<table>
<thead>
<tr>
<th></th>
<th>Q2 2022</th>
<th>Q2 2021</th>
<th>Q1 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$417M</td>
<td>$235M</td>
<td>$262M</td>
</tr>
<tr>
<td>Net Income / (Loss)</td>
<td>$31M</td>
<td>$(40)M</td>
<td>$(34)M</td>
</tr>
<tr>
<td>Adjusted EBITDA (1)</td>
<td>$109M</td>
<td>$25M</td>
<td>$27M</td>
</tr>
</tbody>
</table>

(1) Consolidated adjusted EBITDA is a non-GAAP profit measure and is defined as net income (loss) plus: (1) provision (benefit) for income taxes; (2) other income (expense), net; (3) depreciation and amortization; (4) stock-based compensation and other stock-settled obligations; (5) goodwill, intangible asset, and long-lived asset impairments; (6) legal reserves and settlements; (7) restructuring and other related reorganization costs; and (8) non-recurring expenses and income. See “Use of Non-GAAP Financial Measures.”
Letter to Shareholders

We are extremely pleased with our results in the second quarter of 2022, which mirror the strength we saw as leisure travel continued to return, and are also a testament to the strong execution of the team. We saw strong performance across our experiences offerings, and European travel saw a strong uptick. Across all our offerings, our trusted brand and rich content helped millions of travelers research trips, find the right accommodations and experiences, and choose where to dine.

These factors resulted in consolidated results this quarter at nearly 2019 revenue levels. We saw a steep sequential pickup in our Tripadvisor Core segment. We saw the strongest recovery across our Viator and TheFork segments, exceeding 2019 revenue levels across those segments in the quarter. In addition to our top line performance, our results exemplify the flexibility that our profit profile provides—with our very profitable Tripadvisor Core offerings able to fund investment in building out long-term revenue growth across the business.

Although travel is possibly also impacted by the macro trends of inflation and consumer sentiment, we point out that travel and our business have performed strongly throughout Q2 and the recovery versus 2019 has continued regardless of any macro factors. In fact, we anticipate revenue to continue to improve versus 2019 in Q3.

Finally, we are introducing new segments this quarter, which we believe better present our businesses. Starting this quarter, reportable segments within Tripadvisor, Inc.’s consolidated results include: 1) Tripadvisor Core, 2) Viator, and 3) TheFork. We believe this segment presentation will be helpful to investors given the strong P&L leadership in place, distinct growth and profit margin profiles between Tripadvisor Core segment and our faster growing Viator and TheFork segments, and unique business models. We also believe that the additional details and insight will help better present the potential for unlocking value.

To ensure that investors have a basis for comparison, we have provided supplemental information, including a re-cast of quarterly segment revenue and segment adjusted EBITDA starting in Q1 FY2019, posted concurrently with this shareholder letter, as well as in the supplemental financial information file, posted to the Investor Relation section of our website at http://ir.tripadvisor.com.
Second Quarter 2022 Consolidated Financial Results

Second quarter revenue was $417 million, growing 77% year over year, and reaching 99% of 2019 levels. Revenue recovery was driven by strong performance in our Viator and TheFork segments, as well as in Tripadvisor-branded hotels revenue. We saw continued improvements in each month of the quarter. Revenue in Q2 2019 included approximately $13 million, or 3% of Q2 2019 revenue, related to SmarterTravel and China businesses, which no longer contribute to revenue.

Trends since the same period a year ago have improved significantly, and are at nearly double the recovery levels seen in Q2 2021. A year ago, Europe was still significantly behind the U.S. across key revenue streams such as hotel auction, and as a destination in experiences, as well as in metrics such as unique users, hotel shoppers, and cost per click. We were pleased to see Europe close the gap with the U.S. this quarter in recovery rates across these metrics. Recovery in experiences continues to stand out with revenue well above 2019 levels the last two quarters in Viator, and with increased bookings to European destinations.

We are subject to fluctuations in foreign currency, primarily with the EUR, which declined this quarter against the USD. We estimate that in Q2 2022, changes in foreign currency were a headwind of approximately 9 percentage points of revenue growth versus Q2 2021.

Net income for Q2 2022 was $31 million, compared to a net loss of $40 million in the same period a year ago.

Consolidated adjusted EBITDA in Q2 2022 was $109 million, or 26% of revenue, as compared to adjusted EBITDA of $25 million, or 11% of revenue, in Q2 2021.

The improvement in net loss and consolidated adjusted EBITDA was driven primarily by increases in revenue, which more than offset increases in marketing expense and higher fixed and discretionary costs in Q2 2022 when compared to Q2 2021. Year over year, we also had a
benefit of approximately $11 million related to a COVID-19 subsidy payment in TheFork segment in Q2 2022.

We ended the quarter with $1.05 billion in cash and cash equivalents.

### Tripadvisor Core Segment

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

All revenue contributors to the Tripadvisor Core segment saw improvement from Q1 2022 as a percent of 2019. Tripadvisor branded hotels revenue, which was 89% of 2019 levels, and Tripadvisor experiences and dining revenue, which was 117% of 2019 levels, saw the strongest improvements from last quarter. Display and platform revenue also had solid performance at 86% of 2019 levels. We believe our results demonstrate that our brand is well-positioned in the marketplace and we continue to see opportunities to further fortify our offerings in the future.

In Q2 2022, Tripadvisor Core segment revenue was $274 million, reflecting year over year growth of nearly 50%, and reaching 84% of 2019 levels. Revenue in Q2 2019 included approximately $13 million, or 4% of Tripadvisor Core segment revenue, related to SmarterTravel and China businesses, which no longer contribute to revenue.

Adjusted EBITDA in the Tripadvisor Core segment in Q2 2022 was $116 million, or 42% of segment revenue compared to $49 million, or 27% of segment revenue in Q2 2021. Year over year, Tripadvisor Core segment adjusted EBITDA benefited from significant improvements.
in revenue, which offset the increases in online traffic spend year over year. Notably, at 42% of segment revenue in Q2, segment adjusted EBITDA margin exceeded pre-pandemic margins for the same period in 2019.

**Tripadvisor Branded Hotels**
Our branded hotels revenue stream, which includes our hotel auction and B2B subscription offerings, grew 44% year over year, reaching $188 million, or 89% of 2019 levels, a pick up from 63% of 2019 levels in Q1 2022.

In our hotel auction, we’ve seen continued improvement across geographies, picking up strongly from last quarter. Europe in particular saw a steeper sequential improvement, and narrowed the gap with the U.S. in Q2. Rest of World continues to lag, though it also saw a steep improvement sequentially.

Our Hotel B2B revenue stream also increased sequentially as a percent of 2019 levels. We expect to see some improvement in Hotel B2B in the 2H of the year, though we expect this to continue to lag the rate at which hotel auction is recovering. This lag has been due in part to the ramp of our salesforce, which we have been working to improve.

**Display & Platform**
Display & Platform continues on its path to recovery. Revenue in Q2 2022 was $37 million, reflecting 42% year over year growth and reaching 86% of 2019 levels. We believe our trusted brand and reach are advantages we can better leverage as we continue to work with both endemic and non-endemic advertising partners. Given our position in the ecosystem, and insight into travelers and trends, we see an opportunity to help our partners as they seek to drive strong return on their spend.

