

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2021

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-35362

**TRIPADVISOR, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**80-0743202**  
(I.R.S. Employer  
Identification No.)

**400 1<sup>st</sup> Avenue**  
**Needham, MA 02494**  
(Address of principal executive office) (Zip Code)

**Registrant's telephone number, including area code:**  
**(781) 800-5000**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock	TRIP	Nasdaq

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Class	Outstanding Shares at November 2, 2021
Common Stock, \$0.001 par value per share	125,380,966 shares
Class B common stock, \$0.001 par value per share	12,799,999 shares

**Tripadvisor, Inc.**  
**Form 10-Q**  
**For the Quarter Ended September 30, 2021**

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PART I – FINANCIAL INFORMATION

Item 1. Unaudited Condensed Consolidated Financial Statements

**TRIPADVISOR, INC.**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in millions, except per share amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Revenue (Note 3)	\$ 303	\$ 151	\$ 661	\$ 488
Costs and expenses:				
Cost of revenue (1)(2)	23	13	54	42
Selling and marketing (2)	148	70	343	249
Technology and content (2)	52	46	161	166
General and administrative (2)	37	35	121	129
Depreciation and amortization	27	30	85	94
Impairment of goodwill	—	3	—	3
Restructuring and other related reorganization costs (Note 1)	—	—	—	42
Total costs and expenses	287	197	764	725
Operating income (loss)	16	(46)	(103)	(237)
Other income (expense):				
Interest expense	(12)	(13)	(34)	(22)
Interest income	—	1	1	3
Other income (expense), net (Note 12)	(1)	—	(2)	(9)
Total other income (expense), net	(13)	(12)	(35)	(28)
Income (loss) before income taxes	3	(58)	(138)	(265)
(Provision) benefit for income taxes (Note 6)	(2)	10	19	48
Net income (loss)	\$ 1	\$ (48)	\$ (119)	\$ (217)
Earnings (loss) per share attributable to common stockholders (Note 10):				
Basic	\$ 0.01	\$ (0.36)	\$ (0.87)	\$ (1.61)
Diluted	\$ 0.01	\$ (0.36)	\$ (0.87)	\$ (1.61)
Weighted average common shares outstanding (Note 10):				
Basic	138	134	137	135
Diluted	144	134	137	135

(1) Excludes amortization as follows:

Amortization of acquired technology included in amortization of intangible assets	\$ 1	\$ 1	\$ 2	\$ 2
Amortization of website development costs included in depreciation	16	16	48	50
	\$ 17	\$ 17	\$ 50	\$ 52

(2) Includes stock-based compensation expense as follows (Note 8):

Cost of revenue	\$ —	\$ —	\$ 1	\$ 1
Selling and marketing	\$ 4	\$ 4	\$ 13	\$ 12
Technology and content	\$ 12	\$ 12	\$ 35	\$ 32
General and administrative	\$ 13	\$ 12	\$ 40	\$ 35

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

**TRIPADVISOR, INC.**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
(in millions)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Net income (loss)	\$ 1	\$ (48)	\$ (119)	\$ (217)
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments, net of tax (1)	(10)	13	(19)	7
Reclassification adjustments included in net income (loss), net of tax	2	—	2	1
Total other comprehensive income (loss), net of tax	(8)	13	(17)	8
Comprehensive income (loss)	<u>\$ (7)</u>	<u>\$ (35)</u>	<u>\$ (136)</u>	<u>\$ (209)</u>

(1) Deferred income tax liabilities related to these amounts are not material.

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

**TRIPADVISOR, INC.**  
**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in millions, except number of shares and per share amounts)

	September 30, 2021	December 31, 2020
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents (Note 4)	\$ 682	\$ 418
Accounts receivable and contract assets, net of allowance for credit losses of \$32 and \$33, respectively (Note 3)	198	83
Income taxes receivable (Note 6)	52	50
Prepaid expenses and other current assets	28	22
<b>Total current assets</b>	<b>960</b>	<b>573</b>
Property and equipment, net of accumulated depreciation of \$441 and \$386, respectively	220	240
Operating lease right-of-use assets	43	54
Intangible assets, net of accumulated amortization of \$215 and \$206, respectively	69	86
Goodwill	846	862
Non-marketable investments (Note 4)	38	40
Deferred income taxes, net	37	10
Other long-term assets, net of allowance for credit losses of \$5 and \$5, respectively	99	104
<b>TOTAL ASSETS</b>	<b>\$ 2,312</b>	<b>\$ 1,969</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 22	\$ 18
Deferred merchant payables	123	36
Deferred revenue (Note 3)	39	28
Accrued expenses and other current liabilities	179	160
<b>Total current liabilities</b>	<b>363</b>	<b>242</b>
Long-term debt (Note 5)	832	491
Finance lease obligation, net of current portion	66	71
Operating lease liabilities, net of current portion	33	46
Deferred income taxes, net	2	10
Other long-term liabilities	222	223
<b>Total Liabilities</b>	<b>1,518</b>	<b>1,083</b>
Commitments and contingencies (Note 7)		
Stockholders' equity: (Note 9)		
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: 144,177,649 and 140,775,221, respectively		
Shares outstanding: 125,333,035 and 121,930,607, 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	1,297	1,253
Retained earnings	270	389
Accumulated other comprehensive income (loss)	(51)	(34)
Treasury stock-common stock, at cost, 18,844,614 and 18,844,614 shares, respectively	(722)	(722)
<b>Total Stockholders' Equity</b>	<b>794</b>	<b>886</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 2,312</b>	<b>\$ 1,969</b>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

**TRIPADVISOR, INC.**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
(in millions, except number of shares)

Three months ended September 30, 2021

	Common stock		Class B common stock		Additio nal paid-in capital	Retaine d earn ings	Accumulate d other comprehens ive income (loss)	Treasury Stock		Total
	Shares	Amount	Shares	Amount				Shares	Amount	
	<b>Balance as of June 30, 2021</b>	143,418,007	\$ —	12,799,999				\$ —	\$ 1,275	
Net income (loss)						1				1
Other comprehensive income (loss)							(8)			(8)
Issuance of common stock related to exercises of options and vesting of RSUs	759,642	—			—					—
Withholding taxes on net share settlements of equity awards					(10)					(10)
Stock-based compensation					32					32
<b>Balance as of September 30, 2021</b>	<b>144,177,649</b>	<b>\$ —</b>	<b>12,799,999</b>	<b>\$ —</b>	<b>\$ 1,297</b>	<b>\$ 270</b>	<b>\$ (51)</b>	<b>(18,844,614)</b>	<b>\$ (722)</b>	<b>\$ 794</b>

Nine months ended September 30, 2021

	Common stock		Class B common stock		Additio nal paid-in capital	Retaine d earn ings	Accumulate d other comprehens ive income (loss)	Treasury Stock		Total
	Shares	Amount	Shares	Amount				Shares	Amount	
	<b>Balance as of December 31, 2020</b>	140,775,21	\$ —	12,799,99				\$ —	\$ 1,253	
Net income (loss)						(119)				(119)
Other comprehensive income (loss)							(17)			(17)
Issuance of common stock related to exercises of options and vesting of RSUs	3,402,428	—				8				8
Purchase of capped calls, net of tax of \$9 million (Note 5)						(26)				(26)
Withholding taxes on net share settlements of equity awards						(39)				(39)
Stock-based compensation						101				101
<b>Balance as of September 30, 2021</b>	<u>144,177,649</u>	<u>\$ —</u>	<u>12,799,99</u>	<u>\$ —</u>	<u>\$ 1,297</u>	<u>\$ 270</u>	<u>\$ (51)</u>	<u>(18,844,614)</u>	<u>\$ (722)</u>	<u>\$ 794</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

**TRIPADVISOR, INC.**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
(in millions, except number of shares)

Three months ended September 30, 2020										
	Common stock		Class B common stock		Addition al paid-in capital	Retained earnings	Accumulate d other comprehens ive income (loss)	Treasury Stock		Total
	Shares	Amount	Shares	Amount				Shares	Amount	
	<b>Balance as of June 30, 2020</b>	140,412,251	\$ —	12,799,999				\$ —	\$ 1,193	
Net income (loss)						(48)				(48)
Other comprehensive income (loss)							13			13
Issuance of common stock related to exercises of options and vesting of RSUs	103,568	—			—					—
Withholding taxes on net share settlements of equity awards					(1)					(1)
Stock-based compensation					32					32
<b>Balance as of September 30, 2020</b>	<u>140,515,819</u>	<u>\$ —</u>	<u>12,799,999</u>	<u>\$ —</u>	<u>\$ 1,224</u>	<u>\$ 461</u>	<u>\$ (55)</u>	<u>(18,844,614)</u>	<u>\$ (722)</u>	<u>\$ 908</u>

Nine months ended September 30, 2020										
	Common stock		Class B common stock		Addition al paid-in capital	Retained earnings	Accumulate d other comprehens ive income (loss)	Treasury Stock		Total
	Shares	Amount	Shares	Amount				Shares	Amount	
	<b>Balance as of December 31, 2019</b>	138,698,307	\$ —	12,799,999				\$ —	\$ 1,150	
Net income (loss)						(217)				(217)
Cumulative effect adjustment from adoption of new accounting guidance						(3)				(3)
Other comprehensive income (loss)							8			8
Issuance of common stock related to exercises of options and vesting of RSUs	1,817,512	—			—					—
Repurchase of common stock (Note 9)								(4,707,450)	(115)	(115)
Withholding taxes on net share settlements of equity awards					(18)					(18)
Stock-based compensation					92					92
Other								(20,630)	—	—
<b>Balance as of September 30, 2020</b>	<u>140,515,819</u>	<u>\$ —</u>	<u>12,799,999</u>	<u>\$ —</u>	<u>\$ 1,224</u>	<u>\$ 461</u>	<u>\$ (55)</u>	<u>(18,844,614)</u>	<u>\$ (722)</u>	<u>\$ 908</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.



**TRIPADVISOR, INC.**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in millions)

	Nine months ended September 30,	
	2021	2020
<b>Operating activities:</b>		
Net income (loss)	\$ (119)	\$ (217)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	85	94
Stock-based compensation expense (Note 8)	89	80
Deferred income tax expense (benefit)	(26)	5
Provision for expected credit losses	1	19
Impairment of goodwill	—	3
Other, net	10	10
Changes in operating assets and liabilities, net of effects from acquisitions and other investments:		
Accounts receivable and contract assets, prepaid expenses and other assets	(131)	78
Accounts payable, accrued expenses and other liabilities	30	(39)
Deferred merchant payables	90	(120)
Income tax receivables/payables, net	3	(62)
Deferred revenue	11	(31)
<b>Net cash provided by (used in) operating activities</b>	<b>43</b>	<b>(180)</b>
<b>Investing activities:</b>		
Capital expenditures, including internal-use software and website development	(40)	(46)
Other investing activities, net	(1)	—
<b>Net cash provided by (used in) investing activities</b>	<b>(41)</b>	<b>(46)</b>
<b>Financing activities:</b>		
Repurchase of common stock (Note 9)	—	(115)
Proceeds from issuance of 2026 Senior Notes, net of financing costs (Note 5)	340	—
Purchase of capped calls in connection with 2026 Senior Notes (Note 5)	(35)	—
Proceeds from issuance of 2025 Senior Notes (Note 5)	—	500
Payment of financing costs for the issuance of 2025 Senior Notes	—	(10)
Proceeds from 2015 credit facility (Note 5)	—	700
Payment of financing costs related to 2015 credit facility	—	(4)
Payments to 2015 Credit Facility (Note 5)	—	(700)
Proceeds from exercise of stock options	8	—
Payment of withholding taxes on net share settlements of equity awards	(39)	(18)
Payments of finance lease obligation	(5)	(4)
<b>Net cash provided by (used in) financing activities</b>	<b>269</b>	<b>349</b>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(7)	4
<b>Net increase in cash, cash equivalents and restricted cash</b>	<b>264</b>	<b>127</b>
Cash, cash equivalents and restricted cash at beginning of period	418	319
<b>Cash, cash equivalents and restricted cash at end of period</b>	<b>\$ 682</b>	<b>\$ 446</b>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

**TRIPADVISOR, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1: BUSINESS DESCRIPTION AND BASIS OF PRESENTATION**

We refer to Tripadvisor, Inc. and our wholly-owned subsidiaries as “Tripadvisor,” “the Company,” “us,” “we” and “our” in these notes to the unaudited condensed consolidated financial statements.

**Description of Business**

Tripadvisor is a leading online travel company and our mission is to help people around the world plan, book and experience the perfect trip. We operate a global travel guidance platform that connects the world’s largest audience of prospective travelers with travel partners through rich content, price comparison tools, and online reservation and related services for destinations, accommodations, travel activities and experiences, and restaurants.

Under our flagship brand, Tripadvisor, we launched www.tripadvisor.com in the U.S. in 2000. In addition to the flagship Tripadvisor brand, which now operates in localized versions in over 40 markets worldwide, we also own and operate a portfolio of online travel brands and businesses, operating under various websites and apps.

**Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements present our results of operations, financial position and cash flows on a consolidated basis. The unaudited condensed consolidated financial statements include Tripadvisor, our wholly-owned subsidiaries, and entities we control, or in which we have a variable interest and are the primary beneficiary of expected cash profits or losses. All inter-company accounts and transactions have been eliminated in consolidation. One of our subsidiaries that operates in China has variable interests in affiliated entities in China in order to comply with Chinese laws and regulations, which restrict foreign investment in internet content provision businesses. Although we do not own the capital stock of these Chinese affiliates, we consolidate their results as we are the primary beneficiary of the cash losses or profits of these variable interest affiliates and have the power to direct the activity of these affiliates. Our variable interest entities’ financial results were not material for all periods presented. Investments in entities in which we do not have a controlling financial interest are accounted for under the equity method, the fair value option, as available-for-sale securities or at cost adjusted for observable price changes and impairments, as appropriate.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (“GAAP”) and include all normal and recurring adjustments that management of the Company considers necessary for a fair presentation of its financial position and operating results. We prepared the unaudited condensed consolidated financial statements following the requirements of the U.S. Securities and Exchange Commission (“SEC”) for interim reporting. As permitted under those rules, we condensed or omitted certain footnotes or other financial information that are normally required by GAAP for annual financial statements. Additionally, certain prior period amounts may have been reclassified for comparability with the current period presentation, none of which were material to the presentation of the accompanying unaudited condensed consolidated financial statements. Our interim unaudited condensed consolidated financial statements are not necessarily indicative of results that may be expected for any other interim period or for the full year. These interim unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2020, previously filed with the SEC. The unaudited condensed consolidated balance sheet as of December 31, 2020 included herein was derived from the audited consolidated financial statements as of that date, but does not include all disclosures including notes required by GAAP.

