

TripAdvisor Reports Second Quarter 2019 Financial Results

NEEDHAM, MA, August 7, 2019 — TripAdvisor, Inc. (NASDAQ: TRIP) today announced financial results for the second quarter ended June 30, 2019.

“We delivered strong second quarter and first half 2019 profitability amidst ongoing investments aimed at future growth”, said Chief Executive Officer Steve Kaufer. “We are operating with increased customer focus, and we are laying the foundation to deepen customer relationships with our platform and monetize our significant influence in travel.”

Second Quarter 2019 Summary

(In millions, except percentages and per share amounts)	Three months ended June 30,		% Change
	2019	2018	
Total Revenue	\$ 422	\$ 433	(3)%
Hotels, Media & Platform	\$ 254	\$ 272	(7)%
Experiences & Dining	\$ 125	\$ 98	28%
Other	\$ 43	\$ 63	(32)%
GAAP Net Income	\$ 34	\$ 32	6%
Total Adjusted EBITDA (1)	\$ 128	\$ 109	17%
Hotels, Media & Platform	\$ 108	\$ 85	27%
Experiences & Dining	\$ 7	\$ 16	(56)%
Other	\$ 13	\$ 8	63%
Non-GAAP Net Income (1)	\$ 64	\$ 58	10%
Diluted Earnings per Share:			
GAAP	\$ 0.24	\$ 0.23	4%
Non-GAAP (1)	\$ 0.45	\$ 0.41	10%
Cash flow from operating activities	\$ 181	\$ 186	(3)%
Free cash flow (1)	\$ 160	\$ 170	(6)%

- (1) “Adjusted EBITDA”, “Non-GAAP Net Income”, “Non-GAAP Diluted Earnings per Share”, and “Free cash flow” are non-GAAP measures as defined by the U.S. Securities and Exchange Commission (the “SEC”). Please refer to “Non-GAAP Financial Measures” below for definitions and explanations of these non-GAAP financial measures, as well as tabular reconciliations to the most directly comparable GAAP financial measures.

Chief Financial Officer Ernst Teunissen added, “First half results keep us on track to deliver double-digit consolidated adjusted EBITDA growth this year.”

Second Quarter 2019 Operational and Financial Highlights

- **Total Revenue** was \$422 million, a 3% decrease year-over-year. We estimate that excluding changes in foreign currency Total Revenue growth was approximately flat year-over-year.
- **GAAP Net Income** grew 6% to \$34 million, while **Non-GAAP Net Income** grew 10% to \$64 million. GAAP Net Income and Non-GAAP Net Income were impacted by a cumulative income tax expense of \$15 million recorded during the three months ended June 30, 2019. We recorded this expense in response to a June 7, 2019, three-judge panel opinion issued from the Ninth Circuit Court of Appeals in *Altera Corp. v. Commissioner*, which reversed a United States Tax Court decision regarding the treatment of share-based compensation expense in a cost sharing arrangement.
- **Total Adjusted EBITDA** grew 17% to \$128 million, and **Total Adjusted EBITDA margin** increased by 5% year-over-year to 30%. We estimate that excluding year-over-year changes in foreign currency Total Adjusted EBITDA grew approximately 22%.
- **Hotels, Media & Platform segment revenue** was \$254 million, a 7% decrease year-over-year. **Hotels, Media & Platform segment Adjusted EBITDA** grew 27% to \$108 million, and **Hotels, Media & Platform segment Adjusted EBITDA margin** improved to 43%, a 12% increase compared to Q2 2018, primarily due to increased efficiency of direct selling and marketing

expenses. We estimate that excluding year-over-year changes in foreign currency Total Hotels, Media & Platform Segment Adjusted EBITDA grew approximately 31%.

- **Experiences & Dining segment revenue** grew 28% to \$125 million, while **Experiences & Dining segment Adjusted EBITDA** reflected increased strategic investments to drive long-term growth initiatives. We estimate that excluding year-over-year changes in foreign currency Total Experiences & Dining Segment Revenue grew approximately 33%.
- **Other revenue** decreased 32% to \$43 million, primarily driven by the elimination of some marginal and unprofitable revenue within some non-TripAdvisor branded offerings, which reduced revenue and increased profitability.
- **Cash and cash equivalents and short-term marketable securities** was \$966 million and there was no outstanding debt as of June 30, 2019.
- **Cash flow from operating activities** for the three months ended June 30, 2019, was \$181 million, a 3% decrease year-over-year, reflecting the timing of payments and collections year-over-year. **Free cash flow** for the three months ended June 30, 2019 was \$160 million, a 6% decrease year-over-year reflecting the timing of payments and collections, in addition to increased capital expenditures year-over-year.

