to the continued shift to our free-to-list model. This dynamic has increased the seasonality in our Non-Hotel segment financial results this year, and a greater percentage of revenue and adjusted EBITDA is now being recognized in the back half of 2016 than in the back half 2015. We believe investors should continue to measure progress on an annual or trailing-12-month basis as this segment's revenue and adjusted EBITDA remain highly seasonal against a more fixed cost base.

Consolidated

Consolidated GAAP net income declined by 26%. Total adjusted EBITDA declined by 12% in reported and 9% in constant currency, and our lower adjusted EBITDA margin compared to last year was due primarily to reduced revenues in our Hotel segment.

Our Q3 GAAP effective tax rate was 13%, primarily due to earnings in jurisdictions outside the United States as well as certain discrete items. We expect our 2016 GAAP effective rate to be approximately 20%, dependent on international revenue and expense mix, among other factors.

The largest driver of working capital outflow during the third quarter was seasonal deferred merchant payable cash related to vacation rentals and attractions bookings, which benefited cash flow in the first half of the year. Cash provided by operating activities was negative \$87 million. CapEx for the quarter was \$21 million, or 5% of revenue, a decrease of \$18 million from the third quarter of 2015, primarily due to the completion of our corporate headquarters building in 2015. As a result, Q3 free cash flow was negative \$108 million compared to negative \$29 million in third quarter of 2015. Our liquidity position remains strong as Cash, cash equivalents and short-term and long-term marketable securities were \$756 million at the end of the quarter.

We continue to navigate towards our long-term objective of delivering the best user experience in travel. We are still early in our 2017 planning cycle, but would like to share some preliminary thoughts about next year.

In 2016, we have made a lot of progress aligning our products and platform for long-term growth. However, this progress has clearly had a negative impact on our 2016 revenue growth amidst what remains a competitive travel landscape. Now that we have our transaction products in place, and we have been able to learn and improve, our 2017 focus will shift to re-accelerating revenue growth in our Hotel business, and we believe paid marketing channels will play an important role. Therefore, we believe our 2017 adjusted EBITDA margin will likely be lower than the margin we achieve in 2016. We are still in the early days of re-educating users about our end-to-end user experience, building repeat behavior and plugging the monetization leak in our business. We believe this journey will pay off financially, but will take time. Consistent with our past commentary, we play the long game and remain focused on building for the long-term.

In summary, we have made progress on our key initiatives this year and we thank our employees for continuing to work hard this year as we improve our products that travelers love.

Appendix

Webcast and Conference Call Details

TripAdvisor will audiocast a conference call to answer questions regarding third quarter financial results on Wednesday, November 9, 2016 at 8:30 a.m. Eastern Time. The live audiocast will be open to the public at <http://ir.tripadvisor.com/events.cfm>. These prepared remarks will not be read on the call.

Non-GAAP Financial Measures

These prepared remarks contain references to certain non-GAAP measures, which, includes adjusted EBITDA, adjusted EBITDA margin, free cash flow, and constant currency measures. These non-GAAP financial measures should be considered in conjunction with, but not as a substitute for, financial information presented in accordance with GAAP. Please refer to our third quarter 2016 press release and the investor relations section of our website for all comparable GAAP measures, definitions and explanations, and full reconciliations for all non-GAAP measures to their comparable GAAP measures.

Safe Harbor Statement

These prepared remarks and our conference call, which will be held at 8:30 a.m. Eastern Time on November 9, 2016, may contain statements regarding management's future expectations, beliefs, intentions, goals, strategies, plans or prospects, including, without limitation, statements relating to TripAdvisor's future financial performance on both a GAAP and non-GAAP basis, and the Company's prospects as a comprehensive destination for hotels, attractions, and restaurants, may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and other federal securities laws. Forward-looking statements can be identified by terminology such as "anticipate," "believe," "could," "could increase the likelihood," "estimate," "expect," "intend," "is planned," "may," "should," "will," "will enable," "would," "would be expected," "look forward," "may provide," or similar terms, variations of such terms or the negative of those terms. Investors are cautioned that statements in this press release, which are not strictly historical statements, including, without limitation, statements by our chief executive officer with respect to growth objectives, strategic investments, and statements regarding management's plans, objectives and strategies, constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors including those risks, uncertainties and factors detailed in TripAdvisor's filings with the Securities and Exchange Commission. As a result of such risks, uncertainties and factors, TripAdvisor's actual results may differ materially from any future results, performance or achievements discussed in or implied by the forward-looking statements contained herein. TripAdvisor is providing the information in this press release as of this date and assumes no obligations to update the information included in this press release or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