As of September 30, 2021, Liberty TripAdvisor Holdings, Inc. (“LTRIP”) beneficially owned approximately 16.4 million shares of our common stock and 12.8 million shares of our Class B common stock, which constitute 13.1% of the outstanding shares of common stock and 100% of the outstanding shares of Class B common stock. Assuming the conversion of all of LTRIP’s shares of Class B common stock into common stock, LTRIP would beneficially own 21.2% of the outstanding common stock. Because each share of Class B common stock is entitled to ten votes per share and each share of common stock is entitled to one vote per share, LTRIP may be deemed to beneficially own equity securities representing 57.0% of our voting power. We had no related party transactions with LTRIP during the three and nine months ended September 30, 2021 and 2020.

**Risks and Uncertainties**

We continue to be subject to risks and uncertainties as a result of the COVID-19 pandemic. While we have seen varying degrees of containment of the virus in various countries and positive signs of growing travel demand recovery, the degree of containment and the recovery in travel has varied both region-to-region on a global basis, as well as state-to-state in the U.S. For example, as

COVID-19 cases resurge or as new variants are identified, government restrictions and mandates were reinstated in certain geographies globally. We do not know the future path or rate of global or regional COVID-19 transmission, including various existing COVID-19 variants (e.g. the Delta variant) or any possible future variants, nor do we have visibility into when remaining or reinstated restrictions will be lifted, and where additional restrictions may be implemented or reinstated in the future due to resurgence of the virus. Correspondingly, we still do not have forward-looking visibility into the long-term impacts related to consumer demand for travel, usage patterns on our platform, and travel behavior patterns when all travel bans and other government restrictions and mandates are fully lifted.

In response to the COVID-19 pandemic, the Company committed to restructuring actions intended to reinforce its financial position, reduce its cost structure, and improve operational efficiencies, which resulted in headcount reductions, during the second quarter of 2020, for which we recognized \$33 million in restructuring and other related reorganization costs. In addition, we engaged in a smaller scale restructuring action in the first quarter of 2020 to reduce our cost structure and improve our operational efficiencies, which resulted in headcount reductions for which we recognized \$9 million in restructuring and other related reorganization costs.

In the fourth quarter of 2020, multiple COVID-19 vaccines were approved for widespread distribution throughout various parts of the world, including the United States and Europe, and in the first quarter of 2021, vaccination distribution programs were initiated around the world. Vaccine programs in our largest markets, the U.S. and Europe, appear to be progressing well, and we expect the same for much of the rest of the world. We are encouraged by these developments; however, the timing of widespread vaccine distributions, efficacy against any future or recent variants (e.g., the Delta variant) of COVID-19, whether there will be resurgences of the virus and subsequent government restrictions, the extent and effectiveness of containment actions taken, and whether consumers demand for travel and hospitality services will continue to be negatively impacted remain uncertain. Therefore, the continuing extent of the impact of the COVID-19 pandemic on our business, results of operations, liquidity and financial condition remains uncertain, and is dependent on future developments that cannot be accurately predicted at this time. We continue to believe the travel, leisure, hospitality, and restaurant industries (collectively, the “travel industry”), and our financial results, will continue to be adversely and materially affected while the pandemic continues, new variants emerge, and lingering travel bans and other government restrictions and mandates continue to remain in place or be reinstated, all of which negatively impact consumer demand, sentiment and discretionary spending patterns.

### **Accounting Estimates**

We use estimates and assumptions in the preparation of our unaudited condensed consolidated financial statements in accordance with GAAP. Our estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of our unaudited condensed consolidated financial statements. These estimates and assumptions also affect the reported amount of net income or loss during any period. Our actual financial results could differ significantly from these estimates. The significant estimates underlying our unaudited condensed consolidated financial statements include: (i) recognition and recoverability of goodwill; and (ii) accounting for income taxes. The COVID-19 pandemic has created significant uncertainty in macroeconomic conditions, which may cause further business disruptions and continue to adversely and materially impact our results of operations. As a result, some of our estimates and assumptions required increased judgment and carry a higher degree of variability and volatility. As events continue to evolve and additional information becomes available, our estimates may change materially in future periods.

### **Seasonality**

Consumers’ travel expenditures have historically followed a seasonal pattern. Correspondingly, travel partners’ advertising investments, and therefore our revenue and profits, have also historically followed a seasonal pattern. Our financial performance tends to be seasonally highest in the second and third quarters of a given year, which includes the seasonal peak in consumer demand, traveler hotel and rental stays, and travel activities and experiences taken, compared to the first and fourth quarters, which represent seasonal low points. Due to the impact of COVID-19 on our business, which led to unfavorable working capital trends and material negative operating cash flow during the year ended December 31, 2020, we did not experience our typical seasonal pattern for revenue and profit during the calendar quarters within the year ended December 31, 2020. Although consumer demand, traveler hotel and rental stays, and travel activities and experiences taken generally remain materially lower than historic levels, these trends have improved during 2021, particularly in the second and third quarters of 2021, resulting in increased revenues, and working capital and operating cash flow more akin to typical historical seasonality trends. However, it is difficult to predict the seasonality for the upcoming quarters, given the sustained uncertainty related to the continued economic impact of the COVID-19 pandemic, and the ultimate shape and timing of a recovery in our key markets. In addition, significant shifts in our business mix or adverse economic conditions could result in future seasonal patterns that are different from historical trends.

## NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

In August 2020, the Financial Accounting Standards Board (“FASB”) issued new accounting guidance which simplifies the accounting for convertible debt instruments by reducing the number of accounting models and embedded conversion features that could be recognized separately from the primary contract. The new accounting guidance requires a convertible debt instrument to be accounted for as a single liability measured at its amortized cost, as long as no other features require bifurcation and recognition as derivatives. The new accounting guidance requires an entity to use the if-converted method in the diluted earnings per share calculation for convertible instruments. This guidance is effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2021, with early adoption permitted, including adoption in any interim period. We early adopted this new guidance in the first quarter of 2021 and there was no impact to any prior periods. Refer to “Note 5: Debt” as the Company applied this guidance to its 2026 Senior Notes.

There have been no other significant changes to our accounting policies since December 31, 2020, as described under “Note 2: Significant Accounting Policies”, in the notes to consolidated financial statements in Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2020.

## NOTE 3: REVENUE RECOGNITION

We generate all of our revenue from contracts with customers. We recognize revenue when we satisfy a performance obligation by transferring control of the promised services to a customer in an amount that reflects the consideration that we expect to receive in exchange for those services. When we act as an agent in the transaction, we recognize revenue for only our commission on the arrangement. We determine revenue recognition through the following steps:

- (1) Identification of the contract, or contracts, with a customer
- (2) Identification of the performance obligations in the contract
- (3) Determination of the transaction price
- (4) Allocation of the transaction price to the performance obligations in the contract
- (5) Recognition of revenue when, or as, we satisfy a performance obligation

At contract inception, we assess the services promised in our contracts with customers and identify a performance obligation for each promise to transfer to the customer a service (or bundle of services) that is distinct. To identify performance obligations, we consider all services promised in the contract regardless of whether they are explicitly stated or are implied by customary business practices. We have provided qualitative information about our performance obligations for our principal revenue streams discussed below. There was no significant revenue recognized in the three and nine months ended September 30, 2021 and 2020, respectively, related to performance obligations satisfied in prior periods. We have applied a practical expedient and do not disclose the value of unsatisfied performance obligations that have an original expected duration of less than one year, and we do not have any material unsatisfied performance obligations over one year. The value related to our remaining or partially satisfied performance obligations relates to subscription services that are satisfied over time or services that are recognized at a point in time, but not yet achieved. Our timing of services, invoicing and payments are discussed in more detail below and do not include a significant financing component. Our customer invoices are generally due 30 days from the time of invoicing. The application of our revenue recognition policies and a description of our principal activities, organized by segment, from which we generate our revenue, are presented below.

### **Hotels, Media & Platform Segment**

**Tripadvisor-branded Hotels Revenue.** Our largest source of Hotels, Media & Platform segment revenue is generated from click-based advertising on Tripadvisor-branded websites, or hotel auction revenue, which is primarily comprised of contextually-relevant booking links to our travel partners’ websites. Our click-based travel partners are predominantly OTAs and hotels. Click-based advertising is generally priced on a cost-per-click, or “CPC”, basis, with payments from travel partners determined by the number of travelers who click on a link multiplied by the CPC rate for each specific click. CPC rates are determined in a dynamic, competitive auction process, where our travel partner CPC bids for rates and availability to be listed on our site are submitted. When a CPC bid is submitted, the travel partner agrees to pay us the bid amount each time a traveler clicks on the link to that travel partner’s websites. Bids can be submitted periodically – as often as daily – on a property-by-property basis. We record click-based advertising revenue as the click occurs and traveler leads are sent to the travel partner websites as our performance obligation is fulfilled at that time. Click-based revenue is generally billed to our travel partners on a monthly basis consistent with the timing of the service. We also generate revenue from our cost-per-action, or “CPA” model, which consists of contextually-relevant booking links to our travel partners’ websites which are advertised on our platform. We earn a commission from our travel partners, based on a pre-determined contractual commission rate, for each traveler who clicks to and books a hotel reservation on the travel partners’ website, which results in a traveler stay. CPA revenue is billable only upon the completion of each traveler’s stay resulting from a hotel reservation. The travel partners provide the service to the travelers and we act as an agent under ASC 606 – Revenue from Contracts with Customers (“ASC 606”). Our performance obligation is complete at the time of the hotel reservation booking, and the commission

earned is recognized upon booking, as we have no post-booking service obligations. We recognize this revenue net of an estimate of the impact of cancellations, using historical cancellation rates and current trends. Contract assets are recognized at the time of booking for commissions that are billable at the time of stay. CPA revenue is generally billed to our travel partners on a monthly basis consistent with the timing of the service.

In addition, we offer hotel B2B services, including subscription-based advertising to hotels, owners of B&Bs and other specialty lodging properties. Our performance obligation is generally to enable subscribers to advertise their businesses on our website, as well as to manage and promote their website URL, email address, phone number, special offers and other information related to their business. Subscription-based advertising services are predominantly sold for a flat fee for a contracted period of time of one year or less and revenue is recognized on a straight-line basis over the period of the subscription service as efforts are expended evenly throughout the contract period. Subscription-based advertising services are generally billed at the inception of the service. When prepayments are received, we recognize deferred revenue for the amount of prepayment in excess of revenue recognized until the performance obligation is satisfied. To a lesser extent, we offer travel partners the opportunity to advertise and promote their business through hotel sponsored placements on our websites. This service is generally priced on a CPC basis, with payments from travel partners determined by the number of travelers who click on the sponsored link multiplied by the CPC rate for each specific click. CPC rates for hotel sponsored placements that our travel partners pay are generally based on bids submitted as part of an auction by our travel partners. When a CPC bid is submitted, the travel partner agrees to pay us the bid amount each time a traveler clicks on a link to our travel partner's websites. Bids may be submitted periodically – as often as daily – on a property-by-property basis. We record this click-based advertising revenue as the click occurs and traveler leads are sent to the travel partner as our performance obligation is fulfilled at that time. Hotel sponsored placements revenue is generally billed to our travel partners on a monthly basis consistent with the timing of the service.

**Tripadvisor-branded Display and Platform Revenue.** We offer travel partners the ability to promote their brands through display-based advertising placements on our websites across all of our segments and business units. Our display-based advertising clients are predominantly direct suppliers of hotels, airlines and cruises, as well as destination marketing organizations. We also sell display-based advertising to OTAs and other travel related businesses, as well as advertisers from non-travel categories. Display-based advertising is sold predominantly on a cost per thousand impressions, or CPM, basis. The performance obligation in our display-based advertising arrangements is to display a number of advertising impressions on our websites and we recognize revenue for impressions as they are delivered. Services are generally billed monthly. We have applied the practical expedient to measure progress toward completion, as we have the right to invoice the customer in an amount that directly corresponds with the value to the customer of our performance to date, which is measured based on impressions delivered.

### ***Experiences & Dining Segment***

We provide information and services that allow consumers to research and book tours, activities and experiences in popular travel destinations both through Viator, our dedicated Experiences offering, and on our Tripadvisor website and mobile apps. We also power travel tours, activities and experiences booking capabilities to consumers on affiliate partner websites, including some of the world's top airlines, hotel chains, and online and offline travel agencies. We work with local tour or travel activities/experiences operators ("the suppliers") to provide consumers the ability to book tours, activities and experiences ("the activities") in popular destinations worldwide. We generate commissions for each booking transaction we facilitate through our online reservation system. We provide post-booking service to the customer until the time of the activity, which is the completion of the performance obligation. Revenue is recognized at the time that the activity occurs. We generally do not control the activity before the supplier provides it to our customer nor have inventory risk and therefore act as agent for nearly all of these transactions under ASC 606. We collect payment from the customer at the time of booking or prior to the occurrence of an activity that includes both our commission revenue and the amount due to the supplier. Our commission revenue is recorded as deferred revenue until the activity occurs and revenue is recognized, and the amount due to the supplier is recorded as deferred merchant payables on our consolidated balance sheet until completion of the activity and payment is made to the supplier. To a lesser extent, we earn commissions from third-party merchant partners who display and promote on their websites the supplier activities available on our platform to generate bookings. In these transactions, where we are not the merchant of record, we generally invoice and receive commissions directly from the third-party merchant partners. Our performance obligation is to allow the third-party merchant partners to display and promote on their website suppliers who utilize our platform and we earn a commission when consumers book and complete an activity. We act as an agent under ASC 606 in these transactions, as we do not control the service nor have inventory risk. Our performance obligation is complete and revenue is recognized at the time of the booking, as we have no post-booking obligations. We recognize this revenue net of an estimate of the impact of cancellations, which is not material, using historical cancellation rates and current trends. Contract assets are recognized for commissions that are billable contingent upon completion of the activity.

We also provide information and services for consumers to research and book restaurant reservations in popular travel destinations through our dedicated online restaurant reservations offering, TheFork, and on our Tripadvisor-branded websites and mobile apps. We primarily generate transaction fees (or per seated diner fees) that are paid by our restaurant customers for diners seated primarily from bookings through TheFork's online reservation system. The transaction fee is recognized as revenue after the reservation is fulfilled, or as diners are seated by our restaurant customers. We invoice restaurants monthly for transaction fees. To a lesser extent, we also generate subscription fees for subscription-based advertising to restaurants, access to certain online reservation

management services, marketing analytic tools, and menu syndication services provided by TheFork and Tripadvisor. As the performance obligation is to provide restaurants with access to these services over the subscription period, subscription fee revenue is recognized over the period of the subscription service on a straight-line basis as efforts are expended evenly throughout the contract period. Subscription fees are generally billable in advance of service. When prepayments are received, we recognize deferred revenue for the amount of prepayment in excess of revenue recognized until the performance obligation is satisfied. In addition, we also offer restaurant partners the opportunity to advertise and promote their business through restaurant media advertising placements on our website. This service is generally priced on a CPC basis, with payments from restaurant partners determined by the number of consumers who click on the sponsored link multiplied by the CPC rate for each specific click. CPC rates for media advertising placements that our restaurant partners pay are based on a pre-determined contractual rate. We record this click-based advertising revenue as the click occurs and diner leads are sent to the restaurant partner as our performance obligation is fulfilled at that time. Click-based revenue is generally billed to our restaurant partners on a monthly basis consistent with the timing of the service.