Second Quarter 2019 Revenue by Source:

(In millions, except percentages)	Three months ended June 30,		% Change
	2019	2018	
Hotels, Media & Platform			
TripAdvisor-branded hotels	\$ 211	\$ 231	(9)%
TripAdvisor-branded display and platform	43	41	5%
Experiences & Dining	125	98	28%
Other (1)	43	63	(32)%
Total Revenue	<u>\$ 422</u>	<u>\$ 433</u>	(3)%

(1) Other consists of the combination of our Rentals, Flights/Cruises/Car Rentals, SmarterTravel and TripAdvisor China business units.

Conference Call

TripAdvisor posted prepared remarks and supplemental financial information on the Investor Relations section of TripAdvisor's website at <http://ir.tripadvisor.com>. TripAdvisor will host a conference call tomorrow, August 8, 2019, at 8:30 a.m., Eastern Time, to discuss TripAdvisor's second quarter 2019 operating results, as well as other forward-looking information about TripAdvisor's business. Domestic callers may access the earnings conference call by dialing (877) 224-9081 (International callers, dial (224) 357-2223). Investors and other interested parties may also go to the Investor Relations section of TripAdvisor's website at <http://ir.tripadvisor.com> for a live webcast of the conference call. Please access the website at least 15 minutes prior to the call to register, download, and install any necessary audio software. A replay of the conference call will be available on TripAdvisor's website noted above or by phone (dial (855) 859-2056 and enter the passcode 5094105) until August 15, 2019 and the webcast will be accessible at <http://ir.tripadvisor.com/events-and-presentations> for at least twelve months following the conference call.

About TripAdvisor

TripAdvisor (NASDAQ:TRIP), the world's largest travel platform*, helps 490 million travelers each month** make every trip their best trip. Travelers across the globe use the TripAdvisor site and app to browse more than 795 million reviews and opinions of 8.4 million accommodations, restaurants, experiences, airlines and cruises. Whether planning or on a trip, travelers turn to TripAdvisor to compare low prices on hotels, flights and cruises, book popular tours and attractions, as well as reserve tables at great restaurants. TripAdvisor, the ultimate travel companion, is available in 49 markets and 28 languages.

The subsidiaries and affiliates of TripAdvisor, Inc. own and operate a portfolio of websites and businesses, including the following travel media brands: www.airfarewatchdog.com, www.bokun.io, www.bookingbuddy.com, www.cruisecritic.com, www.familyvacationcritic.com, www.flipkey.com, www.thefork.com (including www.lafourchette.com, www.eltenedor.com, and www.restorando.com), www.holidaylettings.co.uk, www.holidaywatchdog.com, www.housetrip.com, www.jetsetter.com, www.niumba.com, www.onetime.com, www.oyster.com, www.seatguru.com, www.smartertravel.com, www.tingo.com, www.vacationhomerentals.com, and www.viator.com.

* Source: Jumpshot for TripAdvisor Sites, worldwide, April 2019

** Source: TripAdvisor internal log files, average monthly unique visitors, Q3 2018

TripAdvisor, Inc.
SELECTED FINANCIAL INFORMATION
Condensed Consolidated Statements of Operations
(in millions, except per share amounts)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Revenue	\$ 422	\$ 433	\$ 798	\$ 811
Costs and expenses:				
Cost of revenue	27	24	48	44
Selling and marketing (1)	180	217	357	416
Technology and content (1)	74	68	148	135
General and administrative (1)	45	46	88	88
Depreciation	23	21	46	41
Amortization of intangible assets	7	8	15	16
Total costs and expenses	356	384	702	740
Operating income	66	49	96	71
Total other income (expense), net	2	(7)	5	(8)
Income before income taxes	68	42	101	63
Provision for income taxes	(34)	(10)	(41)	(27)
Net income	<u>\$ 34</u>	<u>\$ 32</u>	<u>\$ 60</u>	<u>\$ 36</u>