THOMSON REUTERS STRETEVENTS

EDITED TRANSCRIPT

TRIP - Q3 2016 TripAdvisor Inc Earnings Call

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Steve Kaufer *TripAdvisor, Inc. - President & CEO*

Ernst Teunissen *TripAdvisor, Inc. - CFO*

CONFERENCE CALL PARTICIPANTS

Eric Sheridan *UBS - Analyst*

Lloyd Walmsley *Deutsche Bank - Analyst*

Chris Merwin *Barclays Capital - Analyst*

Rodney Hull *SunTrust Robinson Humphrey - Analyst*

Stephen Ju *Credit Suisse - Analyst*

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Nat Schindler *Bank of America Merrill Lynch - Analyst*

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Heath Terry *Goldman Sachs - Analyst*

Brian Fitzgerald *Jefferies & Co. - Analyst*

Peter Stabler *Wells Fargo Securities - Analyst*

PRESENTATION

Operator

Good morning and welcome to TripAdvisor's third-quarter 2016 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 - *TripAdvisor, Inc. - VP, IR*

Thanks, Chelsea. Good morning, everyone and welcome to our third-quarter conference call. Joining me today are Steve Kaufer, our CEO and Ernst Teunissen, our CFO.

Last night, after market close, we distributed and filed our Q3 earnings release, as well as made available our prepared remarks on our Investor Relations website located at ir.tripadvisor.com. In the release, you will find reconciliations of non-GAAP financial measures to the most comparable GAAP financial measures discussed on this call. Also, our IR website contains a supplemental financial information document, which includes certain non-GAAP financial measures discussed on this call, as well as other performance metrics.



Instead of reading our prepared remarks on this call, Steve and Ernst will provide a couple thoughts about the quarter and about our recent progress and then we will jump right into Q&A.

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 9, 2016. 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 will pass the call over to you, Steve.

Steve Kaufer - *TripAdvisor, Inc. - President & CEO*

Thank you, Will and good morning, everyone. Thank you for joining the call. Hopefully, you have had the chance to read our prepared remarks that we published last night after market close. I will summarize by saying that we have continued to make nice progress on our key long-term initiatives. As our core content in community assets continue to grow, we are investing to introduce more users to our full suite of travel products and help travelers unlock more experiences and more moments than any other travel brand. Ernst.

Ernst Teunissen - *TripAdvisor, Inc. - CFO*

Thanks, Steve. Good morning, everyone. In the third quarter, total revenue grew 1% year-over-year and growth rates in hotel and non-hotel segments improved modestly compared to our second-quarter results. We are still in the very early days at demonstrating the financial benefit of plugging the monetization leak. However, we continue to see very nice leading indicators of success. We believe this journey will pay off financially, but it will take time. We are moving fast; we are learning; we are improving; and we believe that we are on the best path to maximize long-term growth and shareholder value creation. With that, I'd like to open up the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Eric Sheridan, UBS.

Eric Sheridan - *UBS - Analyst*

Thank you so much for taking the question. Maybe with respect to the commentary in the shareholder letter on investments going forward, so you are starting to lap the impact from the US launch, or lap the impact of the non-US launches through 2016 into 2017, but can you help us -- give us some color of what some of those investments are you think are key and the scope of those investments so we can better understand where you might invest and how it might move the needle for broad adoption of IB in the platform? Thanks so much, guys.

Steve Kaufer - *TripAdvisor, Inc. - President & CEO*

Eric, so basically as we continued to lap over the IB rollout, we now get to see more of the benefit of improved revenue per session, as opposed to dealing with the decline. As we continue to make our conversion improvements, that allows us to invest more in paid traffic acquisition. But, frankly, we've also built a better product now and so a lot of the wins that we've had over the past year in terms of conversion flow, in terms of having better pricing in Instant Book and flexing the interface that we've talked about before, those all come down to enabling our travelers to be able to book better and that allows us to invest more significantly in paid traffic acquisition. We are developing a better, longer-term repeat user model and we've never been shy about investing for the long term.

Operator

Lloyd Walmsley, Deutsche Bank.

Lloyd Walmsley - Deutsche Bank - Analyst

Thanks for taking the questions. I guess the first one, you called out some positive comments on Instant Book trends in particular in September, but when you look at US revenue growth in the third quarter, the oldest market for IB, it looks like it slowed a bit on an easier comp. And then just sequentially, the revenue per hotel shopper declined from the second quarter to the third quarter on a sequential basis. So can you talk about some of the puts and takes around what's behind some of those metrics?

