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PRESENTATION

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

Good afternoon, and welcome back to the next session of the Deutsche Bank Media, Internet and Telco Conference. My name is Lloyd Walmsley. I'm the Internet analyst here at Deutsche Bank, and I'm excited to have Ernst Teunissen, CFO of Tripadvisor, back to the conference. We've recently put Tripadvisor into our catalyst call as a buy rating in January, very excited to see the business unfold with the new Tripadvisor Plus plan, which we'll talk about.

But for starters, Ernst, thanks a lot for being here.

Ernst J. Teunissen - *Tripadvisor, Inc. - Senior VP, CFO & Treasurer*

Thanks for having me. A pleasure to be here.

QUESTIONS AND ANSWERS

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

Great. Well, so I wanted to just start off the fireside chat with some questions. (Operator Instructions) But I wanted to start off on my questions with kind of the travel macro. Talk about the state of the recovery. What sort of trends are you guys seeing?

Ernst J. Teunissen - *Tripadvisor, Inc. - Senior VP, CFO & Treasurer*

Yes, thanks. Obviously, a significant year behind us as a company. I'll go into where we think we are right now in terms of the recovery path. But I just wanted to start off with sort of sharing where we have been and how we are finding ourselves as a company.

Tough 2020, not out of the woods, but we look at 2021 with a fair bit of optimism right now. We think there's a good recovery potential ahead of us in 2021. Obviously, still some uncertainty. Some unevenness was expected and planned for in Q4. But the vaccine development, in particular, has been very encouraging indeed. Ever since in November, we heard the first news about vaccines being approved, the news gets better. Only last week, the President of the United States says he promises everyone there's enough supply at the end of May for everyone. We see new vaccines and new treatments come out. So it's all very encouraging.

The other thing that, in our view, is very encouraging is that we think the capacity for consumers to spend on travel is pretty significant. Pent-up savings levels, \$1.5 trillion in the U.S. alone. Pent-up demand for travel is pretty clear. We see that anecdotally, but we also see that with signs on our site, which I can talk about a little bit more.

And we've seen some improvements even recently in our stats on our site. We had a slower start to January. But in February and now into March, we see trends pick up. So that's -- we're excited about that improvement ahead of us. It's going to be more modest improvement in the front half of the year, but the vaccine is really what we're looking for. And hopefully, by the middle of the year, we will have advanced rollout of the vaccine

as planned in the United States and in Europe, in particular. And we think that will be a huge opportunity for all this pent-up demand really to come to the market in travel in the back half of the year and into 2022. So we feel optimistic about that.

We feel good about sort of two things that we took care of in 2020, and those were two things that were in our control. The first was we drove quite a bit of cost savings. We talked about this, but we saved \$200 million of fixed cost between 2019 and 2020 by looking at our cost, looking at our head count and making adjustments there.

We will be very, very prudent in adding cost back in the [road] to recovery, and we don't need to add all back -- cost back that we saved. We think the majority of the savings that we drove in 2020 on the fixed cost side will persist into 2021. And so that has positioned ourselves really well in terms of operating leverage. And when the market comes back and when we get to revenue levels of 2019, we will do so with a more efficient P&L. And so we're excited about that.

The second thing that we feel good about is we have been, across the board, sort of continue to develop product and offerings during the pandemic. We made sure that we continue to -- especially in a time like a pandemic, to drive improvements. And we have innovated. We put out two new B2B products in the back half of last year, which we're excited about. But importantly, we innovated around a direct-to-consumer set of offerings, most importantly, our Plus offering, which I'm sure we'll talk about, too.

So we feel we are at the beginning of 2021, we're looking at sort of optimistically at the recovery path ahead of us. And we think we have put some things into place ourselves in terms of cost and innovation that should allow us to take great advantage of this.

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

So what do you expect in terms of the recovery path across your various business lines?

Ernst J. Teunissen - Tripadvisor, Inc. - Senior VP, CFO & Treasurer

Yes. So what are the trends that we're seeing right now, and I'll talk a little bit about the different lines. Obviously, we have a pretty unique vantage point. We were before the pandemic and also in the pandemic, the largest travel platform in terms of monthly unique visitors. And that allows us a lot of insight and data, especially up-funnel in what people are looking at and how they are engaging. We see that on our site, but we also do many surveys with our users to understand where they are.