Earnings per share attributable to common stockholders:

Basic	<u>\$ 0.24</u>	<u>\$ 0.23</u>	<u>\$ 0.43</u>	<u>\$ 0.26</u>
Diluted	<u>\$ 0.24</u>	<u>\$ 0.23</u>	<u>\$ 0.43</u>	<u>\$ 0.26</u>

Weighted average common shares outstanding:

Basic	139	138	139	139
Diluted	141	140	141	140

(1) Includes stock-based compensation expense as follows:

Selling and marketing	\$ 6	\$ 5	\$ 11	\$ 11
Technology and content	\$ 14	\$ 13	\$ 27	\$ 26
General and administrative	\$ 12	\$ 13	\$ 22	\$ 24

TripAdvisor, Inc.
Condensed Consolidated Balance Sheets
(in millions, except number of shares and per share amounts)
(Unaudited)

	June 30, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 901	\$ 655
Short-term marketable securities	65	15
Accounts receivable and contract assets, net of allowance for doubtful accounts of \$22 and \$21, respectively	270	212
Prepaid expenses and other current assets	35	33
Total current assets	1,271	915
Property and equipment, net of accumulated depreciation of \$275 and \$240, respectively	262	253
Operating lease right-of-use assets	75	-
Intangible assets, net of accumulated amortization of \$155 and \$140, respectively	102	118
Goodwill	754	756
Deferred income taxes, net	1	27
Other long-term assets	101	98
TOTAL ASSETS	\$ 2,566	\$ 2,167
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 13	\$ 15
Deferred merchant payables	346	164
Deferred revenue	98	63
Accrued expenses and other current liabilities	181	151
Total current liabilities	638	393
Deferred income taxes, net	12	21
Other long-term liabilities	341	282
Total Liabilities	991	696
Stockholders' equity:		
Preferred stock, \$0.001 par value	-	-
Authorized shares: 100,000,000		
Shares issued and outstanding: 0 and 0		
Common stock, \$0.001 par value	-	-
Authorized shares: 1,600,000,000		
Shares issued: 138,525,158 and 137,158,010, respectively		
Shares outstanding: 126,468,470 and 125,101,322, respectively		
Class B common stock, \$0.001 par value	-	-
Authorized shares: 400,000,000		
Shares issued and outstanding: 12,799,999 and 12,799,999, respectively		
Additional paid-in capital	1,081	1,037
Retained earnings	1,106	1,043
Accumulated other comprehensive income (loss)	(65)	(62)
Treasury stock-common stock, at cost, 12,056,688 and 12,056,688 shares, respectively	(547)	(547)
Total Stockholders' Equity	1,575	1,471
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 2,566	\$ 2,167

TripAdvisor, Inc.
Condensed Consolidated Statements of Cash Flows
(in millions)
(Unaudited)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 30,</u> <u>2019</u>	<u>June 30,</u> <u>2018</u>	<u>June 30,</u> <u>2019</u>	<u>June 30,</u> <u>2018</u>
Operating activities:				
Net income	\$ 34	\$ 32	\$ 60	\$ 36
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation of property and equipment, including amortization of internal-use software and website development	23	21	46	41
Amortization of intangible assets	7	8	15	16
Stock-based compensation expense	32	31	60	61
Deferred tax expense (benefit)	8	(2)	17	(3)
Other, net	3	10	6	11
Changes in operating assets and liabilities, net of effects from acquisitions	74	86	159	198
Net cash provided by operating activities	181	186	363	360
Investing activities:				
Capital expenditures, including internal-use software and website development	(21)	(16)	(38)	(31)
Purchases of marketable securities	(30)	-	(69)	(1)
Sales of marketable securities	-	3	-	45
Maturities of marketable securities	5	3	20	5
Acquisitions and other investments, net of cash acquired	-	(23)	-	(23)
Net cash used in investing activities	(46)	(33)	(87)	(5)
Financing activities:				
Repurchase of common stock	-	(96)	-	(100)
Proceeds from 2015 credit facility	-	-	-	5
Payments to 2015 credit facility	-	-	-	(235)
Proceeds from Chinese credit facilities	-	2	-	2
Payments to Chinese credit facilities	-	(10)	-	(10)
Proceeds from exercise of stock options	1	3	1	3
Payment of withholding taxes on net share settlements of equity awards	(4)	(6)	(26)	(18)
Other financing activities, net	(1)	-	(3)	-
Net cash used in financing activities	(4)	(107)	(28)	(353)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(1)	(15)	(2)	(9)
Net increase (decrease) in cash, cash equivalents and restricted cash	130	31	246	(7)
Cash, cash equivalents and restricted cash at beginning of period	771	635	655	673
Cash, cash equivalents and restricted cash at end of period	<u>\$ 901</u>	<u>\$ 666</u>	<u>\$ 901</u>	<u>\$ 666</u>