Ernst Teunissen - TripAdvisor, Inc. - CFO

If you look at our core TripAdvisor auction transaction and auction revenues, the US actually sequentially improved quarter-to-quarter and throughout the quarter both on revenue and revenue per shopper, and what we thought was a particularly good sign is that now in the third quarter as we crossed the point where revenue per shopper and revenue in the US was actually first neutral year-on-year and now in the last months positive year-on-year. So we thought that was a very good sign because, at the end of August, we were lapping the sizable rollout in the US for IB last year and we feel it's very good news for us that we see that positive momentum year-on-year.

We saw it combined with conversion improvements in the US. We saw year-on-year conversion rate improvements on the desktop IB, on meta. We saw very healthy meta auction dynamics. We saw very healthy IB dynamics and this gives us a lot of hope that the US now we are lapping the full rollout of IB a year ago is in increasingly good shape. You can compare that with outside of the US and you see that the growth rates outside of the US are still negative for revenue and revenue per shopper year-on-year as we are not lapping that rollout of IB yet. But we wanted to highlight in our prepared remarks that the US is now in positive territory.

Lloyd Walmsley - Deutsche Bank - Analyst

Yes. Okay. And a second if I can. The prepared remarks imply that even in mobile app, IB is a monetization headwind. So just curious, we would have always thought that it was immediately accretive given poor conversion rates in meta search in mobile. So can you maybe give us a little bit more color on the unit economics of IB in mobile and how that's trending?

Ernst Teunissen - TripAdvisor, Inc. - CFO

This quarter, we made the particular push on the app and we went to a more dominant display of instant booking on the app and that has had an immediate -- in the quarter -- negative impact. It's not the same as saying what is like-for-like monetization. We actually quite significantly changed the whole UI in the quarter. This had a negative impact in the quarter, but we continue to improve from there. We think that it positions us very well strategically and we think that with changes over time, we can get that to positive.

Operator

Chris Merwin, Barclays.

Chris Merwin - Barclays Capital - Analyst

Thank you. So, in the letter, I think you alluded to the ongoing strength of meta and was wondering if you could just talk a bit more about how you think about the meta business long term relative to IB? I think in the early stages at one point there was an investor perception, correct or otherwise, that the IB business would at one point fully overtake meta. But just wanted to hear from you all if that is the long-term vision for TRIP

and what these two products look like when you get to more of a steady state for Instant Book once you lap and complete the full rollout globally. Thank you.

Steve Kaufer - *TripAdvisor, Inc. - President & CEO*

Thanks, Chris. I don't think I would've ever said IB would overtake meta. We've always believed -- I've always maintained that meta is an integral part of our value proposition. Travelers want to come to our site. They get the phenomenal content, the information, the trust, the community and then travelers really want to know that they are getting the best price and meta delivers on that best price and if the client has a brand loyalty to an OTA or to a supplier direct and they wish to book on that site, we were fine with that because meta enables that. If the user wants to book on TripAdvisor through Instant Book, because we have great pricing, great content, then that would be a straightforward mechanism, and arguably easier on the phone because it's less of a click away. But when we look at being successful in the eyes of our travelers, it's did we help to find the property they wanted and did we help them book it at the best price, book it on TripAdvisor or book it on our partner sites through meta.

So meta remains critical. I don't frankly ever foresee it going away period, full stop, and then the delta is just, over the course of the next several years, where do our consumers choose to go? Do they choose to go into the IB flow because pricing and content and why not and they trust TripAdvisor? Well, that's fine. If they choose to go into the meta flow, we want to help them book first and foremost. We, obviously, recognize that if they actually book on TripAdvisor, they are more likely to come back to TripAdvisor, so we have an inherent interest in that as a flow, but it will never come at the expense of meta going away, or at least I wouldn't ever predict that.

Ernst Teunissen - *TripAdvisor, Inc. - CFO*

And operationally, we have teams focused on instant booking, but we also have teams focused on improving the meta search auction. This quarter, we saw nice trends on CPCs in the meta auction. We see good traction for our remarketing product. We have some other products that we are rolling out there, so meta is definitely an area where we continue to invest. It's a large part of our revenue and profits and we continue to be focused on making sure that grows attractively.