And we're seeing the following things. We're seeing our consumers planning stays in 90-plus days out significantly more than they did in the fourth quarter. We saw that go up by 50% since December. And that's not a normal jump from January to February and -- from December to January and February. And that really shows that folks are starting to have strengthening interest in planning for 2021.

The other thing that we're seeing on our site is when people are planning for 2021 and for these further out stays, that they are actually looking at higher value trips than they were in this year -- this time around last year or the year before, which maybe underlines the fact that people do feel a sense of pent-up demand and looking for more expensive trips.

And then we have done a bunch of survey work that yields insight like even in the pandemic, people were looking to spend time on traveling. But now 3/4 of all our consumers that we survey says that they will spend significantly more time choosing travel now in 2021. And a very good size of the sample size, 1/4 of respondents says, they are planning to take at least 3 international trips in 2021. So significant forward-leaning right now that we see.

In terms of the verticals, in -- during the pandemic, we saw the vertical that responded most directly to improvements in the environment was restaurants. So when restaurants opened in Europe in the third quarter of last year, we basically saw demand almost come back completely overnight with the opening of restaurants.

Our Fork revenues were about at 100% of 2019 at the end of August, beginning of September. Italy was ahead of 2019 in the middle of the pandemic in terms of revenue. But we also saw that obviously quickly revert when Europe went in lockdown again.

We saw experiences being slower to recover in -- during the pandemic in openings in the summer, which sort of makes sense, right? It has more of a social component than most other services, more difficult to isolate people when they're in an experience. And as we sort of look ahead, we think the recovery will be broad-based in all our offerings during 2021, especially in the back half. We would expect restaurants like it did in '21 to come back a little bit ahead of the pack.

We operate a hotel metasearch platform, of course, which recognizes revenue the moment people are booking their vacation not at stay. And so that should give us a little bit of an early indication as well relative to other business models in the travel industry.

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

Great. So coming out of the pandemic, any changes that we should be expecting to unit economics across your various business lines?

Ernst J. Teunissen - Tripadvisor, Inc. - Senior VP, CFO & Treasurer

Well, one important overall, the economics change, of course, is the cost reductions that we made. And as I said in my intro, we expect the majority of the savings that we made to stick even if the volume comes back completely. So that's an important starting point.

Other than that, more on the sort of higher in the P&L, economics of the gross margins of different products or different offerings that we don't expect significant changes. There is on the variable cost side, at least in the near term, we would expect most of the variable costs to come back with volume. It reduced in 2020, mostly with volume, and we would expect that to come back with volume. So most important changes in the P&L are more on the fixed cost side versus them all before the pandemic.

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

Okay. And then, I guess, as we think about either the various business lines or the head count functions, where are the areas where we should expect to see costs remain low versus coming back?

Ernst J. Teunissen - Tripadvisor, Inc. - Senior VP, CFO & Treasurer

I would say, Lloyd, overall, we're going to be adding back very, very carefully and sparsely. Hence, the comment that the majority of the savings will indeed stick. And so as you always do, where you add them back, you do it because you think it has the highest ROI.

We have moved -- internally, we've moved resources, of course, towards Plus. It's a high priority for us. But we've largely funded that out of redirecting from other priorities. But especially as Plus starts to take hold, that might be an area where we very carefully add cost. But overall statement not looking to back a lot of costs in 2021, have the majority of the savings drop to the bottom line.

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

So on the variable side, you broadly messaged for that to come back in line with demand. Is there an opportunity to get more efficient on the performance marketing side?

Ernst J. Teunissen - *Tripadvisor, Inc. - Senior VP, CFO & Treasurer*

Yes, possibly. I mean, we have, as you know, gone through a phase of improving our return on ad spend quite significantly, particularly on the hotel side in years before the pandemic hit. We are also going to continue to focus on getting more engaged users to come directly to our platform versus coming in through paid channels. That should help us over time. Plus is another example of that happening.

So longer term, we do feel there are opportunities to improve at least variable cost as a percent of revenue. But for the near term, in the recovery in 2021, I would expect it broadly to come back with volume.

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

Okay. And as we think about the potential for Plus to improve monetization, to the extent that happens, does that position you maybe able to lean in more to variable marketing channels with better returns from better monetization?

Ernst J. Teunissen - *Tripadvisor, Inc. - Senior VP, CFO & Treasurer*

Well, Plus is a new service that we are not marketing with significant external marketing spend and don't need to. We have this very large captive audience for this. We've given you some stat that you can triangulate with, be it the 160 million clicks that we already have -- had in 2019 of high-value searches to just the sheer size of the hundreds of millions of users that are coming to our site.