**Tripadvisor Experiences & Dining**
Revenue in our Tripadvisor point-of-sale (POS) experiences and dining was $35 million in Q2 2022, or 117% of 2019 levels.
Revenue from Tripadvisor experiences is derived primarily from intercompany (intersegment) marketing fees paid by Viator to Tripadvisor for experiences that originated on the Tripadvisor POS and fulfilled by Viator, and is eliminated on a consolidated basis. The recovery in this revenue stream also reflects the demand for experiences and the higher-growth nature of this category of travel. Revenue that came through this channel exceeded 2019 levels in Q2 2022. Our Tripadvisor dining revenue, which is primarily revenue from marketing to restaurants and diners, including advertising revenue, also exceeded 2019 levels in Q2 2022.

**Other**

Revenue from other offerings, which includes cruises, rentals, flights, and cars, was $14 million, or 33% of 2019 levels. In Q2 2019 we had approximately $13 million in revenue related to the SmarterTravel and China businesses, which no longer contribute to revenue, and were 30% of Q2 2019 Other revenue. Other revenue has also seen significant impact of the pandemic in some of these offerings, such as cruises, the de-emphasis in marketing across others, such as our rentals and flights offerings, restructuring activities, and the subsequent sale of SmarterTravel in 2020.
Viator Segment

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

In Q2 2022 revenue in our Viator segment was $136 million, reflecting year over year growth of 240% and reaching 160% of 2019 levels. As in other parts of the business, Viator revenue saw month over month improvements within the quarter. We also saw a return across geographies throughout the quarter, and particular strength in bookings for European destinations as travel between North America and Europe picked up.

Starting in Q3 2021, the revenue recovery in Viator began to accelerate at a relatively fast pace. Revenue generated from the Viator point of sale has shown the strongest performance across our business. The step up in revenue from $56 million last quarter was driven by seasonality and what we believe to be a combination of pent up demand for travel, the secular shift as the experiences travel category expands and moves online, and our efforts to grow our competitive position.

Turning to metrics, gross bookings value (GBV) was approximately $800 million, or approximately 186% of 2019 levels. Year over year, GBV grew approximately 164% from approximately $300 million in Q2 2021. GBV is reported at the time of booking and is gross of cancellations, whereas revenue is recorded at the time of the experience, and is net of cancellations. Year over year, cancellation rates are flat, but remain higher than pre-pandemic cancellation rates.

Despite significant ongoing growth investments in Viator, in Q2 2022 our adjusted EBITDA margin improved versus the same periods in 2019 and 2021. As we noted last quarter, Viator on a standalone basis operated at an adjusted EBITDA loss through 2020 and 2021, and as revenue has benefitted from the recovery, so has adjusted EBITDA. The majority of expenses in Viator continue to be in sales and marketing, including
inter-company affiliate marketing fees to Tripadvisor Core and third parties.

We remain excited about the opportunity in Viator. The business operates in a large global market, which is estimated to be over $250 billion in gross bookings by 2024 bookings\(^1\). The vast majority of this opportunity is booked through traditional, offline sources, with approximately 20% of these gross bookings booked online\(^1\), which is significantly lower in penetration relative to online bookings in categories such as air or hotels.

On the demand side, we continue to see good opportunities to bring customers to our platform at attractive economics. Our unit economics are further enhanced by consistent revenue retention rates, which we believe will position us to build a large base of repeat revenue, with low marketing costs. As such, we are focusing our investment on both acquiring new users and driving better retention rates.

On the supplier side, we work with approximately 50,000 operators, the majority of whom are micro-businesses. The Viator platform provides a channel for them to reach more customers through Viator and our partners. We also see an opportunity to drive more value for them, whether through our marketing programs targeted at improving their listings, or with our software solutions.

We see our position as key to our ability to capture more market share—the confluence of travel, content, online booking capabilities, and guidance, combined with relationships with thousands of operators, creates a marketplace dynamic that is resulting in high growth. We expect to continue to invest in marketing, including in discretionary brand spend in the second half of 2022.

We continue to believe there are multiple opportunities to crystalize value with this very strategic market leader in a rapidly growing category of travel given the ample opportunity to build and scale our traveler and operator base, technology, and brand awareness.

\(^{1}\) Arrival, Phocuswright
TheFork Segment

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

TheFork revenue is primarily European based, with operations in all major European markets. Revenue in TheFork reached $32 million in Q2 2022, growing 78% year over year, and reaching 103% of 2019 levels. In the same period a year ago, restrictions were still largely in place in Europe but, since then, as we’ve seen restrictions relax, we’ve also seen the direct benefit to revenue as diners returned to restaurants.

Changes in foreign currency negatively impacted Q2 2022 revenue due primarily to the decline of the EUR against the USD. We estimate that in Q2 2022, changes in foreign currency were a headwind of approximately 22 percentage points of revenue growth rates versus Q2 2021, and estimate that revenue recovery rates versus 2019 would have been approximately 5 percentage points higher.

The number of bookings at TheFork grew 89% year over year and reached 118% of 2019 levels.

Adjusted EBITDA loss in Q2 2022 was $7 million. During the quarter, our investment in marketing picked up with our pan-European seasonal campaign, TheFork Festival. As noted last quarter, pre-pandemic, sales and marketing was the largest component of costs and remains so today. As restrictions have eased and dining has begun to return to pre-pandemic levels, we have increased investment in marketing, including in brand building in certain European markets. This quarter, this increased spend was also offset by the benefit of approximately $11 million of COVID-19-related government subsidies.

As a reminder, revenue at TheFork is primarily earned through per-seated diner charges paid by restaurants. These relationships and sign-ups with restaurants are driven through a salesforce that introduces restaurants to the value proposition of doing business with TheFork,
as we drive diners to them through TheFork app and website. Expanding our supply of restaurants enables us to drive more seated diners and therefore revenue. With a market opportunity of over 500,000 restaurants in our top five countries alone\(^2\), we see room to continue to create value for restaurateurs.

For potential diners, we offer a reservations platform that provides visibility into most restaurants, including menus and pricing information, reviews, as well as the ability to reserve a seat. In addition to access directly through the app, we drive reservations through our own desktop site, search partners, and other websites. For travelers using the Tripadvisor site to reserve a table, TheFork pays an affiliate marketing fee for the booking to Tripadvisor, which for segment reporting purposes is shown as Tripadvisor revenue and is then eliminated on a consolidated basis.

We’ve seen strong growth driven opportunities in expansion of our value proposition on both the restaurant supply and diner demand side. For TheFork, 2022 is a year of significant investment versus 2019. We are making investments in our technology stack and funding strategic areas such as TheFork Pay. We believe these investments will have attractive returns post-2022. We also continue marketing investment with a strong lifetime value to cost of acquisition profile.

As a result, this fiscal year, we expect that growth in variable and fixed and discretionary costs will outpace revenue recovery relative to pre-pandemic levels. Given this investment, we expect our losses in this segment to continue in the near future; however, we expect to drive significant adjusted EBITDA margin improvement in 2023. We believe these investments will fortify our position in Europe and drive an innovative agenda to drive future growth.

\(^2\) Euromonitor March 2021
Outlook
(As a reminder, we endeavor to be as accurate as possible with our forward-looking commentary; however, a number of factors outside of our control can limit our visibility into future financial performance and can cause our results to vary materially from our current expectations.)