Chris Merwin - *Barclays Capital - Analyst*

Okay. Thank you.

Operator

Robert Peck, SunTrust.

Rodney Hull - *SunTrust Robinson Humphrey - Analyst*

Good morning. This is Rodney for Bob. Thanks for taking our question. Two if I could. As we think about 2017 and the Company investing again in paid marketing channels to grow the funnel, how fast or how much more do you think the shopper growth can reaccelerate to? What sort of levels are you looking at? And the second question, if I might, you noted in the commentary on the vaulted credit card number. Any sense on what that number has been growing to? That would be helpful. Thanks very much.

Ernst Teunissen - *TripAdvisor, Inc. - CFO*

Thank you. Hotel shoppers is difficult to forecast for us. There are market and competitive forces at play. We do think that, with revenue per shoppers improving into the next year, we will have an opportunity to spend more. We also believe that spending more on marketing may not necessarily

only impact hotel shoppers. It may actually help our revenue per shopper as we retarget customers as well. It's very difficult for us to say at this point what exactly our expectation for the impact is, but I do want to underline that we are aiming to affect both metrics.

Operator

Stephen Ju, Credit Suisse.

Stephen Ju - Credit Suisse - Analyst

Steve, I think another question on the hotel shopper growth because it does remain at a relatively lower level versus where it has been in the past, so I suppose you can't continue to grow 10%, 15% forever, but the current level suggests that there might be some sort of a stressful change. So any details you can offer in terms of what might be happening there, especially as the consumer value proposition -- the content that you have on the site remains, in my opinion, the same as before. Also, I think you saw Priceline write-down some of the goodwill for OpenTable. Just wondering if the competitive environment for La Fourchette internationally has shifted meaningfully for you guys.

Steve Kaufer - TripAdvisor, Inc. - President & CEO

Sure. I'm not sure I can add much on the hotel shopper. I do reiterate a point Ernst was making in that, on the paid marketing side when you go out looking for new traffic, you can get a combination of traffic that has not been to your site before, which is an increase in monthly hotel shoppers, or you can get traffic that has been to your site before and you are buying them back in remarketing fashion. Those remarketed shoppers aren't going to increase the total number of monthly hotel shoppers, but they are actually pretty important as we try to plug our leak.

So, for me, I look at the revenue per shopper and how well we are able to monetize the site a bit more than absolute percentage growth of hotel shoppers. That's just the way I look at it. When we look at the stats and we compare them against the competition, we have a lot of hotel shoppers and several of the other travel categories are just able to monetize them a lot better than we are.

To the second question, Priceline writing down OpenTable. Well, OpenTable is certainly a terrific product; has tremendous marketshare in a number of the markets in which they operate. We've seen them on the ground in Europe, or see their attempts, and so we've known for a bit that they haven't been much of an impact on our business in our core countries in Europe. So the write-down wasn't informative to us.

Ernst Teunissen - TripAdvisor, Inc. - CFO

And you will see that in our total non-hotel segment, we are showing continued attractive year-on-year growth, and restaurants is definitely a positive contributor to that.

Stephen Ju - Credit Suisse - Analyst

Thank you.

Operator

Ken Sena, Evercore ISI.



Ken Sena - Evercore ISI - Analyst

Thank you. You mentioned a focus on mobile apps and the 20% of apps that are using a store credit card. Can you just remind us maybe the percentage of mobile traffic that is app and also the percentage of overall traffic that is mobile at this point? Thank you.

Steve Kaufer - TripAdvisor, Inc. - President & CEO

Sure. So for app versus mobile Web, it's roughly 50/50. That would be from memory. And what was the second part of the question?

Ken Sena - Evercore ISI - Analyst

Just percentage of overall traffic that is mobile.

Steve Kaufer - TripAdvisor, Inc. - President & CEO

And overall traffic of mobile, again, roughly 50/50.

Ken Sena - Evercore ISI - Analyst

Okay, thank you.

Operator

Peter Stabler, Wells Fargo Securities.

Peter Stabler - Wells Fargo Securities - Analyst

Good morning. This is Rob on the call for Peter. A follow-up on your comments on the promotion of IB and the app. I think last quarter, you said click and transaction revenue in app grew about 50%. Wondering if you can provide an update for the third quarter. And then also just wondering if you could provide some color on how the display business is performing. Any update on trends there. Thank you.