And we believe that we have -- because we are up-funnel and we have such good insight into what people are looking for, we are able to offer them this Plus offering at the very right time where -- and this is what we're aiming for, especially where it could be a no-brainer moment, right? It's just the subscription pays for itself at your first purchase. So we don't think this needs to be an advertising-intensive play.

I think where there is potential for spending more on variable cost if our conversions improve across all the business, and we have run our paid marketing channels always with the expectation of a certain return, and we always spend more when the revenue we expect from that purchase is going up. And so in our effort to improve conversion across the business, be it in experiences, be it on restaurants, the more successful we are increasing that conversion, the more naturally, we will spend more on variable costs because at the same return hurdles, we can just afford to spend more.

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

Okay. And then just at the aggregate company-wide level, given all the cost cuts, is it safe to think that when the top line comes back to 2019 levels, the overall margin should be in a better spot?

Ernst J. Teunissen - *Tripadvisor, Inc. - Senior VP, CFO & Treasurer*

Yes. I think that's the logical conclusion of the things that we've just been talking about together is gross margin, similar; variable cost, similar; and then with a more efficient fixed cost base should result in better operating leverage for us.

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

Great. Well, let's talk about Tripadvisor Plus. I think the subscription service makes a lot of sense as a product. You're the logical travel player to offer something like this, has the potential to be a real game-changer for monetization longer term. So starting with just the product vision, can you kind of talk about what you're trying to accomplish over the next few years with this product?

Ernst J. Teunissen - *Tripadvisor, Inc. - Senior VP, CFO & Treasurer*

Yes. In terms of product vision, we believe that Tripadvisor Plus can fill a notable void of an affordable high-value subscription offering in travel. And we believe that is not available today. It has emerged in very many verticals in our economy in our lives, be it in music or in gaming or in ecommerce. And in those verticals, you've seen the masses adopt a subscription model, if it offers them a tangible benefit. And so we believe travel is not an exception.

So on a very high level, we think we have a TAM of anyone that wants to save money and anyone that makes a trip -- that makes -- spends money on travel of north of \$1,000 a year, which is a huge audience. And so we think travel is ripe for something like this and is a very good hunting ground for an offering like this as we have seen in other verticals. So on a very high level, that's the vision of it to make this affordable, mass market, large offering.

And the vision is to offer something that is of real value to a traveler. So this is not -- it's rolled out right now with a focus on, can we give you a no-brainer discount on their hotel stay. But the vision for this is to be helpful subscription among everything that's related to travel. So it's a discount but also perks when you stay at a hotel. It's hotels but also experiences or getting access to good restaurants when you're on your vacation.

Long term, it may be about bundling in other benefits. It's -- it may be about bundling in airline-related or airport-related benefits. It could be exclusive content for subscribers. And so we very much look at this as -- the vision of it is a helpful tool at a reasonable price point that saves you money and allows you to travel better. And we think at Tripadvisor, we have -- you said this in your intro, a unique platform to take advantage of that. And that's why we're attacking this now with vigor.

We've -- we're now in beta. We have today, Plus subscribers already have access to deals and perks of more than 100,000 hotels. We'll continue to add on to that. We have bookable experiences, we'll continue to add to that. And we can expand it further over time.

Look, we're in beta. We're methodical about this. We're deliberate. It's early days. We're in a pandemic. These businesses take time to build. And so we are -- we have measured expectations for how large this will be for us in 2021. But long term, we're very bullish about this, and I think it has a lot of potential.

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

So you're already in quite a few hotels with the beta you're in now. Can you just talk a bit about how you're sourcing the discounts? What sort of supply relationships you're going -- you're working with now?

Ernst J. Teunissen - *Tripadvisor, Inc. - Senior VP, CFO & Treasurer*

Yes. So on the hotel side, we have done two different things we have focused on some of the aggregators that offer this discounted set of opportunities. And we're rolling out directly to hotels as well. Directly to hotels is important for us because it gives us an opportunity, not only to negotiate a discount, but also to get other benefits, perks and other benefits.

And we think it's a nice value proposition for hotels because they give a discount, but we take no other commissions or other fees for them. And we pass that on straight to the consumer. And this allows hotels a nice alternative way to grow for a closed user group behind the paywall, a highly qualified group of users. We put out a press release that if you haven't seen, you could have a look at on our site, which is a press release announcing some of the benefits that we offer to hotels and inviting hotels to participate in our programs.