Our performance in Q2 was excellent and we were pleased to nearly reach 2019 revenue levels on a consolidated basis earlier in the year than anticipated. We’ve seen steady, improving momentum since February. The last two quarters, demand has been strong, and we’ve exceeded our own expectations. To date, we have not seen signs of slowdown from macro pressures. Visibility has been improving, but is still uncertain.

Like many in the travel industry, we have seen that consumers were still spending on travel, despite some of the macro uncertainties, the geopolitical atmosphere, and even lingering COVID-19 flare-ups. However, as we embark on the 2H, it’s difficult to predict the probability, or the magnitude, of macro weakness, or of currency movements, and how they might impact the 2H of 2022 and the start of 2023.

Despite these factors, we expect modest improvement from Q2 recovery levels across segments, and flattening in the 2H, partly driven by the impact of currency.

For 3Q, we expect:
- Consolidated revenue higher than 2019 by low- to mid-single digit percentage points
- Consolidated adjusted EBITDA margin of the low- to mid-20s as a percent of revenue

We expect a seasonal step down in consolidated adjusted EBITDA margin in Q4 versus Q3. In addition, in 2H we expect to partly reinvest the Q2 2022 COVID-19 related benefit in TheFork.

We are very pleased with our 1H performance and the recovery trend. Our reinvestment plans remain in place given the returns we have seen to date in revenue and our desire to scale our high growth businesses for the future. We are also excited about the value we continue to drive for travelers across all of our brands and offerings. We look forward to our next update.
Earnings Webcast

Tripadvisor management will host a conference call to discuss results as well as forward-looking information at 8:30 a.m. ET on August 5, 2022. The link to the live webcast, as well as the audio replay, will be made available on Tripadvisor's Investor Relations website at http://ir.tripadvisor.com.

Investor relations contact
ir@tripadvisor.com

Media contact
uspr@tripadvisor.com

Forward-Looking Statements

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

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

Use of Non-GAAP Financial Measures

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

We encourage investors to review our earnings press release as it contains important
information about our financial results, including tabular reconciliations to the most directly
comparable GAAP financial measure, definitions, limitations and other related information
about these non-GAAP financial measures. We have not reconciled consolidated adjusted
EBITDA guidance to projected consolidated GAAP net income (loss) because we do not
provide guidance on GAAP net income (loss) or the reconciling items between adjusted
EBITDA and GAAP net income (loss), as a result of the uncertainty regarding, and the potential
variability of, certain of these items. Accordingly, a reconciliation of the non-GAAP financial
measure guidance to the corresponding GAAP measure is not available without
unreasonable effort.

The earnings press release in addition to other supplemental financial information is
available on the Investor Relations section of our website at http://ir.tripadvisor.com/. The
earnings press release is also included as Exhibit 99.1 to our Current Report on Form 8-K as
furnished to the SEC on August 4, 2022, which is available on the Investor Relations section of

Key Business Metrics & Definitions

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

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

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

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


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

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

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

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

OTHER PARTICIPANTS

Naved Khan  
Analyst, Truist Securities, Inc.

Richard J. Clarke  
Analyst, AB Bernstein

Lloyd Walmsley  
Analyst, UBS Securities LLC

Mario Lu  
Analyst, Barclays Capital, Inc.

James Lee  
Analyst, Mizuho Securities USA LLC

Deepak Mathivanan  
Analyst, Wolfe Research LLC

Ronald Josey  
Analyst, Citigroup Global Markets, Inc.

John Colantuoni  
Analyst, Jefferies LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good day, and thank you for standing by. Welcome to the TripAdvisor Second Quarter 2022 Conference Call. At this time, all participants are in a listen-only mode. After the speakers' presentation, there will be a question-and-answer session. [Operator Instructions] Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your speaker today, Angela White, Vice President of Investor Relations. Please go ahead.

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

Thank you, Michelle. Good morning, everyone, and welcome to TripAdvisor's second quarter 2022 financial results call. Joining me today are Matt Goldberg, President and CEO; and Ernst Teunissen, CFO and Chief Executive of Viator, TheFork and Cruise Critic.

Last night, after the market closed, we distributed and filed our earnings release and made available our Shareholder Letter on our IR website. In the release, you'll find reconciliations of non-GAAP financial measures to the most comparable GAAP measures discussed on this call. Also on our IR website, you'll find supplemental financial information, which also includes reconciliations of certain non-GAAP financial measures discussed on this call as well as other metrics.
Before we begin, I'd like to remind you that this call may contain certain estimates and other forward-looking statements that represent management's views as of today, August 5, 2022. TripAdvisor disclaims any obligation to update these statements to reflect future events or circumstances. Please refer to our earnings release as well as our filings with the SEC for information concerning factors that could cause actual results to differ materially from these forward-looking statements.

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

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

Thank you, Angela. Good morning, everyone, and thanks for joining us today. I'm excited to be here. I've been looking forward to my first earnings call with TripAdvisor. It's an exciting time to join this iconic company, given the travel environment over the last few years, the trajectory of recovery in the sector, the return of the leisure traveler and the potential to serve consumers in new and unique ways as they look to satisfy their growing demand to get out and experience the world.

As you read in the Shareholder Letter, we had a strong quarter. Our Viator experiences-focused offer stood out in its pace and level of recovery at 160% of 2019 levels. TheFork achieved 103% relative to 2019, and the recovery in our Core TripAdvisor hotels offering improved at 89% in the quarter, up from 63% last quarter.

Since this is my first call as CEO, I wanted to take a step back from the quarterly results and share some high-level perspectives and reflections from my first 30 days, including why I wanted to return to the travel sector and the opportunities I saw at TripAdvisor.

I am personally passionate about travel and the meaning it brings to us all, by opening us up to different cultures and perspectives and the higher purpose that it serves by reminding us how much we all have in common at our Core. The travel industry has always captured my professional attention as a category ripe for innovation and growth. The size of the market is massive and the sector continues to go through constant change, marked by an evolution in the democratization of travel information and distribution.

This creates a compelling opportunity to re-imagine the consumer experience by solving problems in what is often a fragmented and frustrating ecosystem. When TripAdvisor launched back in 2000, it introduced a unique and disruptive offering to the market that pioneered a new way to enable travelers to decide where they want to go and discover trusted resources to make it happen.

The TripAdvisor I joined today is fortunate to have a strong and stable foundation and an enduring set of assets: our trusted brand, a large global audience, a scalable content model, a rich set of data and passionate teams committed to our future. It sits squarely in the category of experiences over material consumption, a secular trend that we can expect to continue.

My mission, simply stated, is to make sure we continue to evolve the company so that we can serve travelers, diners and experience-seekers for decades to come. While I recognize that we operate in a competitive space, with external pressures, there are a number of advantages that attracted me to the opportunity.

First, TripAdvisor is a company that I have long-admired, both as a traveler and as travel industry executive. I saw the opportunity to follow a visionary founder and identify new ways we can be disruptive by reimagining the future of travel at a time when consumers are looking for trusted guidance.
I also looked at the company's portfolio. We have a collection of diverse assets in Viator and TheFork as well as Core TripAdvisor that allow us to participate across travel experiences and business models. As the pace of change increases, this can play a meaningful role in how we serve consumers in unique and seamless ways.

Given my background in digital media, something that jumped out to me is truly differentiated and valuable at TripAdvisor is the community of like-minded people, actively contributing content to help their fellow travelers make the most of every experience.