### Other

We provide information and services that allow travelers to research and book vacation and short-term rental properties, including full homes, condominiums, villas, beach properties, cabins and cottages. Our Rentals offering generates revenue primarily by offering individual property owners and managers the ability to list their properties on our websites and mobile apps thereby connecting with travelers through a free-to-list, commission-based option or, to a lesser extent, by an annual subscription-based fee structure. These properties are listed on [www.flipkey.com](http://www.flipkey.com), [www.holidaylettings.co.uk](http://www.holidaylettings.co.uk), [www.housetrip.com](http://www.housetrip.com), [www.niumba.com](http://www.niumba.com), and [www.vacationhomerentals.com](http://www.vacationhomerentals.com), and on our Tripadvisor-branded websites and mobile apps. We earn commissions associated with rental transactions through our free-to-list model from both the traveler, and the property owner or manager. We provide post-booking service to the travelers, property owners and managers until the time the rental commences, which is the time the performance obligation is completed. Revenue from transaction fees is recognized at the time that the rental commences. We act as an agent, under ASC 606, in the transactions as we do not control any properties before the property owner provides the accommodation to the traveler and do not have inventory risk. We generally collect payment from the traveler at the time of booking, representing the amount due to the property owner or manager, as well as our commission. That portion of the payment representing our commission is recorded as deferred revenue until revenue is recognized, and that portion of the payment representing the amount due to the property owner is recorded as deferred merchant payables until payment is made to the property owner after the completion of the rental. Payments for term-based subscription fees related to online advertising services for the listing of rental properties are generally due in advance. As the performance obligation is the listing service provided to the property owner or manager over the subscription period, revenue is recognized over the period of the subscription service on a straight-line basis as efforts are expended evenly throughout the contract period. We recognize deferred revenue for the amount of prepayment in excess of revenue recognized until the performance obligation is satisfied.

In addition, Other also includes revenue generated from flights, cruises, and car offerings on Tripadvisor-branded websites and Tripadvisor's portfolio of travel media brands, which primarily includes click-based advertising and display-based advertising revenue. The performance obligations, timing of customer payments for these brands, and methods of revenue recognition are generally consistent with click-based advertising and display-based advertising revenue, as described above.

We disaggregate revenue from contracts with customers into major products/revenue sources. We have determined that disaggregating revenue into these categories achieves the disclosure objective to depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. As noted in "Note 11: Segment Information," our business consists of two reportable segments – (1) Hotels, Media & Platform; and (2) Experiences & Dining. A reconciliation of disaggregated revenue to segment revenue is also included below. Other consists of a combination of business units, and does not constitute a reportable segment.

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
<b>Major products/revenue sources (1):</b>	<b>(in millions)</b>			
Hotels, Media & Platform				
Tripadvisor-branded hotels	\$ 143	\$ 67	\$ 348	\$ 235
Tripadvisor-branded display and platform	29	13	69	52
<b>Total Hotels, Media &amp; Platform</b>	<b>172</b>	<b>80</b>	<b>417</b>	<b>287</b>
Experiences & Dining	114	53	209	150
Other	17	18	35	51
<b>Total Revenue</b>	<b>\$ 303</b>	<b>\$ 151</b>	<b>\$ 661</b>	<b>\$ 488</b>

(1) Our revenue is recognized primarily at a point in time for all reported segments.

The following table provides information about the opening and closing balances of accounts receivable and contract assets, net of allowance for credit losses, from contracts with customers (in millions):

	September 30, 2021	December 31, 2020
Accounts receivable	151	70
Contract assets	47	13
<b>Total</b>	<b>\$ 198</b>	<b>\$ 83</b>

Accounts receivable are recognized when the right to consideration becomes unconditional. Contract assets are rights to consideration in exchange for services that we have transferred to a customer when that right is conditional on something other than the passage of time, such as commission payments that are contingent upon the completion of the service by the principal in the transaction. The difference between the opening and closing balances of our contract assets primarily results from the timing difference between when we satisfy our performance obligations and the time when the principal completes the service in the transaction. Our contract assets increased during the second and third quarters of 2021 as a result of typical seasonality, the recovery of consumer travel demand, and increased utilization of our CPA model by travel partners.

Contract liabilities generally include payments received in advance of performance under the contract, and are realized as revenue as the performance obligation to the customer is satisfied, which we present as deferred revenue on our consolidated balance sheets. As of January 1, 2021, we had \$28 million recorded as deferred revenue on our unaudited condensed consolidated balance sheet, of which \$4 million and \$21 million were recognized in revenue during the three and nine months ended September 30, 2021, respectively. During the three months ended September 30, 2021, refunds due to cancellations by travelers were not material, while \$3 million was refunded due to cancellations by travelers during the nine months ended September 30, 2021. As of January 1, 2020, we had \$62 million recorded as deferred revenue on our unaudited condensed consolidated balance sheet, of which \$5 million and \$49 million were recognized in revenue and \$1 million and \$11 million were refunded due to cancellations by travelers during the three and nine months ended September 30, 2020, respectively. The difference between the opening and closing balances of our deferred revenue primarily results from the timing differences between when we receive customer payments and the time in which we satisfy our performance obligations.

There were no significant changes in contract assets or deferred revenue during the three and nine months ended September 30, 2021 and 2020 related to business combinations, impairments, cumulative catch-ups or other material adjustments. However, to the extent the COVID-19 pandemic continues and/or new variants continue to emerge, we may incur additional significant and unanticipated cancellations by consumers related to future travel, accommodations and tour bookings, which have been reserved by travelers and recorded as deferred revenue on our unaudited condensed consolidated balance sheet as of September 30, 2021.

#### **NOTE 4: FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS**

For assets and liabilities required to be reported at fair value, GAAP provides a hierarchy that prioritizes inputs to valuation techniques used to measure fair value into three broad levels:

Level 1—Valuations are based on quoted market prices for identical assets and liabilities in active markets.

Level 2—Valuations are based on observable inputs other than quoted market prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3—Valuations are based on unobservable inputs reflecting our own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

We had no material financial assets or liabilities measured at fair value on a recurring basis as of September 30, 2021 and December 31, 2020.

##### ***Cash and Cash Equivalents***

As of September 30, 2021 and December 31, 2020, we had \$682 million and \$418 million, respectively, of cash and cash equivalents, which consisted of available on demand cash deposits in major global financial institutions.

We generally classify cash equivalents and marketable securities, if any, within Level 1 and Level 2 as we value these financial instruments using quoted market prices (Level 1) or alternative pricing sources (Level 2). The valuation technique we use to measure the fair value of money market funds is derived from quoted prices in active markets for identical assets or liabilities. Fair values for Level 2 investments are considered “Level 2” valuations because they are obtained from independent pricing sources for identical or comparable instruments, rather than direct observations of quoted prices in active markets. Our procedures include controls to ensure that appropriate fair values are recorded, including comparing the fair values obtained from our independent pricing services against fair values obtained from another independent source.

## Derivative Financial Instruments

We generally use forward contracts to reduce the effects of foreign currency exchange rate fluctuations on our cash flows. For the three and nine months ended September 30, 2021 and 2020, our forward contracts have not been designated as hedges and generally had maturities of less than 90 days. Our outstanding or unsettled forward contracts are carried at fair value on our unaudited condensed consolidated balance sheets at September 30, 2021 and December 31, 2020. We measure the fair value of our outstanding or unsettled derivatives using Level 2 fair value inputs, as we use a pricing model that takes into account the contract terms as well as current foreign currency exchange rates in active markets. We recognize any gain or loss resulting from the change in fair value of our foreign currency forward contracts in other income (expense), net on our unaudited condensed consolidated statement of operations, which we recorded a net gain of \$1 million for both the three and nine months ended September 30, 2021. This amount was not material for the three months ended September 30, 2020, while we recorded a net gain of \$1 million for the nine months ended September 30, 2020 related to forward contracts.

The following table shows the net notional principal amounts of our outstanding derivative instruments as of the periods presented:

	September 30, 2021	December 31, 2020
	(in millions)	
Foreign currency exchange-forward contracts (1)(2)	\$ 33	\$ 3

- (1) Derivative contracts address foreign currency exchange fluctuations for the Euro versus the U.S. dollar. These outstanding derivatives are not designated as hedging instruments and have an original maturity period of 90 days or less.
- (2) The fair value of our outstanding derivatives as of September 30, 2021 and December 31, 2020, respectively, was not material. The notional amount of a forward contract is the contracted amount of foreign currency to be exchanged and is not recorded on the balance sheet.

Counterparties to our outstanding forward contracts consist of major global financial institutions. We monitor our positions and the credit ratings of the counterparties involved and, by policy limits, the amount of credit exposure to any one party. We do not use derivatives for trading or speculative purposes. We were not party to any cash flow, fair value or net investment hedges as of September 30, 2021 or December 31, 2020.

## Other Financial Assets and Liabilities

As of September 30, 2021 and December 31, 2020, financial instruments not measured at fair value on a recurring basis including accounts payable, accrued expenses and other current liabilities, and deferred merchant bookings, were carried at cost on our unaudited condensed consolidated balance sheets, which approximates their fair values because of the short-term nature of these items. Accounts receivable and contract assets, on our unaudited condensed consolidated balance sheets, as well as certain other financial assets, were measured at amortized cost and are carried at cost less an allowance for expected credit losses to present the net amount expected to be collected.

The following table shows the aggregate principal and fair value amount of our outstanding 2025 Senior Notes and 2026 Senior Notes as of the periods presented, which are classified as long-term debt on our unaudited condensed consolidated balance sheets, and considered Level 2 fair value measurements. Refer to "Note 5: Debt" for additional information related to our 2025 Senior Notes and 2026 Senior Notes.

	September 30, 2021	December 31, 2020
	(in millions)	
<b>2025 Senior Notes</b>		
Aggregate principal amount	\$ 500	\$ 500
Carrying value amount (1)	492	491
Fair value amount (2)	531	542
<b>2026 Senior Notes</b>		
Aggregate principal amount	\$ 345	\$ —
Carrying value amount (3)	340	—
Fair value amount (2)	312	—

- (1) Net of \$8 million and \$9 million of unamortized debt issuance costs as of September 30, 2021 and December 31, 2020, respectively.
- (2) We estimate the fair value of our outstanding 2025 Senior Notes and 2026 Senior Notes based on recently reported market transactions and/or prices for identical or similar financial instruments obtained from a third-party pricing source.
- (3) Net of \$5 million in unamortized debt issuance costs.



## ***Risks and Concentrations***

In addition to the impact of COVID-19, which is discussed in “Note 1: *Business Description and Basis of Presentation*”, our business is subject to certain financial risks and concentrations, including concentration risk related to dependence on our relationships with our customers. For the year ended December 31, 2020, our two most significant travel partners, Expedia (and its subsidiaries) and Booking (and its subsidiaries), each accounted for 10% or more of our consolidated revenue and combined accounted for approximately 25% of our consolidated revenue, with nearly all of this revenue concentrated in our Hotels, Media & Platform segment.

Financial instruments, which potentially subject us to concentration of credit risk, generally consist, at any point in time, primarily of cash and cash equivalents, corporate debt securities, forward contracts, capped calls, and accounts receivable. We maintain cash and cash equivalents balances with financial institutions that are in excess of Federal Deposit Insurance Corporation insurance limits. Our cash and cash equivalents are primarily composed of bank account balances with financial institutions primarily denominated in U.S. dollars, and to a lesser extent, Euros, British pounds, and Australian dollars. We invest in highly-rated corporate debt securities, and our investment policy limits the amount of credit exposure to any one issuer, industry group and currency. Our credit risk related to corporate debt securities, if any, is also mitigated by the relatively short maturity period required by our investment policy. Forward contracts and capped calls are transacted with major global financial institutions with high credit standings. Forward contracts typically have maturities of less than 90 days, which also mitigates credit risk. Our overall credit risk related to accounts receivable is mitigated by the relatively short collection period.

## ***Assets Measured at Fair Value on a Non-recurring Basis***

### ***Non-Marketable Investments***

#### ***Equity Securities Accounted for under the Equity Method***

The Company owns a 40% equity investment in Chelsea Investment Holding Company PTE Ltd, which is majority owned by Ctrip Investment Holding Ltd, a majority-owned subsidiary of Trip.com Group Limited. The Company accounts for this minority investment under the equity method, given it has the ability to exercise significant influence, but not control, over the investee. The carrying value of this minority investment was \$36 million and \$38 million as of September 30, 2021 and December 31, 2020, respectively, and is included in non-marketable investments on our unaudited condensed consolidated balance sheets. During the three and nine months ended September 30, 2021 and 2020, we recognized \$1 million and \$2 million, respectively, representing our share of the investee’s net loss in other income (expenses), net within the unaudited condensed consolidated statements of operations. The Company evaluates this investment for impairment when factors indicate that a decline in the value of its investment has occurred and the carrying amount of its investment may not be recoverable. An impairment loss, based on the excess of the carrying value over the estimated fair value of the investment based on Level 3 inputs, is recognized in earnings when an impairment is deemed to be other than temporary. During both the three and nine months ended September 30, 2021 and 2020, we did not record any impairment loss on this equity investment.

The Company maintains various commercial agreements with Chelsea Investment Holding Company PTE Ltd. and/or its subsidiaries. Transactions under these agreements are considered related-party transactions, and were not material during the three and nine months ended September 30, 2021 and 2020.

### ***Other Long-Term Assets***

The Company holds collateralized notes (the “Notes Receivable”) with a total principal amount of \$20 million from a privately-held company. The Notes Receivable is classified as held-to-maturity, given the Company has concluded it has the positive intent and ability to hold the Notes Receivable until maturity, with 50% due in 5 years and the remaining 50% due in 10 years from issuance date in September 2020. The Company recorded a \$3 million allowance for credit loss under ASC 326 – *Financial Instruments – Credit Losses* during the nine months ended September 30, 2020 in other income (expense), net on the unaudited condensed consolidated statement of operations, related to the Notes Receivable. As of September 30, 2021 and December 31, 2020, the carrying value of the Notes Receivable was \$14 million, net of accumulated allowance for credit losses, and is classified in other long-term assets, net on our unaudited condensed consolidated balance sheets at amortized cost. On a quarterly basis, we perform a qualitative assessment

considering impairment indicators to evaluate whether the Notes Receivable are impaired and monitor for changes to our allowance for credit losses. We did not record any impairment loss during the three and nine months ended September 30, 2021.