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

So what is the user experience like for a subscriber that's maybe already saved hundreds of dollars on the first transaction? When they come back to plan another trip, would you perhaps be moving eventually towards a place where you pass along less of a discount in that second time and you actually can make some transactional money on top of the subscription fee?

Ernst J. Teunissen - Tripadvisor, Inc. - Senior VP, CFO & Treasurer

There are definitely options for us going forward. Right now, the focus in the rollout is all the benefit that -- all the advantages that we have negotiated for our subscribers, we're passing on. And so when you do the initial purchase, when you come back, you have a great opportunity to save. We're rolling this out on that basis. We want to demonstrate value, and this is the best way to show that.

Over time, of course, there's going to be an opportunity to start thinking about is there an opportunity to also make money on the transaction itself, is there an opportunity to play with discounts to the extent that we actually benefit from not passing on the full discount. That's upside along the way. That's not what we're focused on right now. Right now, we're focused on getting this off the ground by passing on all the benefits to -- directly to our users.

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

It sounds like most of the hotel inventory today is coming from a small OTA. Are there also hotels or wholesalers in the mix?

Ernst J. Teunissen - Tripadvisor, Inc. - Senior VP, CFO & Treasurer

Yes. And so this is what I was referring to with the announcement -- the press announcement that we're making today. We have a sales force that is actively talking to our hotel partners right now to sign them up. We can broaden the number of aggregators and OTAs that are participating on this. And by the time that we are going to be fully rolling out this service, we will have made additional steps into that direction. And so we think that's a clearly defined task ahead of us that we're executing on right now with our entire team here at Tripadvisor.

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

So how big is the hotel sales force? What are some of the early conversations like with hotels directly? And how do you guys plan to address any key sticking points?

Ernst J. Teunissen - Tripadvisor, Inc. - Senior VP, CFO & Treasurer

Yes. And so I said it before, is we're trying to create this obvious win-win-win, actually. Win for Tripadvisor, win for our users, but also for the suppliers, which is hoteliers, but also experiences, suppliers and restaurants, et cetera. And so we are, as you can imagine, our sales force is focused on explaining the core benefits that there are for these hotels to participate in this program.

I highlighted a few of them. You provided a discount before a closed user group. And we do that free of any other charges for your [commissions] or other charges. And so we think we have a good value prop for hotels to participate in this, and that's what the sales force is out talking about. And we think that will be -- that is being well received, and we think it will continue to be well received.

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

So are there any other aggregators in the market you haven't engaged with that could unlock a meaningful chunk of hotel inventory? Or should we assume that most of the growth from here will be driven by hotel-direct relationships?

Ernst J. Teunissen - *Tripadvisor, Inc. - Senior VP, CFO & Treasurer*

Yes, it will be in no different directions, right? 100,000 is already a good number, but we can [bode] that to importance of hotel-direct. As I mentioned before, Lloyd is that we don't just want a discount. We also want to be able to offer perks as well. And so the direct path is important to us. But of course, we will add on OTAs and aggregators along the way to get the best for our users.

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

And then thinking about the subscriber TAM and revenue potential, how do you think about the path to the TAM of kind of tens of millions of subs and billions of recurring revenue?

Ernst J. Teunissen - *Tripadvisor, Inc. - Senior VP, CFO & Treasurer*

Yes. So a number of ways to think about that is sort of triangulate on it. I talked before about, hey, on some level, anyone that takes a trip more than \$1,000, which is a huge market, and wants to save money and travel better is in the sweet spot. So that's pretty big. In other verticals, quite large units of subscribers have been amassed hundreds of millions, and we think travel is a good sector.

But then to sort of think more into Tripadvisor and what we have on our assets and data, we've mentioned before, hey, in 2019, we had 160 million hotel clicks for a value of \$750 or more. Imagine getting a small percentage of that converted. We had more than 100 million of engaged members, not just e-mail addresses, but people that actually visit the site that are emailable that we can email and see our emails because we know they're active. We had more than 400 million unique users on our site in 2019.

And so we believe we have a lot of shots at goal just with the existing ecosystem that we have. We believe, if you look, for instance, the \$160 million -- 160 million clicks in 2019 of \$750 or more, we believe actually that the value prop for all 160 million clicks is actually pretty compelling. And a bit of a no-brainer.