This has created the world's largest travel guidance platform, built on a relationship of trust, with over 1 billion reviews and hundreds of millions of visitors every month. With this scale, I was also energized by the potential of our data assets to create a better experience for consumers and enable all areas of the company.

Having spent a number of years leading advertising, content and commerce businesses enabled by data, I'm confident that our data can help us drive deeper consumer insight and higher levels of engagement, create further operational agility, as well as identify meaningful commercial opportunities.

Perhaps most importantly, one final attribute that attracted me to TripAdvisor was the culture and people. TripAdvisor has a culture that attracts talent with a passion for purpose and a highly-skilled, knowledgeable and capable team. Over the past months, I've enjoyed spending time with teams across the organization and just wanted to say thanks for welcoming me with such enthusiasm.

At this early point in my tenure, I can say that my excitement for the opportunity in front of us has only grown stronger, and I'm looking forward to rolling up my sleeves, engaging with our talent and charting our course for the future. One area of clear focus is driving stronger and more effective execution.

In the coming months, we will align our strategy, operating model and teams, to deliver against our goals in a structured and rigorous manner. I expect to empower our leaders and their teams to ideate, execute and enable every employee to do their best work.

I believe that building a foundation of trust with all our employees and stakeholders is critical, as we set the framework for our future together. I'm also looking forward to connecting and collaborating with our customers, partners, industry peers, and shareholders to understand their perspectives and help us better serve consumers.

As we pursue our next phase of growth, we are well-positioned to build on our foundation, as we strengthen the essential role we play in the travel ecosystem. I will aim to be clear about our plans, communicate transparently as we go and identify milestones along the way. In the meantime, I look forward to meeting many of you soon and sharing more in the coming months.

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

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

Thanks, Matt, and welcome to your first earnings call with us. To echo Matt, we had an impressive quarter, and we are pleased with the continued demand recovery as well as the strong execution by our team.

I think the results speak for themselves. In addition to what Matt highlighted, we reached 99% of our 2019 revenue in Q2, a strong step-up from the 70% in Q1. And our adjusted EBITDA was $109 million or 26% of
revenue, both revenue and EBITDA exceeding our expectation. Free cash flow in the quarter was $282 million, and we had a little over $1 billion of cash on our balance sheet at the end of the quarter.

Despite the news flow on macro factors such as inflation, recession fears and consumer sentiment, travel has been and continues to be strong. While US travel strength continued, this quarter also saw Europe coming back very strongly. We saw a progressive improvement of revenue as a percentage of 2019 each month of Q2. And at this time, we expect to be able to report further improvement in Q3.

This expectation includes a currency headwind versus 2019 that we expect in the back half of roughly 4% impact on 2019 recovery and, within that, about 10% impact versus 2019 recovery for TheFork, whose revenue is, as you all know, is predominantly in Europe.

We covered a lot of specifics about drivers of performance in our Shareholder Letter, which we posted last night, so rather than go through all the specifics, I wanted to highlight a few salient points here.

Our new TripAdvisor Core segment has continued on its path to 2019 recovery, reaching 84% of 2019 revenue in Q2 and on-track to do better again in Q3. This is with about a 3% drag from revenue lines that were discontinued or no longer consolidated. I highlight that our hotel auction was about 100% of 2019 in the US and Europe, which is pleasing.

I also highlight that we are narrowing the gap with media and hotel B2B, two revenue streams that we have reported in the last quarter as slower to recover. We expect these revenue streams to progressively do better and ultimately intersect with their pre-pandemic trajectory, although our hotel B2B business may not get there this year.

While we're pleased with our performance and the recovery trends, we believe that the mix of our offers within TA Core, including our waiting to hotels rather than alternative accommodations and the slower recovery in B2B and media that I just mentioned, has been a relative headwind for Core TripAdvisor.

We're confident, however, that we have the levers to improve our performance going forward and believe that we have the assets within our portfolio to drive attractive and profitable growth for Core TripAdvisor. Notably, our Core TripAdvisor segment exceeded pre-pandemic EBITDA margin levels in Q2, even with revenues still trailing 2019, a testament to the fixed cost reductions we affected during the pandemic.

Our new Viator segment is showing remarkable growth – 60% growth versus 2019 in the quarter, 240% revenue growth year-over-year – and in Q3, we expect to improve our performance again. Despite a lot of growth investment, our adjusted EBITDA margin in this business slightly improved versus 2019 this quarter and improved strongly versus last year.

Our new TheFork segment also exceeded 2019 levels in Q2 and is set to improve again in Q3. Studies indicate that the European restaurant industry as a whole has not fully recovered yet, with fewer restaurant openings than in 2019 and staff shortages. This makes it all the more promising that TheFork, with its ability to drive more volume for restauranteurs, is exceeding 2019 levels already.

We have provided you with a series of documents, including a memo outlining the technicalities of our segment change, and the historical presentation of segment numbers that will provide a lot of the specifics. Let me just highlight the why of this change here.
First, the segments are a good reflection of how we are currently thinking about and managing our business. These three segment P&Ls – TripAdvisor Core, Viator and TheFork – reflect the true stand-alone economics, with market-based commercial agreements between them and overhead allocations. The segment reporting highlights that we managed Viator and TheFork for high growth and future rather than current margin. It’s also a reflection that we see great opportunity in managing brand TripAdvisor more holistically, around a central user experience, rather than in verticals.

Despite operating these segments as separate segments, we also derived significant benefit from the intersections. Viator and TheFork provide great and very strategic access to bookable supply for TripAdvisor Core, and TripAdvisor Core provides a significant volume of additional leads and demand to Viator and TheFork.

It's also our belief that by presenting these three segments this way, we have made it possible for investors to truly do a sum of the parts evaluation of TripAdvisor, something that was not as straightforward to do with the old segments. We continue to look at other ways to highlight the value of these businesses, in addition to segment reporting, as we have called out in previous quarters.

And although currently not yet demonstrating their profit potential as we invest in growth, we believe longer-term, both Viator and TheFork can reach EBITDA margins of 25% to 30%, given their strong gross margin profiles, potential for scale given their large TAMs, and attractive unit economics.

With that, I'll hand it over to the operator for questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] The first question comes from Naved Khan with Truist. Your line is now open.

Naved Khan
Analyst, Truist Securities, Inc.

Great, thank you. Just a couple of questions from me. On the – on Viator – maybe you can provide us some color on the repeat booking behavior that you’re seeing with the cohorts that you have acquired in the past one to two years. And maybe just on the branded ad campaign that you’re planning in the back half, how sizable is it going to be and what are the markets or geographies that you’re looking to target? And then I had a follow-up on the Core hotels.

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

All right. Good morning, Naved. Viator, yes, very pleasing performance there indeed. We’ve seen tremendous growth in the business continuing, and we were very, very pleased with that. The growth – the demand push we’re making, the branded demand push, which is the second part of the question – is that we are diversifying away from purely relying on SEM online channels towards also doing some branded. It’s not very TV-based, although it might be a little bit of TV-based question – investment – but there’s going to be a lot of other online, more branded-oriented investment.

I say that within the context of the guidance that we’ve given. So, we are reinvesting some of the overage that we’ve seen in the business. We’ve given some guidance for the third quarter of where we see profit come in. And
those trends will be continuing into the fourth quarter. So, within that envelope, you'll see those investments happening.