## NOTE 5: DEBT

The Company's outstanding debt consisted of the following for the periods presented:

<b>September 30, 2021</b>	<b>Outstanding Principal Amount</b>	<b>Unamortized Debt Issuance Costs</b>	<b>Carrying Value</b>
<b>(in millions)</b>			
<b>Long-Term Debt:</b>			
2025 Senior Notes	\$ 500	\$ (8)	\$ 492
2026 Senior Notes	345	(5)	340
<b>Total Long-Term Debt</b>	<b>\$ 845</b>	<b>\$ (13)</b>	<b>\$ 832</b>

  

<b>December 31, 2020</b>	<b>Outstanding Principal Amount</b>	<b>Unamortized Debt Issuance Costs</b>	<b>Carrying Value</b>
<b>(in millions)</b>			
<b>Long-Term Debt:</b>			
2025 Senior Notes	\$ 500	\$ (9)	\$ 491
<b>Total Long-Term Debt</b>	<b>\$ 500</b>	<b>\$ (9)</b>	<b>\$ 491</b>

### 2015 Credit Facility

We are party to a credit agreement with a group of lenders initially entered into in June 2015 (as amended, the "Credit Agreement"), which, among other things, provides for a \$500 million unsecured revolving credit facility (the "2015 Credit Facility") with a maturity date of May 12, 2024. The 2015 Credit Facility, among other things, requires us to maintain a maximum leverage ratio and contains certain customary affirmative covenants and events of default, including a change of control.

We amended the 2015 Credit Facility in May 2020 and December 2020 to, among other things:

- suspend the leverage ratio covenant for quarterly testing of compliance beginning in the second quarter of 2020, replacing it with a minimum liquidity covenant through June 30, 2021 (requiring the Company to maintain \$150 million of unrestricted cash, cash equivalents and short-term investments less deferred merchant payables plus available revolver capacity), until the earlier of (a) the first day after June 30, 2021 through maturity on which borrowings and other revolving credit utilizations under the revolving commitments exceed \$200 million, and (b) the election of the Company, at which time the leverage ratio covenant will be reinstated (the "Leverage Covenant Holiday");
- decrease the aggregate amount of revolving loan commitments available to \$500 million from \$1.2 billion;
- extend the maturity date of the 2015 Credit Facility from May 12, 2022 to May 12, 2024; and
- secure the obligations under the agreement.

The Company remained in the Leverage Covenant Holiday as of September 30, 2021. During the Leverage Covenant Holiday, any outstanding or future borrowings under the 2015 Credit Facility bear interest at LIBOR plus a 2.25% margin with a LIBOR floor of 1% per annum. We are required to pay a quarterly commitment fee, at an applicable rate of 0.5%, on the daily unused portion of the 2015 Credit Facility for each fiscal quarter during the Leverage Covenant Holiday and also additional fees in connection with the issuance of letters of credit. The Company may borrow from the 2015 Credit Facility in U.S. dollars, Euros and British pounds. In addition, our 2015 Credit Facility includes \$15 million of borrowing capacity available for letters of credit and \$40 million for Swing Line borrowings on same-day notice. As of September 30, 2021, we had issued \$3 million of outstanding letters of credit under the 2015 Credit Facility.

As of September 30, 2021 and December 31, 2020, the Company had no outstanding borrowings under the 2015 Credit Facility. For the three and nine months ended September 30, 2021, we recorded total interest expense and commitment fees on our 2015 Credit Facility of \$1 million and \$2 million, respectively, while for the three and nine months ended September 30, 2020, we recorded total interest expense and commitment fees on our 2015 Credit Facility of \$2 million and \$9 million, respectively, to interest expense on our unaudited condensed consolidated statements of operations. During the nine months ended September 30, 2020, the Company

borrowed \$700 million under the 2015 Credit Facility. These funds were drawn down as a precautionary measure to reinforce the Company's liquidity position and preserve financial flexibility in light of uncertainty in the global markets resulting from COVID-19 and repaid by the Company during 2020.

The Credit Agreement contains a number of covenants that, among other things, restrict our ability to incur additional indebtedness, create liens, enter into sale and leaseback transactions, engage in mergers or consolidations, sell or transfer assets, pay dividends and distributions, make investments, loans or advances, prepay certain subordinated indebtedness, make certain acquisitions, engage in certain transactions with affiliates, amend material agreements governing certain subordinated indebtedness, and change our fiscal year. The Credit Agreement also limits the Company from repurchasing shares of its common stock and paying dividends, among other restrictions, during the Leverage Covenant Holiday. In addition, to secure the obligations under the Credit Agreement, the Company and certain subsidiaries have granted security interests and liens in and on substantially all of their assets as well as pledged shares of certain of the Company's subsidiaries. As of September 30, 2021 and December 31, 2020, we were in compliance with our covenants.

### **2025 Senior Notes**

On July 9, 2020, the Company completed the sale of \$500 million aggregate principal amount of 7.0% Senior Notes due 2025 (the "2025 Senior Notes"), pursuant to a purchase agreement, dated July 7, 2020, among the Company, the guarantors party thereto and the initial purchasers party thereto in a private offering to qualified institutional buyers. The 2025 Senior Notes were issued pursuant to an indenture, dated July 9, 2020 (the "2025 Indenture"), among the Company, the guarantors and the trustee. The 2025 Indenture provides, among other things, that interest will be payable on the 2025 Senior Notes semiannually on January 15 and July 15 of each year, which began on January 15, 2021, until their maturity date of July 15, 2025. The 2025 Senior Notes are senior unsecured obligations of the Company and are guaranteed by certain of the Company's domestic subsidiaries.

The Company has the option to redeem all or a portion of the 2025 Senior Notes at any time on or after July 15, 2022 at the redemption prices set forth in the 2025 Indenture, plus accrued and unpaid interest, if any. The Company may also redeem all or any portion of the 2025 Senior Notes at any time prior to July 15, 2022, at a price equal to 100% of the aggregate principal amount thereof plus a make-whole premium and accrued and unpaid interest, if any. In addition, before July 15, 2022, the Company may redeem up to 40% of the aggregate principal amount of the 2025 Senior Notes with the net proceeds of certain equity offerings at the redemption price set forth in the 2025 Indenture, provided that certain conditions are met. Subject to certain limitations, in the event of a Change of Control Triggering Event (as defined in the 2025 Indenture), the Company will be required to make an offer to purchase the 2025 Senior Notes at a price equal to 101% of the aggregate principal amount of the 2025 Senior Notes repurchased, plus accrued and unpaid interest, if any, to the date of repurchase. These features have been evaluated as embedded derivatives under GAAP; however, the Company has concluded they do not meet the requirements to be accounted for separately.

As of September 30, 2021 and December 31, 2020, unpaid interest on our 2025 Senior Notes totaled approximately \$7 million and \$17 million, respectively, and is included in accrued expenses and other current liabilities on our unaudited condensed consolidated balance sheets, and \$9 million and \$26 million was recorded as interest expense on our unaudited condensed consolidated statement of operations for the three and nine months ended September 30, 2021, respectively. For both the three and nine months ended September 30, 2020, we recorded total interest expense on our 2025 Senior Notes of \$8 million to interest expense on our unaudited condensed consolidated statements of operations.

The 2025 Indenture contains covenants that, among other things and subject to certain exceptions and qualifications, restrict the ability of the Company and the ability of certain of its subsidiaries to incur or guarantee additional indebtedness or issue disqualified stock or certain preferred stock; pay dividends and make other distributions or repurchase stock; make certain investments; create or incur liens; sell assets; create restrictions affecting the ability of restricted subsidiaries to make distributions, loans or advances or transfer assets to the Company or the restricted subsidiaries; enter into certain transactions with the Company's affiliates; designate restricted subsidiaries as unrestricted subsidiaries; and merge, consolidate or transfer or sell all or substantially all of the Company's assets.

### **2026 Senior Notes**

On March 25, 2021, we entered into a purchase agreement for the sale of \$300 million aggregate principal amount of 0.25% Convertible 2026 Senior Notes due 2026 (the "2026 Senior Notes") in a private offering to qualified institutional buyers. The 2026 Senior Notes included of an over-allotment option that provided the initial purchasers of the 2026 Senior Notes with the option to purchase an additional \$45 million aggregate principal amount of the 2026 Senior Notes; such over-allotment option was fully exercised. In connection with the issuance of the 2026 Senior Notes, the Company entered into an Indenture, dated March 25, 2021 (the "2026 Indenture"), among the Company, the guarantors party thereto and the trustee. The terms of the 2026 Senior Notes are governed by the 2026 Indenture. The 2026 Senior Notes mature on April 1, 2026, unless earlier converted, redeemed or repurchased. The 2026 Senior Notes are senior unsecured obligations of the Company, although guaranteed by certain of the Company's domestic subsidiaries, with interest payable semiannually in arrears on April 1 and October 1 of each year, beginning on October 1, 2021.

The 2026 Senior Notes will be redeemable, in whole or in part, at our option at any time, and from time to time, on or after April 1, 2024 and on or before the 30th scheduled trading day immediately before the maturity date, at a cash redemption price equal to the principal amount of the 2026 Senior Notes to be redeemed, plus accrued and unpaid interest, if any, but only if the last reported sale price per share of our common stock exceeds 130% of the conversion price on (1) each of at least 20 trading days, whether or not consecutive, during the 30 consecutive trading days ending on, and including, the trading day immediately before the date we send the related redemption notice; and (2) the trading day immediately before the date we send such notice. In addition, calling any such note for redemption will constitute a make-whole fundamental change with respect to that note, in which case the conversion rate applicable to the conversion of that note will be increased in certain circumstances if it is converted after it is called for redemption.

The 2026 Senior Notes are unconditionally guaranteed, on a joint and several basis, by the guarantors on a senior, unsecured basis. The 2026 Senior Notes are our general senior unsecured obligations and rank equally in right of payment with all of our existing and future senior indebtedness, and senior in right of payment to all of our future subordinated indebtedness. The 2026 Senior Notes will be effectively subordinated to any of our existing and future secured indebtedness, including borrowings under our 2015 Credit Facility and our 2025 Senior Notes, to the extent of the value of the assets securing such indebtedness.

Holders may convert their 2026 Senior Notes under the following conditions at any time prior to the close of business on the business day immediately preceding January 1, 2026 in multiples of \$1,000 principal amount, only under the following circumstances:

- during any calendar quarter commencing after the calendar quarter ending on June 30, 2021 (and only during such calendar quarter), if the last reported sale price of our common stock for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day;
- during the five business day period after any five consecutive trading day period (the “measurement period”) in which the trading price per \$1,000 principal amount of 2026 Senior Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate on each such trading day; or
- upon the occurrence of specified corporate events as described in the 2026 Indenture.

In addition, holders may convert their 2026 Senior Notes, in multiples of \$1,000 principal amount, at their option at any time beginning on or after January 1, 2026, and prior to the close of business on the second scheduled trading day immediately preceding the stated maturity date of the 2026 Senior Notes, without regard to the foregoing circumstances.

The initial conversion rate for the 2026 Senior Notes is 13.5483 shares of common stock per \$1,000 principal amount of 2026 Senior Notes, which is equivalent to an initial conversion price of approximately \$73.81 per share of common stock, or approximately 4.7 million shares of common stock, subject to adjustment upon the occurrence of certain specified events as set forth in the 2026 Indenture. Upon conversion, the Company may choose to pay or deliver, as the case may be, cash, shares of common stock or a combination of cash and shares of common stock.

The Company accounts for the 2026 Senior Notes as a liability measured at its amortized cost, and no other features of the 2026 Senior Notes are bifurcated and recognized as a derivative. The net proceeds from the issuance of the 2026 Senior Notes were approximately \$340 million, net of debt issuance costs of \$5 million comprised primarily of the initial purchasers’ discount and the Company used a portion of the proceeds from the 2026 Senior Notes to enter into capped call transactions, as discussed below. The Company intends to use the remainder of the net proceeds from this offering for general corporate purposes, which may include repayment of debt, including the partial redemption and/or purchase of our 2025 Senior Notes prior to maturity. The debt issuance costs will be amortized over the remaining term of the 2026 Senior Notes, using the effective interest rate method, and recorded to interest expense on our unaudited condensed consolidated statements of operations. During both the three and nine months ended September 30, 2021, our effective interest rate, including the debt issuance costs, was approximately 0.55% and interest expense on our 2026 Senior Notes was not material.

The 2026 Senior Notes are unsecured and do not contain any financial covenants, restrictions on dividends, incurrence of senior debt or other indebtedness, or restrictions on the issuance or repurchase of securities by the Company.

### ***Capped Call Transactions***

In connection with the issuance of the 2026 Senior Notes, the Company entered into privately negotiated capped call transactions (the “Capped Calls”) with certain of the initial purchasers of the 2026 Senior Notes and/or their respective affiliates and/or other financial institutions (the “Option Counterparties”) at a cost of approximately \$35 million. The Capped Calls are separate transactions entered into by the Company with each Option Counterparty, and are not part of the terms of the 2026 Senior Notes and

will not affect any noteholder's rights under the 2026 Senior Notes. Noteholders will not have any rights with respect to the Capped Calls.

The Capped Calls cover, subject to anti-dilution adjustments, substantially similar to those applicable to the conversion rate of the 2026 Senior Notes, the number of shares of common stock initially underlying the 2026 Senior Notes, or up to approximately 4.7 million shares of our common stock. The Capped Calls are expected generally to reduce potential dilution to the common stock upon any conversion of 2026 Senior Notes and/or offset any potential cash payments the Company is required to make in excess of the principal amount of such converted 2026 Senior Notes, as the case may be, with such reduction and/or offset subject to a cap. The strike price of the Capped Calls is \$73.81, while the cap price of the Capped Calls will initially be \$107.36 per share of our common stock, which represents a premium of 100% over the close price of our common stock of \$53.68 per share on March 22, 2021, and is subject to certain customary adjustments under the terms of the Capped Calls.

The Capped Calls are considered indexed to our own stock and are considered equity classified under GAAP, and included as a reduction to additional paid-in-capital within stockholders' equity on the unaudited condensed consolidated balance sheet as of September 30, 2021. The Capped Calls are not accounted for as derivatives and their fair value is not remeasured each reporting period. In addition, we recorded a deferred tax asset of \$9 million during the three months ended March 31, 2021, as we made an income tax election allowable under Internal Revenue Service (the "IRS") regulations in order to recover the cost of the Capped Calls as interest expense for income tax purposes only over the term of the 2026 Senior Notes.