TripAdvisor, Inc.
Segment Information
(in millions, except percentages)
(Unaudited)

	Three Months Ended		% Change
	June 30, 2019	June 30, 2018	
Revenue:			
Hotels, Media & Platform	\$ 254	\$ 272	(7)%
Experiences & Dining	125	98	28%
Other (1)	43	63	(32)%
Total revenue	<u>\$ 422</u>	<u>\$ 433</u>	(3)%
Adjusted EBITDA:			
Hotels, Media & Platform	\$ 108	\$ 85	27%
Experiences & Dining	7	16	(56)%
Other (1)	13	8	63%
Total Adjusted EBITDA (2)	<u>\$ 128</u>	<u>\$ 109</u>	17%
Adjusted EBITDA Margin:			
Hotels, Media & Platform	43%	31%	
Experiences & Dining	6%	16%	
Other (1)	30%	13%	
Total Adjusted EBITDA Margin (2)	30%	25%	
Net Income (3)	\$ 34	\$ 32	
Net Income Margin	8%	7%	

	Six Months Ended		% Change
	June 30, 2019	June 30, 2018	
Revenue:			
Hotels, Media & Platform	\$ 508	\$ 524	(3)%
Experiences & Dining	206	161	28%
Other (1)	84	126	(33)%
Total revenue	<u>\$ 798</u>	<u>\$ 811</u>	(2)%
Adjusted EBITDA:			
Hotels, Media & Platform	\$ 212	\$ 162	31%
Experiences & Dining	(17)	12	n.m.
Other (1)	22	15	47%
Total Adjusted EBITDA (2)	<u>\$ 217</u>	<u>\$ 189</u>	15%
Adjusted EBITDA Margin:			
Hotels, Media & Platform	42%	31%	
Experiences & Dining	(8)%	7%	
Other (1)	26%	12%	
Total Adjusted EBITDA Margin (2)	27%	23%	
Net Income (3)	\$ 60	\$ 36	
Net Income Margin	8%	4%	

n.m. = not meaningful

- (1) Other consists of the combination of our Rentals, Flights/Cruises/Car Rentals, SmarterTravel and TripAdvisor China business units.
- (2) Please refer to "Non-GAAP Financial Measures" below for definitions of these non-GAAP financial measures, as well as reconciliations to the most directly comparable GAAP measure.
- (3) This amount reflects our consolidated GAAP Net Income for the periods presented. TripAdvisor does not calculate or report net income by segment.

Non-GAAP Financial Measures

To supplement our unaudited condensed consolidated financial statements, which are prepared and presented in accordance with GAAP in our press release and related conference call or webcast, we also report certain non-GAAP financial measures. A “non-GAAP financial measure” refers to a numerical measure of a company’s historical or future financial performance, financial position, or cash flows that excludes (or includes) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with GAAP in such company’s financial statements. We may use the following non-GAAP measures: Adjusted EBITDA, Adjusted EBITDA margin, non-GAAP net income, non-GAAP net income per diluted share, free cash flow, non-GAAP revenue before effects of foreign exchange, and Adjusted EBITDA before effects of foreign exchange, as well as other measures.