On the repeat economics, with Viator, we have been able to measure quite precisely and quite consistently over its history how our cohort has behaved, and that behavior has been ticking up consistently every year. And we feel great confidence in the data that we're getting.

What we're seeing is that increasingly we are able to trigger within the first 30 days repeat behavior, which is often just around the same trip, which is fantastic news, because that is really the power of in-destination offerings. So, we have already sold something, and either before the trip or during the trip, we sell a repeat transaction. But then in the first 12 months, we are successful in selling onward transactions as well. And then there is a lifetime value. There is, year two, year three, year four repeats.

Our investments that we're making in marketing are investing beyond that first transaction for that reason. We have stretched that to 12 months before, 18 months in the past periods. So, still attractive ROI from a beyond 18-month perspective, but loss-making immediately. But the unit economics support that very clearly. So, what you see in 2021 and 2022 that these marketing investments have a negative impact on EBITDA in the year itself, but have a very important tailwind. And we've seen that tailwind really come through this year in our repeat revenue and in our free revenue very, very clearly.

We still, attractively, across all channels, so, if I take the pay channels and the free channels. If we look at new consumers coming in across all those channels, we are immediately profitable. So, although our pay channels may not be profitable immediately, we have a lot of new customers that we acquire also through our app, through our site directly, through SEO and so on. On a blended basis, we're actually profitable immediately with new customers. So, these are powerful economics. They're very attractive. We keep improving them, and the team has been successful in improving them. And it's a main focus for us, and some of these brand investments are going to help with that.

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

Hey, Naved, it's Matt. I thought I might just add one thing. As you know, the Viator team has done a fabulous job reinforcing their market position and driving growth coming out of the pandemic. And one of the things that I'm really excited about is the way that they've shifted fixed cost into variable cost. And I'm a big believer in the power and value of brands and have made many brand investments in a number of my past roles.

I get excited about brands that have a loyal and passionate following, that can pioneer their industry and really stand the test of time. In fact, that's one of the reasons I was excited to join TripAdvisor. And I would just say that the Viator brand has a real opportunity to drive market leadership and continue to scale. So, being smart about how we make some of those investments and really thinking about the ROI of that investment is something that I'm excited that they're doing.

Naved Khan  
Analyst, Truist Securities, Inc.

Great. And the follow-up I had is on the Core hotel side and for you, Matt. So, on things like TripAdvisor Plus, which maybe like a year ago looked pretty exciting and then obviously, you guys have been kind of iterate and improve that offering. Any thoughts on how you see the potential for these kinds of offerings? And just what do you see that can be done better? And maybe just give us your take as you kind of look at it with a fresh set of eyes?
Matthew A. Goldberg  
President, Chief Executive Officer & Director, TripAdvisor, Inc.

Thanks, Naved. I appreciate that. And as I think many of you know, I'm a consumer-first executive. I really want to make sure that everything we do puts the traveler and the experience-seeker at the very center of everything we do. And in that context, a direct-to-consumer offering that offers clear traveler needs, with tangible benefits that consumers value, is a compelling opportunity, particularly when you have an audience of this size.

And as I learn about all the various aspects of the business, I understand that this was launched as an experimental model and it's still being tested. And while discounts in the offer are substantial and frequently cover the cost of the annual subscription, of course there have been some challenges to scale. And I recognize that the offering has not necessarily reached the milestones that might have been expected.

But of course I come from a subscription background in my time with Dow Jones and The Wall Street Journal, and so this is an area I plan to dive into. And I don't want to get ahead of myself on a timeline, but what I will say is that it'll be a priority area of focus as we dive into strategy.

Naved Khan  
Analyst, Truist Securities, Inc.

Thank you, Matt. Thank you, Ernst.

Operator: Please stand by for our next question. The next question comes from Richard Clarke with Bernstein. Your line is now open.

Richard J. Clarke  
Analyst, AB Bernstein

Good morning, Matt, nice to meet you. Welcome to the team. A couple of questions, if I may. Maybe I can just start with some slightly high-level thoughts of yours about I know you've only been there for a month, but do you think TripAdvisor needs dramatic changes? Does it need a change in strategy? Does it need new verticals to sell to its many customers? Or is it about execution? Do you believe the strategy is the right one but it just needs to be executed on?

And then maybe secondly, after a month in the business, what is your thought of the potential TripAdvisor? Would you be looking at this as a business that's going to be a high-growth business going forward? I guess it wasn't in a couple years pre-COVID, but can it be longer term? Or would you see this more as a business that can be more cash generative? What do you think the focus of the performance is going to be? And I've got a small follow-up, if I may, after that as well.

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

Thank you, Richard. I appreciate the question. And obviously, it's one that I've given a lot of thought to. When I think about entering the company, the first thing is I feel really fortunate because I'm joining a company that has built a really strong foundation. And it really offers many diverse assets to think about growth path. And of course, there are opportunities, as there are in every company to think transformatively.

And in some ways, the segment reporting that Ernst shared with you today is where I'm going to focus my time and energy because we have strong P&L leadership set up, Viator and TheFork both growing, strengthening their
market position and the TripAdvisor Core business. We've seen the auction come back strong. Media is doing well. We have some opportunities in B2B. And what I think about over the coming months is really sharpening the strategy and aligning everyone in the company around it, putting an operating model in place, making choices about where we'll prioritize.

I do think execution is fundamental. We have a chance to execute more effectively than we have in the past. And we've looked at where we can make some adjustments. We have high-performing teams. We've got a great culture, and I think getting the right cadence and processes that get us collaborating cross-functionally and empowering teams to focus on where they have market insight and knowledge in their respective products and market will do a great job.

I know that everybody would like to see me set a strategy today. It's a little early to do that, but I think I can share a couple of areas of near-term focus. I mentioned putting the consumer at the center of all of our decisions, and I think as we do that, we will reinforce the role that we play in the ecosystem and really clearly define the problems that we're in a position to uniquely solve.

I think we can re-imagine how we guide travelers before they go on a trip, when they're ready to make it happen and when they're in-destination. If we get this right, I'm confident we'll drive more direct traffic, app downloads and we'll see higher levels of engagement and monetization. I'm excited that we have a good number of diverse assets in the portfolio. And the question there is, how do we think about how they fit together to deliver the most value. And we can get all the areas of the business serving the consumer in a seamless manner, and I think that will be noticeable and valuable.

I'm excited about data, as I mentioned in my opening remarks. We have a data asset that can be an enabling platform for all areas of the enterprise and really a strategic lever to drive insight, engagement. There are market opportunities that we can be thinking about. It'll serve our existing business lines and has the potential to drive new ones.

And I think it's also a currency where we can work even more effectively with partners in the ecosystem to drive unique solutions and value that we could be differentiated because it's an asset that we have uniquely. We talked already about direct-to-consumer. Clearly, a compelling opportunity. And when I look at it all together, it really comes down to a chance to re-imagine our position, reinforce it and do it from a position of strength.

Richard J. Clarke  
Analyst, AB Bernstein

Thanks very much, Matt. Maybe something a little bit more precise but just on margin progression. Maybe this is one for you, Ernst, but it looks like your guidance says that margins will step back a little bit Q2 into Q3 and then step up again into Q4. That's not the normal progression of margins, what I would normally expect at TripAdvisor. They tend to come down in Q4. So, I was just wondering if you could sort of, help with why they'd go down and then back up again. What are the sort of drivers of that margin shift quarter to quarter?