Ernst Teunissen - TripAdvisor, Inc. - CFO

We saw phone app users grow 50% year-on-year. That was attractive growth for us. We continue to see good traction on the app. We did comment on the monetization in the third quarter as we rolled out Instant Booking more, but if you look at the underlying volume trends, they are very positive. Sorry, what was your second question?

Peter Stabler - Wells Fargo Securities - Analyst

Just any update you can provide on the performance of the display business, industry trends or anything you are seeing there.

Ernst Teunissen - TripAdvisor, Inc. - CFO

The display business continues to be a solid part of our hotel business and our total offering that we make to our hotels and on the site. It has continued to grow throughout this year. Nothing more update to give there at this point.

Unidentified Participant

Thank you.

Operator

Perry Gold, Moffett Nathanson.

Perry Gold - MoffettNathanson - Analyst

Thanks so much for taking the question. Can you please comment on phone monetization relative to desktop/tablet this quarter? Can we assume it made have degraded a bit on a relative basis simply because meta was reemphasized in certain cases on the desktop and IB more aggressively pushed out in the app? Thanks so much.

Ernst Teunissen - TripAdvisor, Inc. - CFO

Yes, it did degrade this quarter for the reasons that we outlined on the app. We have commented before that it's about a 30% monetization relative to the desktop. That degraded a little this quarter, but we think longer term we can continue to narrow that gap.

Perry Gold - MoffettNathanson - Analyst

Great. Thank you.

Operator

Nat Schindler, Bank of America.

Nat Schindler - Bank of America Merrill Lynch - Analyst

Yes, thank you for taking my question. So just to look at the basis, it looked like similar -- if you are 50/50 mobile and desktop as you say, that is up from I think a third last quarter, but let's just keep it at that for easy numbers. Is it roughly a 20% growth in mobile hotel shopper traffic and a near 20% decline in desktop? And if that's the case, is there any reason to suggest that that would stop that trend? Do you see this trend continuing?

Steve Kaufer - TripAdvisor, Inc. - President & CEO

Thanks, Nat. I think I may have ended up confusing folks a bit more. When I looked at the 50/50, in my mind, I was probably considering desktop versus other and so when you throw tablet in there, I think we probably are probably closer to 60/40 in traffic in terms of desktop plus tablet versus phone.

Ernst Teunissen - TripAdvisor, Inc. - CFO

Then if you look at hotel shoppers -- that's total users, hotel shoppers is a lower percentage of phone use. It's closer to 40% the other way, 40/60. But then we talked about the relative monetization, so if you look at it on a revenue basis, you can do the multiplications. On a revenue basis, the phone is a much smaller percentage.



Steve Kaufer - *TripAdvisor, Inc. - President & CEO*

So I don't think we've seen a meaningful shift in the growth of phone over the past several quarters. So I don't think we are looking at, just in terms of adoption from desktop. So we are not calling out any particular change in any trends.

Nat Schindler - *Bank of America Merrill Lynch - Analyst*

So you would expect in 2017 very similar desktop traffic shrinking at similar rates as mobile traffic growing?

Ernst Teunissen - *TripAdvisor, Inc. - CFO*

It's a little early to be specific about these trends for next year, but the trends that we have been seeing in terms of relative growth of desktop and mobile are likely to continue.

Nat Schindler - *Bank of America Merrill Lynch - Analyst*

Okay. Thank you.

Operator

Kevin Kopelman, Cowen and Company.

Kevin Kopelman - *Cowen and Company - Analyst*

Good morning. Can you give us any more color on your direct advertising cost plan for Q4? It looks like that line was up 5% year-over-year last quarter, but about 20% ex-TV. So how should we think about that as you anniversary TV? Thanks.

Ernst Teunissen - *TripAdvisor, Inc. - CFO*

We aren't giving any specific outlook for the fourth quarter. If you look at the year overall, we've had a fairly modest year-on-year increase in our paid traffic spend. As we were indicating in our commentaries about 2017, going into 2017, we may lean in a little bit more on paid traffic.

Operator

Naved Khan, Cantor Fitzgerald.

Naved Khan - *Cantor Fitzgerald - Analyst*

Thank you very much. Just a little bit of clarification on your last answer. Are you also thinking of going back on TV for advertising? And then I have a couple of follow-ups.



Ernst Teunissen - *TripAdvisor, Inc. - CFO*

Yes, when we stopped on TV about a year ago, we said we would pause in 2016 and then reassess going into 2017. We are still in that phase where we are reassessing, so I don't want to make any comments yet about where we are going to come out there. On TV, it's one of the options that we have been considering throughout the year for next year.