## **NOTE 6: INCOME TAXES**

Each interim period is considered an integral part of the annual period; accordingly, we measure our income tax expense using an estimated annual effective tax rate. An enterprise is required, at the end of each interim reporting period, to make its best estimate of the annual effective tax rate for the full fiscal year and use that rate to provide for income taxes on a current year-to-date basis, as adjusted for discrete taxable events that occur during the interim period.

On March 27, 2020, the U.S. government enacted the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). The CARES Act made tax law changes to provide financial relief to companies as a result of the business impacts of COVID-19. Key income tax provisions of the CARES Act include changes in net operating losses ("NOL") carryback and carryforward rules, increase of the net interest expense deduction limit, and immediate write-off of qualified improvement property. The CARES Act allowed us to carryback our U.S. federal NOL incurred in 2020, generating a \$48 million income tax refund, which is recorded in income taxes receivable on both of our unaudited condensed consolidated balance sheets as of September 30, 2021 and December 31, 2020, and is expected to be received during the fourth quarter of 2021. We also reduced our long-term transition tax payable related to the Tax Cuts and Jobs Act of 2017 (the "2017 Tax Act") by \$28 million as a result of the NOL carryback during the year ended December 31, 2020. NOLs incurred after January 1, 2021 will be carried forward as a deferred tax asset and included in deferred income taxes, net on our unaudited condensed consolidated balance sheet as of September 30, 2021.

In addition, certain governments have passed legislation to help businesses during the COVID-19 pandemic through loans, wage subsidies, wage tax relief or other financial aid. Some of these governments have extended or are considering extending these programs. We have participated in several of these programs, including the CARES Act in the U.S., the United Kingdom's job retention scheme, as well as programs in other jurisdictions. In addition, in certain countries, such as within the European Union, Singapore, Australia, and other jurisdictions, we are also participating in programs where government assistance is in the form of wage subsidies and reductions in wage-related employer taxes paid by us. During the three and nine months ended September 30, 2021, we recognized non-income tax related government grants and other assistance benefits of \$2 million and \$7 million, respectively, of which \$6 million in cash has been received as of September 30, 2021. During the three and nine months ended September 30, 2020, we recognized non-income tax related government grants and other assistance benefits of \$3 million and \$10 million. These amounts were generally recorded as a reduction of personnel and overhead costs in our unaudited condensed consolidated statements of operations. As of September 30, 2021, we had a receivable remaining of \$3 million, included in prepaid expenses and other current assets on our unaudited condensed consolidated balance sheet, for payments expected to be received in 2021, which was related to qualified payroll tax credits under the CARES Act.

We recorded a total income tax provision of \$2 million for the three months ended September 30, 2021, while we recorded a total income tax benefit of \$19 million for the nine months ended September 30, 2021, and total income tax benefits of \$10 million and \$48 million for the three and nine months ended September 30, 2020, respectively. The decrease in our income tax benefits during the three and nine months ended September 30, 2021, when compared to the same periods in 2020, was primarily due to a decrease in loss before income taxes recognized during the three and nine months ended September 30, 2021. The effective tax rate for the three months ended September 30, 2021 was higher than the statutory rate of 21% primarily due to the foreign rate differential, offset by stock-based compensation expense windfalls. The effective tax rate for the nine months ended September 30, 2021 was lower than the statutory rate of 21% primarily due to valuation allowances on foreign losses.

Our policy is to recognize accrued interest and penalties related to unrecognized tax benefits and income tax liabilities as part of our income tax expense. As of September 30, 2021, we had an accrued interest liability of \$38 million included in other long-term liabilities on our unaudited condensed consolidated balance sheet and no penalties have been accrued.

By virtue of consolidated income tax returns previously filed with Expedia, we are currently under an IRS audit for the 2009, 2010 and short-period 2011 tax years. We are separately under examination by the IRS for the short-period 2011, 2012 through 2016, and 2018 tax years, and have various ongoing audits for foreign tax years, as well as state income tax audits. These audits include questioning the timing and amount of income and deductions and the allocation of income among various tax jurisdictions. These examinations may lead to proposed or ordinary course adjustments to our taxes. We are no longer subject to tax examinations by tax authorities for years prior to 2009. During the three months ended June 30, 2021, we closed an employment tax audit by the IRS for the 2015 through 2017 tax years. As of September 30, 2021, no material assessments have resulted, except as noted below regarding our 2009, 2010, and 2011 IRS audit with Expedia, our 2012 through 2016 standalone IRS audit, and our 2012 through 2016 HM Revenue & Customs (“HMRC”) audit.

In January 2017 and April 2019, as part of the IRS audit of Expedia, we received Notices of Proposed Adjustment from the IRS for the 2009, 2010, and 2011 tax years. Subsequently, in September 2019, as part of our standalone audit, we received Notices of Proposed Adjustment from the IRS for the 2012 and 2013 tax years; and in August 2020, we received Notices of Proposed Adjustment from the IRS for the 2014, 2015, and 2016 tax years. These proposed adjustments are related to certain transfer pricing arrangements with our foreign subsidiaries, and would result in an increase to our worldwide income tax expense in an estimated range of \$95 million to \$105 million at the close of the audit if the IRS prevails, which includes \$20 million to \$30 million related to the 2009 through 2011 pre Spin-Off tax years. The estimated range takes into consideration competent authority relief and transition tax regulations, and is exclusive of deferred tax consequences and interest expense, which would be significant. We disagree with the proposed adjustments and we intend to defend our position through applicable administrative and, if necessary, judicial remedies. Our policy is to review and update tax reserves as facts and circumstances change. Based on our interpretation of the regulations and available case law, we believe the position we have taken with regard to transfer pricing with our foreign subsidiaries is sustainable. In addition to the risk of additional tax for 2009 through 2016 transactions, if the IRS were to seek transfer pricing adjustments of a similar nature for transactions in subsequent years, we would be subject to significant additional tax liabilities. We have requested competent authority assistance under the Mutual Agreement Procedure (“MAP”) for tax years 2009 through 2016. We expect the competent authorities to present a resolution for the 2009 through 2011 tax years in the near future. Upon receipt, we will assess the resolution provided by the competent authorities as well as its impact on our existing income tax reserves for all open subsequent years.

In January 2021, we received from HMRC an issue closure notice relating to adjustments for 2012 through 2016 tax years. These proposed adjustments are related to certain transfer pricing arrangements with our foreign subsidiaries and would result in an increase to our worldwide income tax expense in an estimated range of \$45 million to \$55 million, exclusive of interest expense, at the close of the audit if HMRC prevails. We disagree with the proposed adjustments and we intend to defend our position through applicable administrative and, if necessary, judicial remedies. Our policy is to review and update tax reserves as facts and circumstances change. Based on our interpretation of the regulations and available case law, we believe the position we have taken with regard to transfer pricing with our foreign subsidiaries is sustainable.

#### **NOTE 7: COMMITMENTS AND CONTINGENCIES**

As of September 30, 2021, with the exception of expected interest payments related to the issuance of our 2026 Senior Notes, as discussed above in “Note 5: *Debt*”, there have been no material changes to our commitments and contingencies since December 31, 2020. Refer to “Note 13: *Commitments and Contingencies*,” in the notes to our consolidated financial statements in Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2020.

#### **Legal Proceedings**

In the ordinary course of business, we are party to regulatory and legal matters, including threats thereof, arising out of, or in connection with our operations. These matters may involve claims involving intellectual property rights (including alleged infringement of third-party intellectual property rights), tax matters (including value-added, excise, transient occupancy and accommodation taxes), regulatory compliance (including competition and consumer protection matters), defamation and reputational claims, personal injury claims, labor and employment matters and commercial disputes. Periodically, we review the status of all significant outstanding matters to assess any potential financial exposure. We record the estimated loss in our consolidated statements of operations when (i) it is probable that an asset has been impaired or a liability has been incurred; and (ii) the amount of the loss can be reasonably estimated. We provide disclosures in the notes to the consolidated financial statements for loss contingencies that do not meet both of these conditions if there is a reasonable possibility that a loss may have been incurred that would be material to the consolidated financial statements. We base accruals on the best information available at the time which can be highly subjective. Although occasional adverse decisions or settlements may occur, we do not believe that the final disposition of any of these matters

will have a material adverse effect on our business. However, the final outcome of these matters could vary significantly from our estimates. Finally, there may be claims or actions pending or threatened against us of which we are currently not aware and the ultimate disposition of which could have a material adverse effect on us. All legal fees incurred by the Company related to any regulatory and legal matters are expensed in the period incurred.

### Income and Non-Income Taxes

We are under audit by the IRS and various other domestic and foreign tax authorities with regards to income tax and non-income tax matters. We have reserved for potential adjustments that may result from examinations by, or any negotiated agreements with, these tax authorities. Although we believe our tax estimates are reasonable, the final determination of audits could be materially different from our historical tax provisions and accruals. The results of an audit could have a material effect on our financial position, results of operations, or cash flows in the period for which that determination is made. Refer to “Note 6: *Income Taxes*” for further information on potential contingencies surrounding income taxes.

### NOTE 8: STOCK BASED AWARDS AND OTHER EQUITY INSTRUMENTS

On June 8, 2021, our stockholders approved an amendment to the Company’s 2018 Stock and Annual Incentive Plan (the “2018 Plan”) to, among other things, increase the aggregate number of shares reserved and available for issuance under the 2018 Plan by 10 million shares. The purpose of this amendment was to provide sufficient reserves of shares of our common stock to ensure our ability to continue to provide new hires, employees and management with equity incentives. As of September 30, 2021, the total number of shares reserved for future stock-based awards under the 2018 Plan was approximately 17.6 million shares. All shares of common stock issued in respect of the exercise of options, RSUs, or other equity awards have been issued from authorized, but unissued common stock.

### Stock-Based Compensation Expense

The following table presents the amount of stock-based compensation expense related to stock-based awards on our unaudited condensed consolidated statements of operations during the periods presented:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	(in millions)		(in millions)	
Cost of revenue	\$ —	\$ —	\$ 1	\$ 1
Selling and marketing	4	4	13	12
Technology and content	12	12	35	32
General and administrative	13	12	40	35
Total stock-based compensation expense	29	28	89	80
Income tax benefit from stock-based compensation	(6)	(6)	(18)	(17)
Total stock-based compensation expense, net of tax	\$ 23	\$ 22	\$ 71	\$ 63

We capitalized \$3 million and \$10 million of stock-based compensation expense as internal-use software and website development costs during the three and nine months ended September 30, 2021, respectively, and \$4 million and \$11 million during the three and nine months ended September 30, 2020, respectively.

During the first quarter of 2020, the Company reversed \$3 million of previously recorded stock-based compensation expense related to certain performance-based RSUs, as the Company concluded that performance metrics required to be met in order for these awards to fully vest were no longer expected to be achievable, due to the impact of COVID-19 on our business.

During the second and third quarters of 2020, the Compensation Committee of the Board of Directors approved a modification to the Company’s annual RSU and stock option grants issued to its employees in the first quarter of 2020, which consisted of reducing the original grant-date vesting period from four years to two years. This modification resulted in the acceleration and recognition of an additional \$6 million and \$11 million of stock-based compensation expense during the three and nine months ended September 30, 2020, respectively, given the modified vesting term. There was no change to the original fair value of the impacted RSUs as a result of this modification.

## Stock-Based Award Activity and Valuation

### 2021 Stock Option Activity

A summary of stock option activity, consisting primarily of service-based non-qualified stock options during the nine months ended September 30, 2021, is presented below:

	Options Outstanding (in thousands)	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in millions)
Options outstanding at December 31, 2020	5,615	\$ 46.31		
Granted	752	45.67		
Exercised (1)	(691)	34.13		
Cancelled or expired	(201)	43.92		
Options outstanding at September 30, 2021	5,475	\$ 47.85	5.1	\$ 7
Exercisable as of September 30, 2021	3,781	\$ 51.66	3.8	\$ 4
Vested and expected to vest after September 30, 2021 (2)	5,475	\$ 47.85	5.1	\$ 7

- (1) Inclusive of approximately 380,000 stock options which were not converted into shares due to net share settlement in order to cover the aggregate exercise price and the required amount of employee withholding taxes. Potential shares which were withheld in connection with exercised stock options due to net share settlement to satisfy required employee tax withholding requirements and payment of the aggregate exercise price remain in the authorized but unissued pool under the 2018 Plan and can be reissued by the Company. Total payments for the employees' tax obligations to the taxing authorities due to net share settlements are reflected as a financing activity within the unaudited condensed consolidated statements of cash flows.
- (2) The Company accounts for forfeitures as they occur, rather than estimate expected forfeitures as allowed under GAAP and therefore do not include a forfeiture rate in our vested and expected to vest calculation unless necessary for a performance condition award.

Aggregate intrinsic value represents the difference between the closing stock price of our common stock and the exercise price of outstanding, in-the-money options. Our closing stock price as reported on Nasdaq as of September 30, 2021 was \$33.85. The total intrinsic value of stock options exercised for the nine months ended September 30, 2021 was \$8 million. This amount was not material for the nine months ended September 30, 2020.

The fair value of stock options has been estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions for the periods presented:

	Nine months ended September 30,	
	2021	2020
Risk free interest rate	0.67 %	1.16 %
Expected term (in years)	5.32	5.30
Expected volatility	49.69 %	43.25 %
Expected dividend yield	— %	— %
Weighted-average grant date fair value	\$ 20.24	\$ 10.08

Our stock options generally have a term of ten years from the date of grant and typically vest equally over a four-year requisite service period. We amortize the grant-date fair value of our stock option grants as stock-based compensation expense over the vesting term on a straight-line basis, with the amount of compensation expense recognized at any date at least equaling the portion of the grant-date fair value of the award that is vested at that date. The total fair value of stock options vested was \$19 million and \$12 million for the nine months ended September 30, 2021 and 2020, respectively.



## 2021 RSU Activity

A summary of restricted stock units (“RSUs”) activity, consisting primarily of service-based vesting terms, during the nine months ended September 30, 2021 is presented below:

	RSUs Outstanding (in thousands)	Weighted Average Grant- Date Fair Value Per Share	Aggregate Intrinsic Value (in millions)
Unvested RSUs outstanding as of December 31, 2020	8,111	\$ 32.29	
Granted	2,551	44.90	
Vested and released (1)	(3,975)	31.66	
Cancelled	(922)	36.10	
Unvested RSUs outstanding as of September 30, 2021	5,765	\$ 37.69	\$ 195

- (1) Inclusive of approximately 928,000 RSUs withheld due to net share settlement to satisfy required employee tax withholding requirements. Potential shares which were withheld in connection with settlement of RSUs to satisfy required employee tax withholding requirements remain in the authorized but unissued pool under the 2018 Plan and can be reissued by the Company. Total payments for the employees’ tax obligations to the taxing authorities due to net share settlements are reflected as a financing activity within the unaudited condensed consolidated statements of cash flows.