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

So, from Q4 to Q3, we said in our Shareholder Letter that you should expect the seasonal step-down that is typical for our Q4. So, you're absolutely right. Typically, the Q4 is a smaller quarter for us, and you would typically see a step-down in EBITDA margin as a result because of fixed cost.
So, that is the commentary there. And you'll see that the way we've guided for the third quarter is reasonably close to it. We had to – Q2 we had an unusual benefit in Q2, which we called out. We, in France, we got paid by the French government for a subsidy for the pandemic period of $11 million. That was an unusual and one-off benefit that we occurred in Q2, so if you would normalize for that, you'll see that the margin development between Q2 and Q3, the way we guided, is actually quite consistent.

Richard J. Clarke  
Analyst, AB Bernstein  
Okay. Okay, that's very helpful. Thanks very much.

Operator: Please stand by for the next question. Our next question comes from Lloyd Walmsley with UBS. Your line is now open.

Lloyd Walmsley  
Analyst, UBS Securities LLC  
Thanks. Two, one for Matt, and one for Ernst. So, Matt, thanks for sharing some of your views already on what brought you to TripAdvisor and kind of what you like about the asset. I know it's still early to ask you to kind of lay out your plan. But maybe instead you could just share maybe some anecdotes about things you've done in the past.

You've had kind of a broad range of experiences in kind of media and tech. So, like, are there things from your past, analogs from your career that may serve as a playbook for what you might apply here at TripAdvisor? Anything you could share that would give us kind of a sense of your taking over here, even though obviously it's a little early to ask you to kind of lay out the future, would be helpful.

And then, Ernst, can you give us just like a broad sense of kind of health in the metasearch auctions? Clearly, the numbers were strong this quarter. The cadence looked better than – more consistent than what we're hearing from other travel channels – but there are big players talking about leaning away from performance marketing. I'm curious just like to get your views on, yeah, just broadly the health of the auction and what you're seeing there. Thanks.

Matthew A. Goldberg  
President, Chief Executive Officer & Director, TripAdvisor, Inc.  
Lloyd, thanks for the question. And I'm sure you all have had a chance to see what I've spent time doing in my career and having had a chance to be early in my career in the travel industry, really going deep on digital media and the transformation of a number of different iconic assets, commerce, data. I've been active thinking about how to take a consumer perspective to drive product-led innovation. Of course, I've worked in sales, marketing, business development, M&A, operations.

If I were to go to a couple of anecdotes, I think I'd start most recently with my time at The Trade Desk, which was just a great experience to operate with a platform at-scale across a number of categories in a data driven advertising environment. It really gave me a much deeper perspective into pre-categories in a data driven advertising environment. It really gave me a much deeper perspective and appreciation on the power of data.

And importantly, really starting with an ROI focus for partners and advertisers to show real value to their business. This can be helpful in our media and B2B businesses, our auction, really thinking about a solution orientation.
Because if you start with client objectives and deliver solutions that meet their needs, you can build a business of scale.

And of course, at The Trade Desk, really working across all the most contemporary platforms, where consumers are engaging, which helps connect it all back to the consumer, and that traveller and experience-seeker and putting their needs at the heart of everything we do.

It would be remiss for me not to share some thoughts about back at Lonely Planet, because it was one of the best experiences in my career that I had the pleasure of doing. As a relatively young global CEO in the travel sector, at a time of incredible change also coming out of the 2008 period, which was very dynamic. It was another iconic company looking for an inflection point, from a publisher to a diversified travel information provider and paid content digital media marketplaces.

And I was really proud of that team as well, achieving growth and transformation through a dynamic environment. And we really leaned into digital and understanding our audience, global and cross-border, and some interesting product-led innovation just as the iPhone was emerging and the iPad, where we were in rooms that were blacked out and secure so that we could develop the very first travel apps that would leverage all of the newest technology in those devices.

And that adaptation to a rapidly changing landscape and the learnings that I took from it about the needs of the travel consumer and where companies could go to serve them most effectively, I certainly will bring with me in this experience to come.

Ernst?

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

Yeah, Lloyd, on your question about the auction. The auction has been healthy. We've experienced healthy dynamics, good bidding levels and participations from OTAs, hotels. Our CPCs have been strong. I commented early then that in the quarter, for US and Europe, we were actually quite close to 2019 revenue, exceeding it at different parts.

We saw in the auction, in the first half of July, we saw a bit of weakness, a bit of a step back, and you may have heard others comment on that as well with everything that was going on in travel, multiple factors probably. But we've seen that sort of go back up again in the second half of July, and the early days of August are off to a very good start. And so, everything is back to sort of normal, and we expect to continue – continued improvement in that.

APAC is still underperforming. I talked about US and Europe, which in 2019 was, say, three-quarters of our revenue. So, it's an important chunk of it that is back on. But also an important chunk of geographic revenue that is not still performing well, and we're looking forward to the recovery to happen in those areas, maybe not in the back half of this year but hopefully into next year. So, strong performance overall.

And if I broaden my comments about July out to the rest of the business, in the rest of the business, we saw no such first half weakness in July. We have seen quite consistent strong performance. And overall for us, as a percentage of 2019, July was a little bit better than June. So, we look at the health of the auction. We look at the rest of our business, and we see strong trends and a very – with anticipation looking forward to the rest of the year.
Lloyd Walmsley  
**Analyst, UBS Securities LLC**

If I can actually ask a follow-up – Ernst, that's great, helpful color, and I appreciate that perspective. Matt – just digging into the hotel auctions. I know you're not disclosing like hotel shoppers anymore, but can you kind of help us think through how much of the recovery has happened on the kind of hotel shopper side and the monetization side to kind of get back to where you are?

---

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

Yeah, we've seen more progress on the monetization side – CPCs, revenue per shopper -than on the volume side. So, volume is still under 2019, and price realization is strong, obviously driven by strong ADRs in the hotel business, but also driven by obviously a healthy auction environment. So, strong price, volume's still not completely back.

---

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

And I would just add, Ernst, a broad perspective on the auction. We were, of course, pleased to see the strong comeback following the pandemic. And for me, this is a sign of continued relevance for the product and that the auction really has a place in the ecosystem. We can think differently about data, and of course, we always work with partners to help them achieve their objectives. And I think as we get that solution orientation, we'll be able to leverage that product to be really helpful and continue to reinforce its place in the ecosystem.

---

Lloyd Walmsley  
**Analyst, UBS Securities LLC**

All right. Thanks, guys. Nice quarter.

---

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

Thank you.

---

**Operator:** Please stand by for the next question. The next question comes from Mario Lu with Barclays. Your line is now open.

---

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

Great. Thanks for taking our question, and welcome, Matt. The first question is on Core segment margins. You mentioned it exceeded pre-pandemic levels for the first time. So, can you help us break down the 200 bps of improvement since 2019? Is it mostly from the fixed-cost side? Or anything you're seeing in terms of marketing efficiency here?

---

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

Yes. It is from fixed cost, is where all the improvement is, and this is the fixed-cost reduction that we executed during the pandemic. Our variable cost is still elevated from 2019, and this is because some of our very profitable B2B and media businesses are not quite back to those levels yet. So, it provides some deleverage.
And in the auction, we have seen a closing of the gap between free and paid revenue in the pandemic and in the first half of the year. We’ve seen a higher SKU to paid revenue but that gap is closing in. And so, those two combined show some deleverage on the variable side, but some strong leverage on the fixed side, which results in this outperformance, even with revenue levels lower than 2019 in the second quarter. So, better margin at lower revenue levels still. So, that bodes really well as we continue the recovery on the revenue side.