Naved Khan - *Cantor Fitzgerald - Analyst*

Okay. And then I'm just trying to do my math here and just want to make sure I'm doing it right. If I look at the deferred revenue, it looks like last quarter you did benefit from some deferred revenue from the prior quarter. How did that affect the monetization metric, if it did?

Ernst Teunissen - *TripAdvisor, Inc. - CFO*

So if you look at revenue recognition and the impact of that, we've been describing that we have a seasonal impact of deferred revenues and it is impacting different parts of our business. If you look at the difference between bookings and recognized revenue across all our businesses for the quarter, it was a year-on-year tailwind of about 2% growth. If you look at currency, that was about a 2% headwind, so those two impacts netted each other out for the quarter.

Naved Khan - *Cantor Fitzgerald - Analyst*

Okay, great. And then one last question. Steve, maybe you can answer this, but do you think additional -- if another player maybe like an Expedia to Instant Book can further improve the monetization, or are you at a point where you think that the impact would be very, very marginal?

Steve Kaufer - *TripAdvisor, Inc. - President & CEO*

I do believe the more partners that we have globally on the platform enables us to offer -- if the partner has better pricing some of the time, it allows us to offer better pricing to our travelers. When we have better pricing, we have a higher conversion rate. So in that sense, a partner the size of Expedia is likely to have better pricing some of the time, so that would help our conversion rate and therefore help us financially.

Naved Khan - *Cantor Fitzgerald - Analyst*

Thank you.

Operator

Douglas Anmuth, JP Morgan.

Douglas Anmuth - *JPMorgan Chase - Analyst*

Thanks for taking the question. Steve, relative to a couple of years ago, has anything changed in your view of what Instant Book can do for the Company over the long term and is it just on a different timeline perhaps than what you may have originally anticipated? Is there any view you can share on when you think Instant Book in the US can become revenue-accretive? Thanks.



Steve Kaufer - *TripAdvisor, Inc. - President & CEO*

So it's a great question and we've thought about it a fair amount internally and we continue to believe pretty passionately that we are on the right path with Instant Book. If you look at our total usage of TripAdvisor and the site and of course, the app, in market, and the loyalty, and the appreciation, the trust we have from our users globally, yet the business model is based upon doing all that -- was based upon doing all that -- and then sending folks off somewhere else to book and we were missing all of the easy bookings or all of the opportunity to be the app that someone opens when they are ready to book something.

And so with Instant Book, we've addressed that. It's absolutely taken longer than we thought, but it is a multi, multi-billion dollar opportunity as we've explained before as we can close the gap between us and what a typical online travel agency generates in terms of revenue from these travelers. It's a huge win for us. The thing that's clearly been harder -- that's taken longer than we thought -- has been the changing of the consumer perception, so that they do or they would open up the app or come right back to the website when they are ready to finally book, versus go to where they are familiar with. But, as we say, we see the green shoots. We see it happening and we had projected it would happen sooner, but we still like what we see and we are very comfortable we are on the right path.

Ernst Teunissen - *TripAdvisor, Inc. - CFO*

And to the second part of your question, we believe we are now at breakeven on desktop in the US. We've made excellent progress I described before. Conversion improvements again this quarter year-on-year on IB. Outside of the US, we are still some way away since we just rolled out earlier in the year, but again there, we believe over the longer term, we can break even and then make it accretive to the whole business over time.

Douglas Anmuth - *JPMorgan Chase - Analyst*

Just to follow up, Ernst, when you say you're break even, you are saying you are essentially at revenue parity now with what you've moved to Instant Book versus what you were doing before with meta?

Ernst Teunissen - *TripAdvisor, Inc. - CFO*

Yes. And I say we believe because it's not an entirely scientific way of answering that question. We've made a lot of changes and it's difficult to completely assess what the like-for-like would've been if we hadn't made the changes, but based on all of the indicators that we do have and the analysis that we do have, we believe currently IB is neutral to the overall economics.

Operator

Jed Kelly, Oppenheimer.

Jed Kelly - *Oppenheimer - Analyst*

Great. Thanks for taking my question. On Viator, it looks like online bookable activities is in the single digit percentages of the 730,000 activities on your sites. What's been the biggest headwind for tour operators not joining online bookable and are there certain types of activities or tours that are adopting the online channels faster?