But even if you expect a relatively modest conversion of that, you can get to -- with all the other numbers that I just shared, you can get -- reasonably get to tens of millions of subscribers, and that's definitely what we're aiming for, what our ambition is and what we think we can aim for over a longer period of time, of course. It's not going to all materialize in the very near term.

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

So the 160 million hotel clicks is a super helpful data point. Any other way you can frame this in terms of like an annual unique hotel shopper or logged-in users to help us just think through, I guess, the unique number within that 160 million or otherwise help frame up the potential here?

Ernst J. Teunissen - *Tripadvisor, Inc. - Senior VP, CFO & Treasurer*

Yes. And so yes, more than 100 million active subscribers is another good way to think about this. I would even say we're isolating this 160 million clicks of high value. There are also less-visible high-value searches on our site because people are putting together a more complicated trip for themselves where they spend two days in France and then three days in Spain and two days in Italy. And that may show up on our site as the collection of smaller searches. But in the mind of the consumer, maybe, hey, if I buy the subscription, and I want to buy a number of stays of my trip, that could add up as well. So there are -- there is definitely -- even outside of those, some of those big buckets, there is opportunity there.

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

And then how do you ensure that you scale this successfully and minimize the hotel auction -- metasearch auction cannibalization?

Ernst J. Teunissen - *Tripadvisor, Inc. - Senior VP, CFO & Treasurer*

Yes. We're going to be -- of course, we're aware of that potential, and we're going to be very methodical and test into how we roll this out. That's the reason why we're in beta to make sure that, that cannibalization is as low as possible. We've said -- we've often said that Tripadvisor is a platform with quite a bit of leakage in terms of our ability to monetize the traffic. We're also in a platform where people come to compare prices or compare content. But they wander on their travel booking journey, and they often end up booking through an OTA or through a hotel directly. After having wandered around it, we don't get the attribution. And so we get attribution if a user clicks off and then converts immediately on the platform of our partners, but not if they wander.

This is, for us, an ability to get a lot of that leakage not to happen. And that's why we think this is going to be, by and large, incremental, and we can manage the cannibalization of it.

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

And in terms of the experiences' discounts, you're funding those out of your own commission?

Ernst J. Teunissen - *Tripadvisor, Inc. - Senior VP, CFO & Treasurer*

We are. And we are doing that because we believe that this is actually going to stimulate demand. I mean, it's the -- on the Tripadvisor site, we have a lot of traffic looking at things to do. But our downstream conversion is still quite modest. And we think offering a discount is going to trigger volume in a meaningful way and, therefore, worthwhile to give up a bit of margin on.

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

And so I think one of the comments Steve made on the earnings call was there's a really good line of sight into other benefits being added to the platform. What are some of the other benefits being considered that you could add to the subscription over time?

Ernst J. Teunissen - *Tripadvisor, Inc. - Senior VP, CFO & Treasurer*

Yes. You can think about, obviously, anything that is VIP amenities where you're staying. This is perks. You can think about any airline-related perks, maybe not so much discounts with a hotel, but maybe lounge access or other integrations with airlines. Travel support tools that can be offered, member-only content, maybe exclusive availability of certain experiences or reservations at restaurants that are iconic and difficult to get into. You can look quite broadly in perks to make your travel easier that you can bundle in.

And there are some examples of credit cards that do some of it. If you go to Amex Platinum or Chase Sapphire, you have things bundled in like lounge access or discounts on global entry and things like that. So these are all directions you can think into. But right now, when we're in beta, our focus is much more on the sort of core hotel discount and benefit and the experiences benefit. And then over time, we will go more broadly with that offering.

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

So how would you kind of respond to the question, why is this time different? What makes Tripadvisor Plus subscription different from Instant Book?

Ernst J. Teunissen - *Tripadvisor, Inc. - Senior VP, CFO & Treasurer*

Well, we spent quite a bit of time this time around by launching it, really focusing on what is a value prop for our consumers that will really stand out and stand the test of time by doing research, by being much more focused on the overall travel experience on Tripadvisor. And what we think is different from Instant Book materially is Instant Book had a value proposition, which was, hey, it's convenient for you, hotel user, to stay on Tripadvisor and actually complete the booking on Tripadvisor. But there was no other meaningful benefit. There was no price advantage. There was no other perk or benefit that was associated with doing that.