We amortize the grant-date fair value of RSUs as stock-based compensation expense over the vesting term, which is typically over a four-year requisite service period on a straight-line basis, with the amount of compensation expense recognized at any date at least equaling the portion of the grant-date fair value of the award that is vested at that date.

A summary of activity for market-based RSUs (“MSUs”) during the nine months ended September 30, 2021 is presented below:

	MSUs Outstanding (in thousands)	Weighted Average Grant- Date Fair Value Per Share	Aggregate Intrinsic Value (in millions)
Unvested MSUs outstanding as of December 31, 2020	174	\$ 37.29	
Granted	—	—	
Vested and released	—	—	
Cancelled	—	—	
Unvested MSUs outstanding as of September 30, 2021	174	\$ 37.29	\$ 6

Total income tax benefits associated with the exercise or settlement of Tripadvisor stock-based awards held by our employees was \$6 million and \$20 million during the three and nine months ended September 30, 2021, respectively, and \$1 million and \$14 million during the three and nine months ended September 30, 2020, respectively.

### Unrecognized Stock-Based Compensation

A summary of our remaining unrecognized stock-based compensation expense and the weighted average remaining amortization period at September 30, 2021 related to non-vested equity awards is presented below (in millions, except in years information):

	Stock Options	RSUs/MSUs
Unrecognized compensation expense	\$ 21	\$ 153
Weighted average period remaining (in years)	2.4	2.4

## NOTE 9: STOCKHOLDERS’ EQUITY

On January 31, 2018, our Board of Directors authorized and directed management, working with the Executive Committee of the Board of Directors, to repurchase up to \$250 million shares of our common stock under a share repurchase program in compliance with applicable legal requirements. This share repurchase program has no expiration date but may be suspended or terminated by our Board of Directors at any time. During the three and nine months ended September 30, 2021 and the three months ended September 30, 2020, respectively, the Company did not repurchase any shares of outstanding common stock under the share repurchase program. During the nine months ended September 30, 2020, we repurchased 4,707,450 shares of our outstanding common stock at an average share price of \$24.32 per share, exclusive of fees and commissions, or \$115 million in the aggregate. As of September 30, 2021 and

December 31, 2020, we had \$75 million remaining available to repurchase shares of our common stock under this share repurchase program.

While the Board of Directors has not suspended or terminated the share repurchase program, the terms of the 2015 Credit Facility currently limit the Company from engaging in share repurchases during the Leverage Covenant Holiday and the terms of our 2025 Indenture also imposes certain limitations and restrictions on share repurchases. Refer to “Note 5: *Debt*” for further information about our 2015 Credit Facility and our 2025 Indenture.

## **NOTE 10: EARNINGS PER SHARE**

### **Basic Earnings Per Share Attributable to Common Stockholders**

We compute basic earnings per share, or Basic EPS, by dividing net income (loss) by the weighted average number of common shares outstanding during the period. We compute the weighted average number of common shares outstanding during the reporting period using the total of common stock and Class B common stock outstanding as of the last day of the previous year end reporting period plus the weighted average of any additional shares issued and outstanding less the weighted average of any common shares repurchased during the reporting period.

### **Diluted Earnings Per Share Attributable to Common Stockholders**

Diluted earnings per share, or Diluted EPS, includes the potential dilution of common equivalent shares outstanding that could occur from stock-based awards and other stock-based commitments using the treasury stock method. We compute Diluted EPS by dividing net income (loss) by the sum of the weighted average number of common and common equivalent shares outstanding during the period. We computed the weighted average number of common and common equivalent shares outstanding during the period using the sum of (i) the number of shares of common stock and Class B common stock used in the Basic EPS calculation as indicated above; and (ii) if dilutive, the incremental weighted average common stock that we would issue upon the assumed exercise of outstanding common equivalent shares, primarily related to stock options and the vesting of restricted stock units using the treasury stock method; and (iii) if dilutive, performance-based and market-based awards based on the number of shares that would be issuable as of the end of the reporting period assuming the end of the reporting period was also the end of the contingency period.

Under the treasury stock method, the assumed proceeds calculation includes the actual proceeds to be received from the employee upon exercise of outstanding equity awards and the average unrecognized compensation cost during the period. The treasury stock method assumes that a company uses the proceeds from the exercise of an equity award to repurchase common stock at the average market price for the reporting period.

In periods of net income, shares of our common stock subject to the potential conversion of the 2026 Senior Notes outstanding during the period is also included in our weighted average number of shares outstanding used to calculate Diluted EPS using the if-converted method under GAAP, as share settlement is presumed. The Capped Calls are excluded from the calculation of Diluted EPS, as they would be antidilutive. However, upon conversion of the 2026 Senior Notes, unless the market price of our common stock exceeds the cap price, an exercise of the Capped Calls would generally offset any dilution from the 2026 Senior Notes from the conversion price up to the cap price. As of September 30, 2021, the market price of a share of our common stock did not exceed the \$107.36 cap price.

In periods of a net loss, common equivalent shares are excluded from the calculation of Diluted EPS as their inclusion would have an antidilutive effect. Accordingly, for periods in which we report a net loss, such as for the nine months ended September 30, 2021 and for the three and nine months ended September 30, 2020, Diluted EPS is the same as Basic EPS, since dilutive common equivalent shares are not assumed to have been issued if their effect is antidilutive.

Below is a reconciliation of the weighted average number of shares of common stock outstanding in calculating Diluted EPS (shares in thousands and dollars in millions, except per share amounts) for the periods presented:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
<b>Numerator:</b>				
Net income (loss) (1)	\$ 1	\$ (48)	\$ (119)	\$ (217)
<b>Denominator:</b>				
Weighted average shares used to compute Basic EPS	137,789	134,436	136,870	134,963
Weighted average effect of dilutive securities:				
Stock options	130	—	—	—
RSUs/MSUs	1,892	—	—	—
2026 Senior Notes (Note 5)	4,674	—	—	—
Weighted average shares used to compute Diluted EPS	144,485	134,436	136,870	134,963
Basic EPS	\$ 0.01	\$ (0.36)	\$ (0.87)	\$ (1.61)
Diluted EPS	\$ 0.01	\$ (0.36)	\$ (0.87)	\$ (1.61)

(1) Interest expense related to our 2026 Senior Notes included in the Diluted EPS calculation for the three months ended September 30, 2021 was not material.

Potential common shares, consisting of outstanding stock options, service and performance-based RSUs, MSUs, and those issuable under the 2026 Senior Notes, totaling approximately 6.8 million shares and 16.9 million shares for the three and nine months ended September 30, 2021, respectively, and totaling approximately 14.5 million shares and 15.3 million shares for the three and nine months ended September 30, 2020, respectively, have been excluded from the calculation of Diluted EPS because their effect would have been antidilutive. In addition, potential common shares from certain performance-based awards of approximately 0.2 million shares for both three and nine months ended September 30, 2021, and approximately 0.6 million shares for both the three and nine months ended September 30, 2020, for which all targets required to trigger vesting had not been achieved, were also excluded from the calculation of weighted average shares used to compute Diluted EPS.

The earnings per share amounts are the same for common stock and Class B common stock because the holders of each class are legally entitled to equal per share distributions whether through dividends or in liquidation. In addition, our non-vested RSUs and MSUs are entitled to dividend equivalents, which are payable to the holder subject to, and only upon vesting of, the underlying awards and are therefore forfeitable. Given such dividend equivalents are forfeitable, we do not consider them to be participating securities and, consequently, they are not subject to the two-class method of determining earnings per share.

#### NOTE 11: SEGMENT INFORMATION

We have two reportable segments: (1) Hotels, Media & Platform; and (2) Experiences & Dining. Our Hotels, Media & Platform reportable segment includes the following revenue sources: (1) Tripadvisor-branded hotels revenue – primarily consisting of hotel auction revenue, subscription-based advertising, and hotel sponsored placements revenue; and (2) Tripadvisor-branded display and platform revenue – consisting of display-based advertising revenue. Our Experiences & Dining reportable segment includes an aggregation of our Experiences & Dining operating segments. All remaining business units, including Rentals, Flights & Car, and Cruises have been combined into and reported as “Other,” which does not constitute a reportable segment, as none of these businesses meet the quantitative thresholds and other criteria to qualify as reportable segments. The nature of the services provided and revenue recognition policies are summarized by reported segment in “Note 3: Revenue Recognition.” Our operating segments are determined based on how our chief operating decision maker manages our business, regularly accesses information and evaluates performance for operating decision-making purposes, including allocation of resources.

All direct general and administrative costs are included in the applicable segments and business units; however, all corporate general and administrative costs are included in the Hotels, Media & Platform reportable segment. In addition, the Hotels, Media & Platform reportable segment includes all Tripadvisor-related brand advertising expenses (primarily television advertising), technical infrastructure, and other costs supporting the Tripadvisor platform.

Adjusted EBITDA is our segment profit measure and a key measure used by our management and Board of Directors to understand and evaluate the operating performance of our business and on which internal budgets and forecasts are based and approved. We define Adjusted EBITDA 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.

The following tables present our segment information for the three and nine months ended September 30, 2021 and 2020 and includes a reconciliation of Adjusted EBITDA to Net income (loss). We record depreciation and amortization, stock-based compensation and other stock-settled obligations, goodwill, intangible asset, and long-lived asset impairments, legal reserves and settlements, restructuring and other related reorganization costs, and other non-recurring expenses and income, net, which are excluded from segment operating performance, in corporate and unallocated. In addition, we do not report our assets, capital expenditures and related depreciation expense by segment as our CODM does not use this information to evaluate operating segments. Accordingly, we do not regularly provide such information by segment to our CODM. Intersegment revenue is not material and is included and eliminated in Other.

	Three months ended September 30, 2021				Total
	Hotels, Media & Platform (1)	Experiences & Dining	Other (in millions)	Corporate and Unallocated	
Revenue	\$ 172	\$ 114	\$ 17	\$ —	\$ 303
Adjusted EBITDA	51	10	11	—	72
Depreciation and amortization				(27)	(27)
Stock-based compensation				(29)	(29)
Operating income (loss)					16
Other income (expense), net					(13)
Income (loss) before income taxes					3
(Provision) benefit for income taxes					(2)
Net income (loss)					1

	Three months ended September 30, 2020				Total
	Hotels, Media & Platform (2)	Experiences & Dining	Other (in millions)	Corporate and Unallocated	
Revenue	\$ 80	\$ 53	\$ 18	\$ —	\$ 151
Adjusted EBITDA	4	1	10	—	15
Depreciation and amortization				(30)	(30)
Stock-based compensation				(28)	(28)
Impairment of goodwill				(3)	(3)
Operating income (loss)					(46)
Other income (expense), net					(12)
Income (loss) before income taxes					(58)
(Provision) benefit for income taxes					10
Net income (loss)					(48)

	Nine months ended September 30, 2021				Total
	Hotels, Media & Platform (1)	Experiences & Dining	Other (in millions)	Corporate and Unallocated	
Revenue	\$ 417	\$ 209	\$ 35	\$ —	\$ 661
Adjusted EBITDA	81	(26)	16	—	71
Depreciation and amortization				(85)	(85)
Stock-based compensation				(89)	(89)
Operating income (loss)					(103)
Other income (expense), net					(35)
Income (loss) before income taxes					(138)
(Provision) benefit for income taxes					19
Net income (loss)					(119)

	Nine months ended September 30, 2020				Total
	Hotels, Media & Platform (2)	Experiences & Dining	Other	Corporate and Unallocated	
	(in millions)				
Revenue	\$ 287	\$ 150	\$ 51	\$ —	\$ 488
Adjusted EBITDA	25	(56)	13	—	(18)
Depreciation and amortization				(94)	(94)
Stock-based compensation				(80)	(80)
Restructuring and other related reorganization costs				(42)	(42)
Impairment of goodwill				(3)	(3)
Operating income (loss)					(237)
Other income (expense), net					(28)
Income (loss) before income taxes					(265)
(Provision) benefit for income taxes					48
Net income (loss)					(217)

(1) Includes allocated corporate general and administrative costs of \$17 million and \$53 million and Tripadvisor-branded advertising expenses of \$1 million and \$3 million for the three and nine months ended September 30, 2021, respectively.

(2) Includes allocated corporate general and administrative costs of \$14 million and \$48 million and Tripadvisor-branded advertising expenses (primarily television advertising) of \$3 million and \$8 million for the three and nine months ended September 30, 2020, respectively.

### Customer Concentrations

Refer to “Note 4: Financial Instruments and Fair Value Measurements” under the section entitled “Risks and Concentrations” for information regarding our major customer concentrations.

### NOTE 12: OTHER INCOME (EXPENSE), NET

Other income (expense), net, consists of the following for the periods presented:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	(in millions)		(in millions)	
Foreign currency exchange rates gains (losses), net (1)	\$ —	\$ 1	\$ (2)	\$ 4
Earnings (losses) from equity method investment, net	(1)	(1)	(2)	(2)
Loss on sale of business (2)	—	(1)	—	(6)
Other income (losses), net	—	1	2	(5)
Total	\$ (1)	\$ —	\$ (2)	\$ (9)

(1) Foreign currency exchange gains (losses), net, are generally related to foreign exchange transaction gains and losses due to required conversion from transaction currency to functional currency, partially offset by the foreign currency forward contract gains and losses.

(2) Related to loss on disposal on the sale of our SmarterTravel business during the three months ended June 30, 2020.

## Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The information included in this Management’s Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our unaudited condensed consolidated financial statements and the accompanying notes included in this Quarterly Report on Form 10-Q, and the consolidated financial statements and accompanying notes, as well as Management’s Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended December 31, 2020.

This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements reflect the views of our management regarding current expectations and projections about future events and are based on currently available information. Actual results could differ materially from those contained in these forward-looking statements for a variety of reasons, including, but not limited to, those discussed in our Annual Report on Form 10-K for the year ended December 31, 2020, Part I, Item 1A, “Risk Factors,” as well as those discussed elsewhere in this report. Other unknown or unpredictable factors also could have a material adverse effect on our business, financial condition and results of operations. Accordingly, readers should not place undue reliance on these forward-looking statements. The use of words such as “anticipates,” “estimates,” “expects,” “intends,” “plans” and “believes,” among others, generally identify forward-looking

statements; however, these words are not the exclusive means of identifying such statements. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. These forward-looking statements are inherently subject to uncertainties, risks and changes in circumstances that are difficult to predict. We are not under any obligation to, and do not intend to, publicly update or review any of these forward-looking statements, whether as a result of new information, future events or otherwise, even if experience or future events make it clear that any expected results expressed or implied by those forward-looking statements will not be realized. Please carefully review and consider the various disclosures made in this report and in our other reports filed with the SEC that attempt to advise interested parties of the risks and factors that may affect our business, prospects and results of operations.