The presentation of these financial measures is not intended to be considered in isolation or as a substitute for, or superior to, financial information prepared and presented in accordance with GAAP and should not be considered measures of TripAdvisor’s liquidity. Investors are cautioned that there are material limitations associated with the use of non-GAAP financial measures as an analytical tool. In particular, many of the adjustments to our GAAP financial measures reflect the exclusion of certain items, as defined in our non-GAAP definitions below, which are recurring and will be reflected in our financial results for the foreseeable future. In addition, these measures may be different from non-GAAP financial measures used by other companies, even where similarly titled, limiting their usefulness for comparison purposes and therefore should not be used to compare TripAdvisor’s performance to that of other companies. We endeavor to compensate for the limitation of the non-GAAP financial measures presented by also providing the most directly comparable GAAP measures and descriptions of the reconciling items and adjustments to derive the non-GAAP financial measures.

We believe these non-GAAP financial measures provide investors and analysts with useful supplemental information about the financial performance of our business, enable comparison of financial results between periods where certain items may vary independent of business performance, and allow for greater transparency with respect to key measures used by management to operate and analyze our business over different periods of time.

We define our non-GAAP financial measures as below:

TripAdvisor defines “Adjusted EBITDA” as Net Income (Loss) plus: (1) provision for income taxes; (2) other income (expense), net; (3) depreciation of property and equipment, including amortization of internal use software and website development; (4) amortization of intangible assets; (5) stock-based compensation and other stock-settled obligations; (6) goodwill, long-lived assets and intangible asset impairments; (7) legal reserves and settlements; and (8) non-recurring expenses and income. These items are excluded from our Adjusted EBITDA measure because these items are noncash in nature, or because the amount is not driven by core operating results and renders comparisons with prior periods less meaningful. During the fourth quarter of 2018, the Company revised its Adjusted EBITDA definition to exclude legal reserves and settlements, as the Company believes these costs are not directly tied to the core operations of our businesses. The Company believes that excluding these amounts better enables management and investors to compare financial results between periods as these costs may vary independent of business performance. This revision to our Adjusted EBITDA definition did not have a material impact on our segment or non-GAAP financial results for any period prior to the three months and year ended December 31, 2018, and therefore no reclassifications have been made to conform the prior periods to the current period presentation. This revision had no effect on GAAP results in any period.

TripAdvisor defines “Adjusted EBITDA margin” as Adjusted EBITDA divided by revenue.

Adjusted EBITDA and Adjusted EBITDA margin are key operating performance measures used by our management and board of directors to understand and evaluate the financial performance of our business as a whole and our individual business segments, and on which internal budgets and forecasts are based and approved. In particular, the exclusion of certain expenses in calculating Adjusted EBITDA can provide a useful measure for period-to-period comparisons and better enables management and investors to compare financial results between periods as these costs may vary independent of core business performance. Accordingly, we believe that Adjusted EBITDA and Adjusted EBITDA margin provide useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and Board of Directors and allows for another useful comparison of our performance with our historical results from prior periods.

Our use of Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results reported in accordance with GAAP. Because of these limitations, you should consider Adjusted EBITDA alongside other financial performance measures, including net income and our other GAAP results.

Some of these limitations are:

- Adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not reflect the interest expense or cash requirements necessary to service interest or principal payments on our debt, if any;
- Adjusted EBITDA does not consider the potentially dilutive impact of stock-based compensation or other stock-settled obligations;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and Adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- Adjusted EBITDA does not reflect certain income and expenses not directly tied to the core operations of our business, such as legal reserves and settlements;
- Adjusted EBITDA does not reflect tax payments that may represent a reduction in cash available to us; and
- Other companies, including companies in our own industry, may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

TripAdvisor defines “non-GAAP net income” as GAAP net income (loss) excluding, net of their related tax effects (which excludes the impact of significant one-time changes resulting from tax legislation such as the U.S. Tax Cuts and Jobs Act of 2017 (the “2017 Tax Act”): (1) stock-based compensation expense and other stock-settled obligations; (2) amortization of intangible assets; (3) goodwill, intangible asset, and other long-lived asset impairments; (4) legal reserves and settlements; and (5) certain gains, losses, and other non-recurring income or expenses that we do not believe are indicative of our ongoing operating results. We believe non-GAAP net income is an operating performance measure which provides investors and analysts with useful supplemental information about the financial performance of our business, as it incorporates our unaudited condensed consolidated statement of operations, taking into account depreciation, which management believes is an ongoing cost of doing business, but excluding the impact of certain expenses, infrequently occurring items and items not directly tied to the core operations of our businesses, and also enables comparison of financial results between periods where certain items may vary independent of business performance. During the fourth quarter of 2018, the Company revised its non-GAAP net income definition to exclude legal reserves and settlements, as the Company believes these costs are not directly tied to the core operations of our businesses. The Company believes this change better enables management and investors to compare financial results between periods as these costs may vary independent of business performance. This revision to our non-GAAP net income definition did not have a material impact on our segment or non-GAAP financial results for any period prior to the three months and year ended December 31, 2018, and therefore no reclassifications have been made to conform the prior periods to the current period presentation. This revision had no effect on GAAP results in any period.