And what we found is like a small portion of our audience thought that was a benefit to adopt Instant Book for. But the vast majority of users said, that's too thin a benefit for me. I'm pretty happy clicking off to booking or Expedia and complete the booking there. They're very good at that, which they are, and the value of prop wasn't as strong.

Here, we think it's different. We think here, we offer something that is pretty unique in the ecosystem and something that converts obvious benefits to the user, to the extent that even on the first purchase, you can make your money back and then some after that. So we think the difference -- the core difference this time is that we think we have a value prop by the tail here that is so much more compelling.

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

And then is there any concern about just how your existing big ad customers on the OTA space are reacting to this? Is this something that they are okay with? Is it something that bothers them? Any sense for how you guys worry about or think about the potential disruption from that angle?

Ernst J. Teunissen - *Tripadvisor, Inc. - Senior VP, CFO & Treasurer*

Yes. This is a very different new offering that is different from what is offered in the marketplace to date. So it is something materially new. We think there is a good positioning in the marketplace for. We will continue to also operate all the other aspects of our business. So there will be continued ability to -- with an even more engaged audience to advertise on our platform for partners.

There will be a substantial amount of users that -- although we think tens of millions of people will ultimately sign on to subscription, we have so many users on our site. It also implies that many still won't, and so we will have active advertising opportunities for all our partners for those users as well. So we see this as adding in a very important way of monetizing for us, but not as a change to the other monetization opportunities with partners that we've had on our platform.

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

Great. So the restaurant experiences and kind of branded display business, prior to the pandemic, these were -- looked to be keys to reaccelerating the top line growth. So what is the outlook as we come out of this for these businesses, I guess, to drive longer-term top line?

Ernst J. Teunissen - *Tripadvisor, Inc. - Senior VP, CFO & Treasurer*

Yes. Indeed, they were very nicely growing businesses before COVID. We were looking to reaccelerate a lot of our growth in those areas before COVID and saw great opportunities for that in restaurants, experiences, display. And the pandemic has certainly put a pause on the growth, the significant growth we saw in those areas, but we think that will come back. We really like our positioning in the experiences, a competitive field. We have a supply aggregation network globally that is second to none that we're very proud of. And we have two strong brands, one Viator and one Tripadvisor, to take advantage of it. And so we think we can continue to grow in this market that is 80% off-line still. And so we think that's a massive opportunity.

In restaurants, we have a strong position with TheFork. We are the largest player in Europe for transactions for reservations and very strong positions across the European markets. Just before the pandemic hit, we filled out our portfolio in Europe by buying Bookatable, which gave us more access to the U.K. and Germany. So we really like our competitive position and our, again, underpenetrated market for restaurant reservations in Europe.

Branded display, we've been innovating. We've seen during the pandemic and acceleration of the importance of the non-travel endemic advertisers on our platform. And even before the pandemic, we saw that as a big opportunity, and we'll continue to go after that. And of course, our hotel B2B is important in terms of growth. And so we define the success really as continuing on the growth path and continuing on tapping into the ambitions that we had. And if anything, our competitive position might have improved since the beginning of the pandemic.

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

And so sticking with the hotel B2B product, I think historically, it's been a lot of the hotel listing product, and it's been a subscription business. Has that been relatively stable even through the pandemic? And do you still have kind of a big base of customers to market your new hotel B2B products to kind of coming out of this?

Ernst J. Teunissen - Tripadvisor, Inc. - Senior VP, CFO & Treasurer

Yes. Historically, our largest hotel subscription service has been a pretty important one for hotels, which is on the hotel landing page, we allow a hotel that pays a subscription to customize the top of the page and include their own telephone number, for instance, or their own website, which has been a marketing tool for hotels to get Tripadvisor users to go directly to their site rather than click off to some other areas. So in their effort to market their business that was -- has been a valuable and lasting subscription opportunity.

We have complemented that over time with some other services also to market yourself as a hotel on Tripadvisor. So we rolled out just now -- actually, at the back half of 2020, two new services that are around managing your reputation. So how do you manage your reviews on your site as a hotel and your -- the tools with which you evaluate and respond to those? We've given products that help you analyze your competitive position within your region. So how do your prices compare to others, for instance? And then, of course, we have had a sponsored placement product, which is as a hotel, you can pay us a monthly allowance to slot you in sponsor placements, and it can give you some additional demand that way.