## **Overview**

Tripadvisor is a leading online travel company and our mission is to help people around the world plan, book and experience the perfect trip. We operate a global travel guidance platform that connects the world's largest audience of prospective travelers with travel partners through rich content, price comparison tools, and online reservation and related services for destinations, accommodations, travel activities and experiences, and restaurants.

Under our flagship brand, Tripadvisor, we launched www.tripadvisor.com in the U.S. in 2000. In addition to the flagship Tripadvisor brand, which now operates in localized versions in over 40 markets worldwide, we also own and operate a portfolio of online travel brands and businesses, operating under various websites and apps.

## **Executive Financial Summary**

Tripadvisor is the world's largest travel guidance platform, as measured by monthly unique users. As a result, Tripadvisor represents an attractive platform for travel partners – including hotel chains, independent hoteliers, OTAs, destination marketing organizations, and other travel-related and non-travel related product and service providers – who seek to market and sell their products and services to a global audience. Tripadvisor's platform and product offerings enable consumers to discover, research and price shop a variety of travel products, including hotels, flights, cruises, cars, vacation rental properties, tours, travel activities and experiences, and restaurants; and book a number of these travel experiences either directly on our websites or mobile apps, or on our travel partners' websites or mobile apps.

## ***Our Long-Term Growth Strategy***

In January 2021, Phocuswright, an independent travel, tourism and hospitality research firm, estimated that the annual global travel market (not including dining) will reach \$1.4 trillion of bookings in 2022. Given we have the world's largest travel audience, we believe that Tripadvisor's influence in the travel ecosystem remains significant. Our long-term growth strategy aims to increase customer engagement on our platform and drive profitable growth through:

- building products that delight travelers by reducing friction throughout the travel planning and trip-taking journey;
- driving consumer loyalty to our platform by offering products and services that increase engagement with our platform and result in membership growth, mobile app engagement and repeat usage;
- investing in technology (e.g., machine learning) to further improve the experiences we can deliver to consumers and travel partners on our platform;
- deepening travel partner engagement on our platform by expanding the number of products and services we offer;
- leveraging our platform's unique attributes to expand and grow our offerings such as hotel business to business ("B2B") services, direct-to-consumer products and services where consumers pay us on a per trip planned or an annual subscription basis, both click-based and display-based media advertising, and experiences and restaurants;
- driving operational efficiencies; and
- opportunistically pursuing strategic acquisitions.

## ***Business Trends***

The online travel industry in which we operate is large and also highly dynamic and competitive. Our overall strategy is to deliver more value to consumers and travel partners in order to generate more monetization on our platform. While we operate with a long-term growth focus, our specific growth objectives and resource allocation strategies can differ in both duration and magnitude within our segments. We describe these dynamics, as well as the current trends affecting our overall business and reportable segments, key drivers of our financial results, and uncertainties that may impact our ability to execute on our objectives and strategies, below.

## COVID-19

The COVID-19 pandemic has caused a significant negative impact on the travel, leisure, hospitality, and restaurant industries (collectively, the “travel industry”), and consequently adversely and materially affected our business, results of operations, liquidity and financial condition during the three and nine months ended September 30, 2021 and 2020, as well as throughout the year ended December 31, 2020. Among other impacts, COVID-19 has negatively impacted global consumer travel demand and consumers’ ability to travel and take part in other travel, leisure, and dining activities, thereby causing many of our travel partners to operate at significantly reduced service levels.

Commencing in late February 2020 and progressively worsening through March 2020, we experienced a significant decline in user demand for our products and services as well as an increase in customer cancellations, concurrent with widespread travel restrictions imposed by governments and businesses in response to the COVID-19 pandemic. In the second half of March 2020 and throughout April 2020, significant year-over-year revenue declines generally stabilized across the Company’s segments and products, a trend which generally continued throughout the second quarter of 2020, although modestly improved during the third quarter of 2020. Beginning in the fourth quarter of 2020, governments again, particularly in Europe, began to impose new restrictions to mitigate the spread of the virus, which again negatively impacted trends. The adverse impact to our business from COVID-19 was significant, albeit unevenly at different points in time and in different geographies throughout 2020. These adverse impacts continued to negatively impact the travel industry and dampen consumer demand for our products and services at varied levels throughout 2021, although to a materially lesser extent in the second and third quarter of 2021 as the travel industry broadened its recovery. This adverse impact has been driven by the pandemic’s proliferation, intermittent containment and resurgence of the virus, and new variants of the virus introduced throughout the world, followed by travel restrictions and other mandates put in place, lifted and/or reinstated at different timeframes during 2020 and 2021 by local governments to mitigate the spread of the virus. As such, the travel industry’s recovery from the COVID-19 pandemic has been varied and uneven region-to-region on a global basis, as well as state-to-state in the U.S.

In the fourth quarter of 2020, multiple COVID-19 vaccines were approved for widespread distribution throughout various parts of the world, including the United States and Europe, and in the first quarter of 2021, vaccination distribution programs were initiated around the world. Vaccine programs in our largest markets, the U.S and Europe, appear to be progressing well, and we expect the same for much of the rest of the world. We are encouraged by these developments, although the timing and extent of widespread vaccine distributions on a global basis, and efficacy against recent variants (e.g., the Delta variant) and any future variants of COVID-19 remains unclear. In addition, the ultimate duration of the negative impact of COVID-19 on our results of operations, liquidity and financial condition remains uncertain and is dependent upon factors beyond our control, such as the continued transmission rate of COVID-19, including any new variants and/or additional resurgences of existing variants, if any, the extent and effectiveness of containment actions taken, vaccine efficacy, and the ultimate impact of these and other factors on consumer demand for travel and usage patterns on our platform. Although uncertainty remains, we continue to be optimistic that the travel market will continue to improve during the remainder of 2021, driven by vaccination programs and what we believe to be continued significant pent-up consumer demand for travel industry services.

Traffic trends on our websites, a leading indicator of consumer travel demand, have improved since the trough of significant declines seen in the second half of March 2020 and throughout April 2020, as monthly unique users on Tripadvisor-branded websites for April 2020 were approximately 33% of the comparable period in 2019. By means of showing a comparison to a pre-COVID-19 timeframe, average monthly unique users on Tripadvisor-branded websites improved sequentially quarterly, as monthly unique users in the third quarter of 2021 were approximately 76% of 2019’s comparable period, in comparison to approximately 70% and 55% of 2019’s comparable periods during the second and first quarters of 2021, respectively, driven by vaccine progress, the easing of various government restrictions, albeit unevenly, and consumer travel demand’s improving recovery. In Europe, average monthly unique users increased significantly during the third quarter of 2021, reaching parity with the U.S., when compared to the same period in 2019. Monthly unique users in the rest of the world improved during the third quarter of 2021, when compared to the same periods in 2019, however, lagged behind the traffic recovery trends underway in the U.S. and Europe, and continued to be negatively and materially impacted by government restrictions put in place aimed to mitigate the spread of the virus throughout the third quarter of 2021.

Our consolidated revenue for the three and nine months ended September 30, 2021 was \$303 million, or an increase of 101%, and \$661 million, or an increase of 35%, respectively, when compared to the same periods in 2020. Consistent with the improvement in our traffic trends and consumer demand noted above, consolidated revenue for the three months ended September 30, 2021 increased 29% when compared to consolidated revenue for the three months ended June 30, 2021. In addition, by means of showing a comparison to a pre-COVID-19 timeframe, consolidated revenue during third quarter of 2021 was 71% of 2019’s comparable period, while consolidated revenue during the second quarter of 2021 was 56% of 2019’s comparable period. Revenue trends have also improved as 2021 has progressed as consolidated revenue for September 2021 was approximately 68% of consolidated revenue for September 2019 when compared to consolidated revenue for the months of April 2021 and May 2021 being approximately 46% and 53%, respectively, of consolidated revenue for April 2019 and May 2019. This increase in revenue was driven largely by continued

strength in the U.S. marketplace, but also due to marked improvement in Europe, where revenue began accelerating in May 2021 and continued through the third quarter of 2021, reflecting a broadening travel industry recovery.

Although we cannot predict with certainty the full impact of the COVID-19 pandemic on our future financial results, we currently expect that the pandemic will continue to have a material, negative impact on our fourth quarter 2021 financial results.

In response to the impact of the COVID-19 pandemic, we took several steps to further strengthen our financial position and balance sheet and maintain financial liquidity and flexibility, including, but not limited to, restructuring activities, reducing our ongoing operating expenses and headcount, additional borrowings and issuances of debt, and amendments to our 2015 Credit Facility, all of which are described in more detail below.

### *Liquidity*

During the first quarter of 2020, we borrowed \$700 million under the 2015 Credit Facility as a precautionary measure to reinforce our liquidity position and preserve financial flexibility in light of uncertainty in the global markets resulting from COVID-19. We repaid these borrowings in full in the third quarter of 2020 using proceeds from our 2025 Senior Notes, noted below. In addition, during 2020, by means of amendments to our 2015 Credit Facility, we were able to secure, among other things, covenant relief in the form of suspending our leverage ratio covenant, until the earlier of the first day after June 30, 2021 through maturity on which borrowings and other revolving credit utilizations under the revolving commitments exceed \$200 million, or such earlier date as we may elect, when the leverage ratio covenant will then be reinstated. We also extended the maturity date of this facility to May 2024.

In July 2020, we completed the sale of \$500 million aggregate principal amount of senior notes in a private offering, our 2025 Senior Notes, at 7.0% per annum with a maturity date of July 15, 2025. We used the net proceeds received of \$490 million, net of debt issuance costs, to repay a portion of our 2015 Credit Facility borrowings, noted above.

In addition, during March 2021, we completed the sale of \$345 million aggregate principal amount of senior notes in a private offering, our 2026 Senior Notes, at 0.25% per annum with a maturity date of April 1, 2026. Concurrently, we used a portion of the proceeds received from the 2026 Senior Notes to enter into privately negotiated capped call transactions with certain of the initial purchasers of the 2026 Senior Notes and/or their respective affiliates and/or other financial institutions at a cost of approximately \$35 million. The Company intends to use the remainder of the net proceeds from this offering for general corporate purposes, which may include repayment of debt, including the redemption and/or purchase of a portion of its 2025 Senior Notes prior to maturity.

We believe these measures provide us additional flexibility which we believe is important given our continued limited ability to predict our future financial performance due to the uncertainty associated with COVID-19.

Refer to “Note 5: *Debt*” in the notes to the unaudited condensed consolidated financial statements in Item 1 on this Quarterly Report on Form 10-Q for further detailed information about our 2015 Credit Facility, 2025 Senior Notes, and 2026 Senior Notes.

### *Cost Reduction Measures*

During the first quarter of 2020, the Company instituted a cost reduction initiative to preserve cash flows, including targeted workforce reduction measures largely in the Experiences & Dining segment, in addition to optimizing and reducing brand advertising as the Company pivoted to leverage newer advertising mediums we believe will be more effective than our historically television-focused campaign.

During the latter part of the first quarter of 2020, and in response to the COVID-19 pandemic, the Company instituted additional cost reduction measures, including the elimination of the majority of discretionary spending, business travel and non-critical vendor relationships, brand advertising, as well as the temporary cessation of nearly all new hiring and contingent staff, reduction of targeted employee benefits and the furlough of over 100 employees.

On April 28, 2020, management approved and the Company announced an additional cost reduction initiative in response to the continued economic and financial impacts resulting from the COVID -19 pandemic, which included the following:

- Enacting a workforce reduction eliminating more than 900 employees;
- Furloughing additional employees bringing the total furloughed employees during March and April 2020 to approximately 850 employees, primarily in our European operations at TheFork; and
- Making targeted reductions of the Company’s office lease portfolio, primarily either through subleasing or allowing property leases to expire.



The Company incurred total pre-tax restructuring and other related reorganization costs of approximately \$42 million during the nine months ended September 30, 2020, as a result of these measures. Such costs were recorded on our unaudited condensed consolidated statement of operations and fully paid by the Company during 2020.

Later in 2020, nearly all of the Company's previously furloughed employees had returned to their jobs; however, during the fourth quarter of 2020, the Company again furloughed approximately 400 employees, primarily in our European operations of TheFork. This action was taken by the Company as a direct result of the reinstatement of government restrictions related to restaurants in various countries within Europe in response to a resurgence of COVID-19 in those markets. As of September 30, 2021, nearly all of the Company's previously furloughed employees had returned to their jobs.

We have continued to maintain a majority of these cost-reductions measures during the nine months ended September 30, 2021 and expect the majority of these costs saving to continue for the remainder of fiscal 2021.

#### *CARES Act and Other Governmental Relief*

In March 2020, the U.S. government enacted the CARES Act, an emergency economic stimulus package enacted in response to the COVID-19 pandemic, which includes numerous income tax provisions, some of which are effective retroactively. During the three and nine months ended September 30, 2021, the Company did not record any income tax benefit under the CARES Act; however, during the three and nine months ended September 30, 2020, the Company recorded an income tax benefit of \$3 million and \$22 million, respectively, as a result of a loss carryback provision provided under the CARES Act.

In addition, certain governments have passed legislation to assist businesses during the COVID-19 pandemic through loans, wage subsidies, wage tax relief or other financial aid. Some governments have extended or are considering extending these programs. The Company has participated in several of these programs, including the CARES Act in the U.S., the United Kingdom's job retention scheme, as well as other jurisdictions' programs. During the three and nine months ended September 30, 2021, we recognized non-income tax related government grants and other assistance benefits of \$2 million and \$7 million, respectively, while during the three and nine months ended September 30, 2020, we recorded non-income tax related government grants and other assistance benefits of \$3 million and \$10 million, respectively, generally as a reduction of personnel and overhead costs in the unaudited condensed consolidated statement of operations.

For additional information on income taxes and/or other benefits recorded by the Company under the CARES Act and other governmental relief programs, refer to "Note 6: *Income Taxes*" in the notes to our unaudited condensed consolidated financial statements in Item 1 on this Quarterly Report on Form 10-Q.

#### ***Hotels, Media & Platform Segment***

Our Hotels, Media & Platform segment is comprised of: Tripadvisor-branded hotels revenue and Tripadvisor-branded Display and Platform Revenue.

Tripadvisor-branded hotels revenue primarily includes hotel auction revenue and, to a lesser extent, hotel B2B revenue, which primarily includes subscription-based advertising services that we offer to travel partners and click-based revenue generated from hotel sponsored placement advertising that enables hotels to enhance their visibility on Tripadvisor hotel pages. Tripadvisor-branded Display and Platform Revenue primarily includes impression-based advertising revenue.

Our overall strategic objective in our Hotels, Media & Platform segment is to drive revenue and profits while delivering compelling products to consumers, as well as offering travel partners a diverse set of advertising opportunities.