Mario Lu
Analyst, Barclays Capital, Inc.

Great. Thank you. And then, and the one on Viator. So, you mentioned previously that the operational take rate was in the 20 percentage range. In the second quarter, the reported take rate was around 17%. So, is that just a function of timing with most of the experiences expected to be realized in the third quarter? And if so, has the operational take rate changed at all versus 2019? Thanks.

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

Our take rate is in the mid-20s, and we have actually been executing on a number of strategies that allowed us to increase that over time by providing suppliers with ways of marketing themselves more effectively on TripAdvisor at higher take rates. So, that's been a very positive trend, an improving trend. We have some great programs in place at the moment that help both suppliers and help our take rate. Accelerate is the name of the program.

So, that's been going really well. If you compare, we were sharing gross booking value trends, and we share revenue trends. There's a couple of in-betweens, as you were alluding to. First of all, revenue gets recognized on the moment of consumption of the experience, and GBV is a measure of when the booking takes place. So, there's a timing difference there. And especially as you ramp into the year, bookings lead the revenue recognition of course. So, that's one difference.

And the other – and then there's take rates in there is a difference. And then there is, cancellations. And so, cancellations are in-line with what we've seen last year. They're still a little bit elevated from 2019, but cancellations is another factor as you compare between gross booking value and net revenue because the gross booking value that we present is pre-cancellations. It's gross of cancellation.

Mario Lu
Analyst, Barclays Capital, Inc.

Great. Thank you.

Operator: Please stand by for the next question. The next question comes from James Lee with Mizuho. Your line is now open.

James Lee
Analyst, Mizuho Securities USA LLC

Great. Thanks for taking my questions. Matt, congratulations on your first quarter as the CEO. And given your experience in digital marketing, maybe can you give us an early view on the hotel metasearch business? Obviously investors are concerned that OTAs are getting more direct traffic and Google is encroaching in this space. Now given that one of the TripAdvisor strengths is reviews from consumers, is that a potential angle to unlock revenue opportunities? Or maybe moving up to mid-to-upper funnel marketing makes more sense? Would love your color on that. Thanks.
Matthew A. Goldberg  
President, Chief Executive Officer & Director, TripAdvisor, Inc.

Yeah, thanks for the question, James. I think you identified that there's a number of different ways that we can play in this ecosystem. And of course, I recognize that we're in a competitive space, and there are really strong players at the top of the funnel, and that there are players totally optimized at the bottom of the funnel.

And I think if we really lean into where we are strong in providing that context, in bringing that audience that may or may not be looking to book right away and thinking about before they travel and really driving further engagement, I think there's a number of ways that we can do that, and understanding the signal that they bring and their needs, we can use all of that to do a great job, engaging on the site.

And then understand that point at which they're ready to make it happen or they're actually in-destination and be thoughtful about what's the right offer and experience at that moment. We have a lot of assets to leverage to do that.

Now, I've spent my career competing, cooperating, differentiating from some of the big technology platforms, and of course, we can do the same at TripAdvisor. The key is going to be to focus on how we're differentiated. And again, as we re-imagine the way that we are, the definitive guide for consumers as they make those choices, I think that will help a lot. So, we can play up and down the funnel.

I think you mentioned the OTAs, and I think obviously they are an important part of the ecosystem. They have what they do best. I think everybody wants to see direct traffic, and of course we will focus on the benefit that we can deliver to them as part of their funnel consideration.

And again, I mentioned that we have assets that I think we can take even better advantage of, like data and the way we think about a full range of solutions. And it's that power of context that I think can really be helpful. So, I'm excited when I think about having spent a couple of decades in digital media, I feel as though the assets and the diversity and what we represent as a brand is a very, very strong place to start.

James Lee  
Analyst, Mizuho Securities USA LLC

Great. If I can ask a follow-up question, this is more separately related to consumer behavior and clearly, investors are concerned about macro uncertainty. Are you guys seeing any changes in consumer behavior? Maybe trading down to lower price hotels? Maybe shorter stays? And so curious of what you think there.

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

Yeah, so I'll kick it off, and if Ernst wants to add any detail, he can do that. I've only been in the role for about a month, but from everything I see, consumers are actively returning to travel and experiences. So while we're always looking for signs of slowdown, we don't see anything today that causes any near-term concern.

And of course, we've put the business in a good position post-pandemic and re-balanced more towards variable costs. The team did a great job there. I will say, we can't predict what's to come, but having operated in a variety of contexts through a number of cycles, I'm confident that as we watch the macro, we will see if there are early signs and be able to adjust. Ernst, do you want to add anything?
Ernst J. Teunissen  

Yeah, I'll just echo that. Obviously we're focused on that. We're looking at the data, and seeing, are we seeing some, any signs of potential weakening of the consumer in travel. And we're not seeing it. The demand is very strong. If you look at forward behavior, like searches that are being done in a forward-level, bookings that get done forward, they're all strong versus 2019. And so we're not seeing signs. Of course, as Matt says, we also cannot predict the impact of the economy on travel going forward.

But as we look at now and the summer and into the rest of the year, we see the traveler wanting to return to travel, and we talked about pent-up demand. A lot of people are talking about pent-up demand, and we're just seeing it. We're seeing very enthusiastic travel behavior from our audience and see no signs of a slowdown in our business to-date.

James Lee  
*Analyst, Mizuho Securities USA LLC*

Great. Thanks so much.

Operator: Please stand by for the next question. The next question comes from Deepak Mathivanan with Wolfe Research. Your line is now open.

Deepak Mathivanan  
*Analyst, Wolfe Research LLC*

Great. Thanks for taking the questions. So first, Matt, I know it's still early for you, but how do you think about the org structure currently at Trip. Trip has done a few iterations in the past, but where do you see sort of like the talent gaps that need to be addressed at the high level?

And then, Ernst, wanted to ask you, you have about $1 billion in cash. Any thoughts on kind of path for shareholder capital returns? Or how are you thinking about it? Thank you.

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

Thanks, Deepak. I appreciate the question. And as I noted earlier, I think there's a strong team in place. And of course we're always going to seek to be a vibrant home for world-class talent and highly effective teams. And as in any organization, there are always opportunities to stretch a little more regardless of the function. I think that we will be building on the capabilities we already have here, and eventually, we'll look at where we think we might have gaps. I think that has more to do with the next stage of opportunities we'll approach through our strategy work and less to do with me in particular joining the company.

The team is really great. There's a lot of talent. I'm excited to join this team and be a part of it. As we think about organization, I mentioned opportunities for execution. I am excited to think about the way that our strategy and operating model will link, but of course any organization's always a function of what you choose to do, how you prioritize, in setting your teams up for success. And that's the order in which we'll do it.

Ernst J. Teunissen  
And, Deepak, to your question of cash, we have indeed a considerable cash balance, and we are evaluating all the different ways of how we can go about that cash, either keep it in reserve for a while, earmark it for acquisitions. We have obviously attractive businesses that might be complemented with acquisitions. And then we have options around delevering or equity repurchases. And so we continuously evaluate that. With Matt coming onboard, we'll look at that together in the months and quarters to come, along with our board, of course.