TripAdvisor defines “non-GAAP net income per diluted share”, or non-GAAP diluted EPS, as non-GAAP net income divided by GAAP diluted shares. We believe non-GAAP diluted EPS is useful to investors because it represents, on a per share basis, our unaudited condensed consolidated statement of operations, taking into account depreciation, which we believe is an ongoing cost of doing business, as well as other items which are not allocated to the operating businesses such as interest expense, interest income, income taxes and foreign exchange gains or losses, but excluding the effects of certain expenses not directly tied to the core operations of our businesses. TripAdvisor calculates non-GAAP diluted EPS using GAAP diluted shares determined under the treasury stock method.

Non-GAAP net income and non-GAAP diluted EPS have some of the same limitations as Adjusted EBITDA. In addition, non-GAAP net income does not include all items that affect our net income and GAAP diluted EPS for the period. Therefore, we think it is important to evaluate these measures along with our unaudited condensed consolidated statements of operations.

TripAdvisor defines “free cash flow” as net cash provided by operating activities less capital expenditures, which are purchases of property and equipment, including capitalization of internal-use software development costs. We believe this financial measure can provide useful supplemental information to help investors better understand underlying trends in our business, as it represents the operating cash flow that our operating businesses generate, less capital expenditures but before taking into account other cash movements that are not directly tied to the core operations of our businesses, such as financing activities, foreign exchange or certain

investing activities. Free cash flow has certain limitations in that it does not represent the total increase or decrease in the cash balance for the period, nor does it represent the residual cash flow for discretionary expenditures. Therefore, it is important to evaluate free cash flow along with the unaudited condensed consolidated statements of cash flows.

TripAdvisor calculates our foreign exchange effect of revenue, or “non-GAAP revenue before effects of foreign exchange” on a constant currency basis by excluding the estimated effects of foreign currency exchange on revenue by translating actual revenue for the current year three months ended using the prior period foreign currency exchange rates. We believe this is a useful measure that facilitates management's internal comparison to our historical performance because it excludes the effects of foreign currency volatility that is not indicative of our core operating results.

TripAdvisor calculates our foreign exchange effect of Adjusted EBITDA, or “Adjusted EBITDA before effects of foreign exchange,” on a constant currency basis, by excluding the estimated effects of foreign currency exchange by translating all amounts included in Adjusted EBITDA for the current year three months ended using the prior period foreign currency exchange rates. We believe this is a useful measure that facilitates management's internal comparison to our historical performance because it excludes the effects of foreign currency volatility that is not indicative of our core operating results.

Pursuant to the requirements of Regulation G, we present reconciliations of these non-GAAP financial measures to the most directly comparable GAAP measure below.