Those have been important benefits. During the pandemic, those are -- many of those are monthly subscriptions, but we have been helping our hotel clients, specifically smaller hotels with making sure that we extend the payment terms for that and added on some free months from folks, so they could get through the pandemic. And that impacted -- negatively impacted even that subscription piece of the business back in Q2 and Q3. But now we're back with the subscription product into 2021 and, hopefully, be fully restored when the recovery takes place after the rollout of the vaccine.

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

So I'm getting a few questions in over e-mail. The first one was, anything you'd call out geographically in the strength in February and into March for the hotel business? Is this focused in the U.S.? Or are European markets also showing sign of life, anything you could elaborate there?

Ernst J. Teunissen - Tripadvisor, Inc. - Senior VP, CFO & Treasurer

The U.S. has, where -- I would say, in the third quarter last year, Europe was really driving some of the relative improvement. The U.S. has been stronger in Q4. And obviously, because Europe has been mostly shut down in Q4. And now in the start of the year, we also see relative strength in the U.S. compared to Europe, which should not be a surprise. I think the situation in the U.S. has been much more open over the last months than it has been in Europe. In some markets in Europe, the lockdowns have been quite significant. So we've seen relatively better performance of the United States. But there's no reason to believe that will not change when the vaccine gets rolled out and Europe starts to open up again.

Again, I was talking about our restaurant business back in the third quarter. Now again, we see that in Italy, restaurants are open for lunch. In Spain, restaurants are partly open depending on the region, and we immediately see the response actually in -- also in Europe in those areas where the reopening happens. But Europe has been just a little bit more locked down than the United States. And therefore, we see the relative recovery faster in the United States.

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

And then another one, was the sales force selling into hotels a group that was impacted kind of early in the pandemic in terms of head count reductions? Or has that been an area that was -- that hasn't been impacted, and thinking about that from the perspective of signing up more suppliers for Plus?

Ernst J. Teunissen - Tripadvisor, Inc. - Senior VP, CFO & Treasurer

Yes. And so we had -- if you look at our sales force, holistically, we had -- we took advantage of, in some jurisdictions, like in Europe, the ability to furlough large parts of the sales force and get a subsidy for it from the government. In North America, that was less of an opportunity, but we furloughed -- temporarily took out the capacity for our sales force. We have a pretty strong sales force in place right now for hotels, for restaurants across the globe and the right sales force to pursue with vigor the Plus opportunity now.

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

And then one more coming in from e-mail. You said you expect muted uptake of Tripadvisor Plus in 2021 but think of tens of millions as the opportunity. What is the bottleneck for adoption in 2021? How aggressive are you going to roll out the product? And how quickly can you onboard supply?

Ernst J. Teunissen - Tripadvisor, Inc. - Senior VP, CFO & Treasurer

Yes. So right now, we're testing, right? And so we're still in beta. We're not fully rolled out even in the United States yet. That's station [WL1]#1. And then we're rolling out other English-speaking and then other nations. So there's a methodical and sort of thoughtful way in which we roll this out, which is one aspect of it.

We're still in the pandemic, right? So the strength of the travel market will come back. And then it will take some time, as it always does when you build out a new business for the user adoption to take hold. So for all those reasons combined, we want to caution for too-high expectations for the first year, but the prize is clearly there. It's clearly a product that should take high uptake if -- when we're fully rolled out, the market's fully back and we have some time under our belt optimizing the products for folks.

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

Great. Well, I think we've got about a minute left. I don't know if, Ernst, you had anything that you are particularly excited about besides the obvious Tripadvisor Plus for the next, call it, two-year outlook that you think the Street may be underappreciating?

Ernst J. Teunissen - Tripadvisor, Inc. - Senior VP, CFO & Treasurer

We're excited to go back to -- we go back to a situation where travelers are going to be able to travel. We think there is significant pent-up demand in this marketplace. I don't know if any of you have seen that anecdotally, we see it in our data. We think there's going to be a period of time where people are going to disproportionately invest in travel and take advantage of not being able to do so over some period of time, and that fills us

with some optimism. And we feel that as a company, we have put ourselves in a really good spot to take advantage of that, not just from product innovation, but also from a cost structure. And so we look at the future with considerable optimism.

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

Okay. Well, we share that optimism, and we are optimistic that we'll be back at the breakers next year and hope to bring you back in person. But thanks a lot for being here. I appreciate your participation in the conference.

Ernst J. Teunissen - *Tripadvisor, Inc. - Senior VP, CFO & Treasurer*

See you in person next year.

[WL1]I don't think this is what he said

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