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

Yeah, I would just say – and I didn't mention it upfront, as I was evaluating things – I really liked what I saw from a financial perspective. That strong balance sheet and enduring and cash generative core business, two strong growing segments. And I think we have a good array of assets to deliver growth, and they'll benefit from sharper focus, better alignment.

But I'm excited about organic opportunities. There, of course, are other opportunities to consider. I think the main thing is that we'll seek always to be great stewards of capital, think about what is the best mix to get the best return on capital. So, we'll certainly be talking about that over time with you all.

Deepak Mathivanan  
Analyst, Wolfe Research LLC

Great. Thank you so much.

Operator: Please stand by for the next question. The next question comes from Ron Josey with Citi. Your line is now open.

Ronald Josey  
Analyst, Citigroup Global Markets, Inc.

Great, thanks for taking the question. I'll echo everyone else, Matt, welcome. I wanted to ask you, Matt, a little bit more about the data aspect of TripAdvisor. You just mentioned a few times the size and value of Trip's data and unlocking that asset even more so than today. So just talk to us a little bit more about – I know it's been only one month – but just how you might envision using this data to call it create a better or more engaging consumer experience and drive better partner ROI.

And then maybe, Ernst, a question about Viator and revenue retention and new users. You talked just about consistent revenue retention rates and investments in acquiring new users. So, maybe talk to us about these investments on the consumer side and building up the brand. Thank you, guys.

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

Yeah, thanks for the question, Ron. And so of course, it's still early, but what I can say is having spent a good number of years thinking about the way that data is transforming really every industry and all the companies that I've been a part of, I do have conviction that we can leverage our data asset in ways that we haven't before to enable the business.

And I think it's going to deliver agility, more insight. It'll be really useful as we think about the way that we bring our strategy together to get all the pieces really reinforcing. Data is one of those currencies that can play across the entire organization and really help understand that consumer in a more granular way, of course, with all privacy considered, and think about what's the next best opportunity to serve that consumer need.
And so, I think it does open up a number of different opportunities. It would be early for me to project, but absolutely data and the way that it plays in media ecosystems, in the way that we can serve our partners and think about value exchange in different ways. The opportunity to think about yield on the platform. Data is something that can be aggregated and anonymized and really get trend signal, and there’s a lot of different things we could be doing with that. Of course, there are ways to think about the data ecosystem and the way that one might target segments at scale.

So, I think there are a lot of hypotheses that we could develop, and we’ll be very thoughtful about testing and learning, and then sharing at that moment of conviction. But I think it’s a starting point. I’m excited about that platform, and we’ve already been rolling up our sleeves and getting to it.

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

And Ron, on the Viator repeat rates and investments we’re making there. Very important focal point for the team. There’s been strides and more we can do around what experiences do we present to people coming to our site at what moment. What do we show people next when they have already booked an experience? What else they could do and how do we present that?

Investment in the app has been a major focus for us over the last 12 months. Our app usage and number of bookings through the app has grown very impressively over the last 12 months. And that’s important because, not surprisingly, bookings from the app have higher repeat rates, higher LTVs than coming in other ways. And so, we’ve been pleased with that progress. Also allows us to have more effective communication with in-market with folks, which improves repeat rate.

We’ve been focusing on localization of content. We have historically skewed to the English-speaking point-of-sale. Not so much to destination, actually Europe as a destination is larger historically for us than the US as a destination, but skewed to US-speaking audiences that book. And we see a huge opportunity to broaden that to European audiences, and later on in the cycle, Asian audiences as well, and so we’re investing in that.

And then there are other channels that we can explore that are more conducive to experiences — to repeat rates. App downloads is an attractive investment area that we’ve been looking at. And so, there are a lot of activities going on, and all with that very important KPI of how can we improve repeat behavior of our customers because that’s ultimately going to be the driver of the LTV per customer, which allows us to invest more, and importantly, show very attractive margins over time.

Ronald Josey  
Analyst, Citigroup Global Markets, Inc.

Thank you, Matt. Thank you, Ernst.

Operator: Please stand by for the next question. The next question comes from John Colantuoni with Jefferies. Your line is now open.

John Colantuoni  
Analyst, Jefferies LLC

Hey, thanks for taking my questions. I wanted to start by asking about strength in the US dollar versus the euro and the pound. Based on your data that you’re collecting on cross-border travel behavior, I’m curious whether you
saw this US dollar strength help catapult more customer engagement to TripAdvisor, as US travelers took advantage of their currency going a little bit further across some of the key destination markets across Europe, given that's an important driver of traffic for TripAdvisor. And I've got a follow-up.

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

Yeah. It's difficult to say that definitively, but it does make common sense, and in the past, we have seen that as an important driver. There's multiple factors going on, including the price of flights, et cetera, so you have to look at the total trip for a traveler from the USA to Europe.

But we have seen in the past that, of course, if the euro is cheap, then it is more attractive to travel overseas and travel to Europe. So nothing really I can give you as a strong data point at this point, but we have seen the growth of intercontinental travel come back progressively during the quarter. We have seen the US travelers booking hotels in Europe come back. We've seen very strong growth in US travelers buying experiences in Europe, which is a strong indication of more people traveling to Europe. So how much of that is pent-up demand and borders opening versus the euro impact is a little bit difficult to draw a straight line to. But yes, we have seen very, very robust US to Europe travel behavior.

John Colantuoni  
Analyst, Jefferies LLC

Great. And Viator is obviously, it's been delivering very impressive revenue growth. But when you look at customer trends, sort of what portion in recent periods would you say are new to Viator versus repeat customers? And how does this customer composition between new and repeat compare to pre-COVID? And how does that kind of help inform your outlook for customer lifetime value and the ROI on your ramping marketing spend in that business? Thanks.

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

So new customer growth has been very important for us, and you've seen us lean in on marketing in 2021 and in 2022. And so fortunately, that means we're getting a lot of new customers in the door. But also fortunately, we see the expected growth in repeat customer revenue as well. And we see that as we anticipate it come. So we see both lines going up, up to the right, new customer revenue as well as repeat revenue, which is of course very pleasing. And new revenue is an indication of repeat revenue in the following year, so that's been strong.

The other thing I would call out is that pre-pandemic, our profile was predominantly Americans and Brits traveling to Europe. That was the big source of our revenue. Europe, as a destination, was the big revenue source. Of course the pandemic shifted a lot of demands to North America domestic, people going to – and so what we've seen now, in this year, is that the North America-to-North America volume and growth has been like it was last year.

So our customers continue to do that. Plus now the US and UK to Europe revenue has come back in full force, so we're adding that, plus Europe-to-Europe revenue has come back. So we're getting the double benefit of now two big markets where we only had one before. We had US to Europe before, and now we have US to Europe as well as North America-to-North America as very, very strong markets. So that's an important driver as well. We've not only created a lot of new users, we've also created a new use case for our users, which is Viator is great to use when you stay in the US as well.
Operator: With that, the call will come to a conclusion. I would now like to turn the conference back to Matt Goldberg for closing remarks.

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

Thank you, all, for joining us this summertime Friday morning. We have a lot of opportunities ahead of us and a lot of exciting work to do. I'm looking forward to this next phase and keeping an open and transparent...

Operator: Thank you for participating.

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

...with all of you. Have a great weekend, everyone.

Operator: This concludes today's conference call. Thank you for participating. You may now disconnect.