Steve Kaufer - *TripAdvisor, Inc. - President & CEO*

I don't think there's a single objection. We have an awful lot of attractions. It still takes some effort to onboard in each and every one and so we go after the ones that we think consumers want to book the most. As I am sure you are aware, many of the attractions are government-owned. They don't have an ability for us to do an instant electronic ticketing so for that, we have to wait for their use of technology to catch up. That will be a



while. I don't view our attraction business though as being -- or growth in our attractions business right now -- to be particularly limited by supply connectivity. Obviously, the more supply we have, the faster we will grow, but we've done a phenomenally good job of aggregating up supply and now I think the big challenge is to put it in front of people on a timely basis, and otherwise get the kinks out of that system.

Ernst Teunissen - *TripAdvisor, Inc. - CFO*

If you look at our prepared remarks, we noted that supply grew 70% year-to-date and number of partners 60% year-to-date. We continue to believe that this is a great opportunity for us to grow in a very fragmented market.

Jed Kelly - *Oppenheimer - Analyst*

Thank you.

Operator

Scott Devitt, Stifel.

Scott Devitt - *Stifel Nicolaus - Analyst*

Hi, Steve. It's understandable why the user experience and monetization have evolved as your traffic has shifted from desktop to mobile. In terms of just better understanding -- this is a follow-on I suppose to Doug's question -- whether this was done from a position of strength or weakness. I'm wondering whether you think the business will be better in a mobile environment at some point in time versus desktop in financial terms, or if it's possible that the business model was optimized for desktop and that it's proving, as you make this transition, to be difficult to replicate that monetization? Thank you.

Steve Kaufer - *TripAdvisor, Inc. - President & CEO*

I think the switch to mobile, the move to mobile may be a short-term headwind for us as we monetize less, but it's something that is almost tailored towards where we are extremely strong, which is the -- in destination marketplace. So I can't quote specific numbers I suppose, but we have way more people using the TripAdvisor app when they are on the road.

As you look to an app environment, we would suspect people would be using fewer sites and if that app-first world comes to be, we would like to think you will have to have TripAdvisor on your phone because we are the app that is going to be used in market. So long as you know of us as a place to book, then we are going to earn our fair share of your bookings.

So I think as an opportunity, the app is, or the mobile environment, phone environment is fantastic. We've been focused to a decent degree on making sure that that full experience is a solid one, not just the bookings piece and I think that helps differentiate us from the other travel apps you might have on your phone so that we can continue to win the hearts and minds of travelers.

Scott Devitt - *Stifel Nicolaus - Analyst*

Thanks, Steve.

Operator

Brad Erickson, Pacific Crest Securities.



Brad Erickson - *Pacific Crest Securities - Analyst*

Thanks for taking my questions. I guess just first on Instant Book, are there any other platform or technology investments broadly that need to be made in order to make Instant Book the destination that you want it to become in the future, or do you think you are now really equipped in order to drive the model transition that you've got mapped out over the next couple of years? Thanks.

Steve Kaufer - *TripAdvisor, Inc. - President & CEO*

I think we always have to put the lens of the consumer on when we try to answer that question and right now, I think every time you look at the Instant Book offering and you don't see that it's at least as good a price as where you'd find elsewhere on the Web, when you look at the room descriptions and the photos and you see that they are not quite as good as what you can find on another site, that's an opportunity for improvement that we have to do in order to win conversion on that site.

And I think if you look at the magical secrets of the other agencies selling hotels on the Web, you will find that attention to detail; making sure the consumer has the best possible price, the best selection of rooms, the content, the photos, and we are in some part dependent upon our partners, our OTA and our supplier direct partners for that. So having more partners onboard, well-implemented, will improve all of those things, including our meet, beat, lose rates. And, to be clear, our meet, beat, lose rates have been improving over the past 12 months and that's part of the reason why we've seen an uptick in conversion.

But I think it will -- there's no one big thing we are missing, one big technology investment we are missing, but I think we would forecast out steady improvement in Instant Book because of the additional supply partners that we will continue to add for a long, long time. And I say for a long, long time in part because there is hundreds of thousands of independent hotels out there that want to be on our platform that we would like to have on our platform that we haven't gotten to yet.

Brad Erickson - *Pacific Crest Securities - Analyst*

Got it. That's helpful. Could you just provide the portion of bookings that you're getting from directly-linked hotel inventory versus booking.com? Thanks.