TripAdvisor, Inc.
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES
(in millions, except per share amounts and percentages)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Reconciliation of GAAP Net Income to Adjusted EBITDA (Non-GAAP):				
GAAP Net Income	\$ 34	\$ 32	\$ 60	\$ 36
Add: Provision for income taxes	34	10	41	27
Add: Other expense (income), net	(2)	7	(5)	8
Add: Depreciation and amortization of intangible assets	30	29	61	57
Add: Stock-based compensation expense	32	31	60	61
Adjusted EBITDA (Non-GAAP)	<u>\$ 128</u>	<u>\$ 109</u>	<u>\$ 217</u>	<u>\$ 189</u>
Revenue (GAAP)	\$ 422	\$ 433	\$ 798	\$ 811
Net Income margin (GAAP)	8%	7%	8%	4%
Adjusted EBITDA margin (Non-GAAP) (1)	30%	25%	27%	23%
Reconciliation from GAAP Net Income and GAAP Net Income per diluted share to Non-GAAP net income and Non-GAAP net income per diluted share:				
GAAP Net Income	\$ 34	\$ 32		
Add: Stock-based compensation expense	32	31		
Add: Amortization of intangible assets	7	8		
Subtract: Income tax effect of Non-GAAP adjustments (2)	9	8		
Add: Income tax impact related to 2017 Tax Cuts and Job Act (3)	-	(5)		
Non-GAAP net income	<u>\$ 64</u>	<u>\$ 58</u>		
GAAP diluted shares	141	140		
GAAP Net Income per diluted share	\$ 0.24	\$ 0.23		
Non-GAAP net income per diluted share (4)	0.45	0.41		
Reconciliation of GAAP cash flows from operating activities to Free Cash Flow (Non-GAAP):				
Net cash provided by operating activities (GAAP)	\$ 181	\$ 186		
Subtract: Capital expenditures	21	16		
Free cash flow (Non-GAAP)	<u>\$ 160</u>	<u>\$ 170</u>		
Revenue Before Effects of Foreign Exchange:				
Total Revenue (GAAP)	\$ 422	\$ 433		
Estimated effects of foreign exchange	11			
Non-GAAP Total revenue before effects of foreign exchange	<u>\$ 433</u>			
<i>Year/Year Growth (5)</i>		0%		
Adjusted EBITDA Before Effects of Foreign Exchange:				
Total Adjusted EBITDA (Non-GAAP)	\$ 128	\$ 109		
Estimated effects of foreign exchange	5			
Total Adjusted EBITDA before effects of foreign exchange (Non-GAAP)	<u>\$ 133</u>			
<i>Year/Year Growth (5)</i>		22%		

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 30,</u> <u>2019</u>	<u>June 30,</u> <u>2018</u>	<u>June 30,</u> <u>2019</u>	<u>June 30,</u> <u>2018</u>
Hotels, Media & Platform Segment Revenue Before Effects of Foreign Exchange:				
Total Hotels, Media & Platform Segment Revenue (GAAP)	\$ 254	\$ 272		
Estimated effects of foreign exchange	<u>6</u>			
Non-GAAP Total Hotels, Media & Platform segment revenue before effects of foreign exchange	<u>\$ 260</u>			
<i>Year/Year Growth (5)</i>	(4)%			

Hotels, Media & Platform Segment Adjusted EBITDA Before Effects of Foreign Exchange:

Total Hotels, Media & Platform Segment Adjusted EBITDA (GAAP)	\$ 108	\$ 85		
Estimated effects of foreign exchange	<u>3</u>			
Non-GAAP Total Hotels, Media & Platform Segment Adjusted EBITDA before effects of foreign exchange	<u>\$ 111</u>			
<i>Year/Year Growth (5)</i>	31%			

Experiences & Dining Segment Revenue Before Effects of Foreign Exchange:

Total Experiences & Dining Segment Revenue (GAAP)	\$ 125	\$ 98		
Estimated effects of foreign exchange	<u>5</u>			
Non-GAAP Total Experiences & Dining segment revenue before effects of foreign exchange	<u>\$ 130</u>			
<i>Year/Year Growth (5)</i>	33%			

- (1) TripAdvisor defines "Adjusted EBITDA margin" as Adjusted EBITDA divided by revenue.
- (2) The non-GAAP adjustments described above are reported on a pre-tax basis. The income tax effect on non-GAAP adjustments was calculated based on the individual impact that these items had on our GAAP consolidated income tax expense for the periods presented.
- (3) Represents a benefit for income taxes related to the 2017 Tax Act Transition Tax of \$5 million recorded during the three months ended June 30, 2018.
- (4) TripAdvisor defines "non-GAAP net income per diluted share" as non-GAAP net income divided by GAAP diluted shares.
- (5) Represents constant currency growth, as a percentage, which is calculated by determining the change in current period revenues and Adjusted EBITDA figures over prior period revenues and Adjusted EBITDA figures, where current period figures are translated using prior period foreign currency exchange rates.

Safe Harbor Statement

Statements in this press release 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 TripAdvisor's prospects as a comprehensive destination for hotels, experiences, 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 be expected," "look forward," "may provide," "would" 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 executive officers 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 SEC. 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.

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