Steve Kaufer - *TripAdvisor, Inc. - President & CEO*

We don't give out that percentage, but you do have to appreciate that in order to try to teach users that they can book on TripAdvisor, we want to be able to offer the widest selection in as many languages, in as many markets as we can and booking.com and Agoda and Priceline brands in general have been really great partners for us on this and so the percentage of bookings that an independent hotel, even a popular one in the United States can provide, just pales in comparison to what that partnership delivers for us day in, day out. So we don't share specifics, but I can tell you the folks with the biggest supply footprint in the most languages are clearly the ones that get the most bookings.

Operator

Thank you. (Operator Instructions). Heath Terry, Goldman Sachs.

Heath Terry - *Goldman Sachs - Analyst*

Great. Thanks. Just wondering if you could give us a sense -- I know you don't generally go into sources of traffic, but given the changes that Google has been making, particularly to organic placement, to what degree we should be taking that headwind into account when thinking about hotel shopper growth.

And then looking at the Priceline, Expedia participation, it would seem that the international side seems to be where the gap is widening the most between the two. How much of that is a function of Instant Book versus maybe some other factor that we are not seeing there?

Steve Kaufer - *TripAdvisor, Inc. - President & CEO*

So I wouldn't really say there's anything new on the Google organic front, the search results. It remains a headwind. It's been that way for many, many years now as Google continues to put their owned and operated placements ahead of what users are looking for in terms of the regular organic search results. We've grown accustomed to it and we are running our business accordingly.

To the second question on Priceline, I would have to really defer to them in terms of whether our Instant Book could be having a bearing on their business. Point out that they have a really big international business, so impact from us -- we have no visibility, or little visibility, so I can't really say.

Heath Terry - *Goldman Sachs - Analyst*

Okay. Thank you.

Operator

Brian Fitzgerald, Jefferies.

Brian Fitzgerald - *Jefferies & Co. - Analyst*

Thanks, guys. Phase three of your plan, improving the shopper experience, maybe boils down to near term monetization trade-offs to drive long-term engagement and habit, so maybe more of a top-line management dynamic there versus phase four, which is earning trust as the booking site of choice, which I think involves more marketing email campaigns, push notifications, promotions. Maybe call that more OpEx management. Is that the way to think about it? Does phase four involve more granular degrees of adjustments and fine tunings on the dials versus phase three? Is phase four more real-time levers? Can you give us some color there?

Ernst Teunissen - *TripAdvisor, Inc. - CFO*

Yes, Brian, the way we think about the phase three versus phase four is phase three is really about a lot of optimization of the product, and we are very focused on that at the moment; improving the conversion flow; improving how and when we market IB versus meta; making sure we have excellent improvement in meet, beat, lose, which we, by the way, are continuing to improve. We continue to improve the percentage where we have room prices in IB that at least meet the price in meta. So that's a very operational, product-oriented focus that we have.

The fourth phase is really about changing user perception. We have traditionally been seen by users as a site that is great as a starting point to go to reviews and to plan your trip. Increasingly, we are communicating to our users that we are also a great place to book and that is taking time. That is a repositioning of the brand perception that we have. So that's much more oriented towards how do we communicate that improved offer to our users, which is partly done on our site and it's partly done by communicating with users that have been on our site before. More of a communication opportunity. Phase three, more of an optimization -- product optimization opportunity.

Brian Fitzgerald - *Jefferies & Co. - Analyst*

Great. Thanks, Ernst.



Operator

Nat Schindler, Bank of America.

Nat Schindler - *Bank of America Merrill Lynch - Analyst*

Quickly, I don't know if you said anything on this -- I didn't hear it. How much revenue was shifted into Q3 from Instant Book revenue recognition policy change, or effective change?

Ernst Teunissen - *TripAdvisor, Inc. - CFO*

We've not made a specific breakout. I did say earlier on the call that the year-on-year impact of revenue recognition, the impact on the year-on-year growth was 2% overall. That impact is actually the highest for our vacation rental business, where we discussed earlier in the year, we've had a shift to more and more transactions that get recognized on stay. So that 2% is an overall number. We've not broken it out further, but it's lower for the hotel segment and higher for the non-hotel segment.

Nat Schindler - *Bank of America Merrill Lynch - Analyst*

Okay.

Operator

Thank you. And I would now like to turn the call back to TripAdvisor's Chief Executive Officer, Mr. Steve Kaufer, for any closing remarks.

Steve Kaufer - *TripAdvisor, Inc. - President & CEO*

Okay. Well, thanks, everyone, for joining the call and I want to thank all of our employees around the globe for their continued hard work. We look forward to updating you on our progress next quarter.

Operator

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

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