For consumers, we test and implement product enhancements that deliver a more engaging and comprehensive hotel shopping experience. This includes providing rich, immersive content – reviews, photos, videos and ratings, among other contributions, increasing the number of travel partners and properties as well as the available hotel supply on our platform. We believe providing consumers tools to discover, research, price shop and book a comprehensive selection of accommodations helps increase brand awareness and brand loyalty and, over time, can result in deeper consumer engagement, more qualified leads delivered to travel partners and greater monetization on our platform.

We seek to monetize our influence through hotel-related product improvements, supply and marketing efforts and customer advertising opportunities. Historically, we have generated a significant amount of hotel shoppers from search engines, such as Google. A hotel shopper is a visitor to our sites that views either a listing of hotels in a city or a specific hotel page. Our key ongoing objective related to traffic acquisition is to attract or acquire hotel shoppers at or above our desired marketing return on investment targets. Over

the long-term, we are focused on driving a greater percentage of our traffic from direct traffic sources rather than search engines, which comes with little to no traffic acquisition costs.

As noted in the “COVID-19” discussion above, during the three and nine months ended September 30, 2021, easing of travel restrictions across the world, rising vaccination rates, and an increase in consumer travel demand drove improved financial results, despite the impact from the rise of the Delta variant in September 2021. For example, during the third quarter of 2021, our total hotel auction revenue reached approximately 76% of the third quarter of 2019 revenue, up from 63% of the second quarter of 2019 revenue in the second quarter of 2021. Our U.S. hotel auction revenue during the third quarter of 2021 exceeded the third quarter of 2019 revenue on continued strong consumer travel demand, while in Europe, hotel auction revenue increased to approximately 66% of 2019 levels in the third quarter of 2021, up from 37% of the second quarter of 2019 hotel auction revenue in the second quarter of 2021. In addition, our U.S. hotel auction CPC rates regained 2019 levels in early May 2021 and remained above 2019 levels through September 2021, demonstrating strong partner engagement on our platform as consumer travel demand recovers in the U.S. Although lagging the U.S. and Europe revenue trend, the rest of world hotel auction revenue also showed improvement during the third quarter of 2021 when compared to the second quarter of 2021. As a result of these positive trends noted above, we increased our performance marketing investment during the second and third quarters of 2021 in correlation with the increase in consumer demand.

In addition, and by means of also showing a comparison to a pre-COVID-19 timeframe, Tripadvisor-branded display and platform revenue improved, reaching approximately 71% of 2019’s comparable period during the third quarter of 2021, in comparison to approximately 58% of 2019’s comparable period during the second quarter of 2021, primarily driven by an increase in marketing spend from our advertisers in correlation with increasing consumer travel demand, as discussed above.

Over the long-term, we believe that improving our offerings to deepen consumer engagement on our platform will enable us to more effectively monetize our influence. For example, in Tripadvisor-branded display and platform revenue, we enable travel partners to amplify their brand, generate brand impressions, and potentially drive qualified leads and bookings for their businesses. Historically, we have limited both the type and number of display-based advertising opportunities we make available to travel partners, particularly on mobile phone, which, in turn, has limited display-based advertising revenue growth. However, we continue to work on initiatives to better leverage our audience, content, data, travel influence and platform breadth to open up new media advertising opportunities through a more modern, high-powered advertising suite spanning native, video and programmatic solutions. We have broadened our solution to a larger set of advertising travel endemic and non-travel endemic advertising partners, including industries such as entertainment, spirits, and finance. On the consumer side, we are focused on making Tripadvisor membership more valuable for consumers. As an example, in December 2020, we beta-launched a direct-to-consumer offering, Tripadvisor Plus, an annual subscription-based membership that offers financial incentives, benefits and perks to members who book hotels and experiences on our platform. Subsequently, in mid-June 2021, we officially launched Tripadvisor Plus to consumers in the United States, including Tripadvisor Plus focused marketing on our website and in our email campaigns to our members. We also began adding more travel supply across travel categories, as well as offering our Tripadvisor Plus members discounts on experience bookings. We continue to iterate our Tripadvisor Plus offering, and as announced in September 2021, we are currently beta testing an iteration, that moves from an instant savings model to one that enables travelers to earn cash, called Vacation Funds, that are available for the traveler the day after hotel check-in or tour/activity completion. Travelers can easily transfer this cash to their bank account, or online wallet, or save them to spend on the Tripadvisor site on the current or a future trip. Tripadvisor Plus remains an important strategic initiative in order to drive long-term growth.

These efforts demonstrate our continued focus on increasing the quality of customer engagement on our platform, including driving membership growth, increasing personalization, and innovating our mobile app experience. We believe delivering – and improving upon – a great experience for users will encourage more users to use our products and services more frequently, increase member growth and member engagement, and drive loyalty to our brand, products, and services. In turn, we believe this makes our platform more attractive for travel partners, and can result in increased monetization over time.

### ***Experiences & Dining Segment***

Our Experiences & Dining offerings contribute to the comprehensive user experience we deliver, which we believe helps to increase awareness of, loyalty to, and engagement with our products, drive more bookings to Experiences & Dining travel partners and generate greater revenue and increased profitability on our platform. Given the significant market opportunities in these large categories, we expect to continue to invest in building these offerings to drive consumer engagement, bookings and revenue growth for the long-term. Since the first quarter of 2020, this segment’s revenue has been negatively and materially impacted at varying levels by a significant reduction in consumer demand due to the COVID-19 pandemic, which has reduced consumer willingness to research, purchase, and consume travel activities. This negative impact has also been driven by a wide variety of government-instituted actions and restrictions around the globe aimed at limiting the spread of the virus, all of which have impacted consumer access to experience

offerings and restaurants. For example, during the first quarter of 2021, restaurants in most of the European countries in which our Dining business operates were ordered to remain closed.

However, during the second and third quarters of 2021, our Experiences & Dining segment's financial results improved significantly as a result of the growing travel demand recovery driven by vaccine progress and various government restrictions being gradually lifted. By means of showing a comparison to a pre-COVID-19 timeframe, during the third quarter of 2021, our Experiences & Dining segment's revenue reached approximately 81% of the third quarter of 2019 revenue, up from 54% of the second quarter of 2019 revenue in the second quarter of 2021. During the third quarter of 2021, our Experiences revenue reached 75% of the third quarter of 2019 revenue, primarily driven by our Viator point of sale business during the third quarter of 2021 which reached parity with the third quarter of 2019. As a result of the strong consumer demand in our Viator business due to the growing consumer travel demand recovery during the second and third quarters of 2021, we increased investments in performance marketing channels in order to capture additional market share. In Dining, we saw a notable recovery since mid-May 2021, as restaurants in most European countries in which TheFork operates have reopened for in-restaurant dining as of the end of the third quarter 2021. By means of showing a comparison to a pre-COVID-19 timeframe, total Dining revenue during the third quarter of 2021 exceeded 90% of 2019's comparable period, a significant increase from the second quarter of 2021 when compared to the same period in 2019.

Throughout the pandemic, we have explored new initiatives to delight and engage consumers. For example, we improved our site navigation, recommendations, sort orders, and offered new consumer payment options, as new customer acquisition remains top priority during the growing travel recovery.

### ***Other***

Other is a combination of our Rentals, Flights & Car, and Cruise businesses and is not considered a reportable segment. Similar to our other business units, financial results in Other also improved during the third quarter of 2021 when compared to the second quarter of 2021, as a result of increased consumer demand due to the growing travel demand recovery. In addition to the ongoing impact of COVID-19 to its businesses, its financial results were also impacted during the three and nine months ended September 30, 2021 as a result of the sale of our SmarterTravel business during the second quarter of 2020. We continue to operate these businesses opportunistically as they complement our overall strategic objectives to deliver more value to consumers and travel partners.

### **Employees**

As of September 30, 2021, the Company had 2,738 employees. Our number of employees increased approximately 3% when compared to the same period in 2020. Approximately 35% and 50% of the Company's current employees are based in the U.S. and Europe, respectively. We believe we have good relationships with our employees, including relationships with employees represented by international works councils or other similar organizations.

In response to the COVID-19 pandemic, we have in place business continuity programs to ensure that employees are safe and that our teams continue to function effectively where continuing to work remotely.

### **Seasonality**

Consumers' travel expenditures have historically followed a seasonal pattern. Correspondingly, travel partners' advertising investments, and therefore our revenue and profits, have also historically followed a seasonal pattern. Our financial performance tends to be seasonally highest in the second and third quarters of a given year, which includes the seasonal peak in consumer demand, traveler hotel and rental stays, and travel activities and experiences taken, compared to the first and fourth quarters, which represent seasonal low points. Due to the impact of COVID-19 on our business, which led to unfavorable working capital trends and material negative operating cash flow during the year ended December 31, 2020, we did not experience our typical seasonal pattern for revenue and profit during the calendar quarters within the year ended December 31, 2020. Although consumer demand, traveler hotel and rental stays, and travel activities and experiences taken generally remain materially lower than historic levels, these trends have improved during 2021, particularly in the second and third quarters of 2021, resulting in increased revenues, and working capital and operating cash flow more akin to typical historical seasonality trends. However, it is difficult to predict the seasonality for the upcoming quarters, given the sustained uncertainty related to the continued economic impact of the COVID-19 pandemic, and the ultimate shape and timing of a recovery in our key markets. In addition, significant shifts in our business mix or adverse economic conditions could result in future seasonal patterns that are different from historical trends.

## Critical Accounting Policies and Estimates

Critical accounting policies and estimates are those that we believe are important in the preparation of our consolidated financial statements because they require that management use judgment and estimates in applying those policies. We prepare our consolidated financial statements and accompanying notes in accordance with GAAP. Preparation of the consolidated financial statements and accompanying notes requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements as well as revenue and expenses during the periods reported. Management bases its estimates on historical experience, when applicable and other assumptions that it believes are reasonable under the circumstances. Actual results may differ from estimates under different assumptions or conditions.

There are certain critical estimates that we believe require significant judgment in the preparation of our consolidated financial statements. We consider an accounting estimate to be critical if:

- It requires us to make an assumption because information was not available at the time or it included matters that were highly uncertain at the time we were making the estimate; and/or
- Changes in the estimate or different estimates that we could have selected may have had a material impact on our financial condition or results of operations.

There have been no material changes to our critical accounting policies and estimates as compared to the critical accounting policies and estimates described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

## Significant Accounting Policies and New Accounting Pronouncements

Refer to “Note 2: *Significant Accounting Policies*” in the notes to our unaudited condensed consolidated financial statements in Item 1 in this Quarterly Report on Form 10-Q for an overview of new accounting pronouncements that we have adopted during the nine months ended September 30, 2021 and the impact, if any, on our unaudited condensed consolidated financial statements.

Other than described under “Note 2: *Significant Accounting Policies*” Item 1 in this Quarterly Report on Form 10-Q, there have been no significant changes to our significant accounting policies since December 31, 2020, as described in the notes to consolidated financial statements in Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2020.

**Statements of Operations**  
**Selected Financial Data**  
(in millions, except percentages)

	Three months ended September 30,			% Change 2021 vs. 2020	Nine months ended September 30,		% Change 2021 vs. 2020
	2021	2020			2021	2020	
Revenue	\$ 303	\$ 151		101 %	\$ 661	\$ 488	35 %
<b>Costs and expenses:</b>							
Cost of revenue	23	13		77 %	54	42	29 %
Selling and marketing	148	70		111 %	343	249	38 %
Technology and content	52	46		13 %	161	166	(3) %
General and administrative	37	35		6 %	121	129	(6) %
Depreciation and amortization	27	30		(10) %	85	94	(10) %
Impairment of goodwill	—	3		n.m.	—	3	n.m.
Restructuring and other related reorganization costs	—	—		n.m.	—	42	n.m.
<b>Total costs and expenses:</b>	<b>287</b>	<b>197</b>		<b>46 %</b>	<b>764</b>	<b>725</b>	<b>5 %</b>
Operating income (loss)	16	(46)		n.m.	(103)	(237)	(57) %
<b>Other income (expense):</b>							
Interest expense	(12)	(13)		(8) %	(34)	(22)	55 %
Interest income	—	1		n.m.	1	3	(67) %
Other income (expense), net	(1)	—		n.m.	(2)	(9)	(78) %
<b>Total other income (expense), net</b>	<b>(13)</b>	<b>(12)</b>		<b>8 %</b>	<b>(35)</b>	<b>(28)</b>	<b>25 %</b>
Income (loss) before income taxes	3	(58)		n.m.	(138)	(265)	(48) %
(Provision) benefit for income taxes	(2)	10		n.m.	19	48	(60) %
<b>Net income (loss)</b>	<b>\$ 1</b>	<b>\$ (48)</b>		<b>n.m.</b>	<b>\$ (119)</b>	<b>\$ (217)</b>	<b>(45) %</b>

**Other Financial Data:**

Adjusted EBITDA (1)	\$ 72	\$ 15		380 %	\$ 71	\$ (18)	n.m.
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n.m. = not meaningful

(1) See "Adjusted EBITDA" discussion below for more information.

**Revenue and Segment Information**

	Three months ended September 30,			% Change 2021 vs. 2020	Nine months ended September 30,		% Change 2021 vs. 2020
	2021	2020			2021	2020	
<b>Revenue by Segment:</b>							
	(in millions)				(in millions)		
Hotels, Media & Platform	\$ 172	\$ 80		115 %	\$ 417	\$ 287	45 %
Experiences & Dining	114	53		115 %	209	150	39 %
Other	17	18		(6) %	35	51	(31) %
<b>Total revenue</b>	<b>\$ 303</b>	<b>\$ 151</b>		<b>101 %</b>	<b>\$ 661</b>	<b>\$ 488</b>	<b>35 %</b>
<b>Adjusted EBITDA by Segment:</b>							
Hotels, Media & Platform	\$ 51	\$ 4		1175 %	\$ 81	\$ 25	224 %
Experiences & Dining	10	1		900 %	(26)	(56)	(54) %
Other	11	10		10 %	16	13	23 %
<b>Total Adjusted EBITDA</b>	<b>\$ 72</b>	<b>\$ 15</b>		<b>380 %</b>	<b>\$ 71</b>	<b>\$ (18)</b>	<b>n.m.</b>
<b>Adjusted EBITDA Margin by Segment (1):</b>							
Hotels, Media & Platform	30 %	5 %			19 %	9 %	
Experiences & Dining	9 %	2 %			(12) %	(37) %	
Other	65 %	56 %			46 %	25 %	

n.m. = not meaningful

(1) "Adjusted EBITDA Margin by Segment" is defined as Adjusted EBITDA by segment divided by revenue by segment.

## Hotels, Media & Platform Segment

Hotels, Media & Platform segment revenue increased by \$92 million and \$130 million during the three and nine months ended September 30, 2021, respectively, when compared to the same periods in 2020, primarily due to increased hotel auction revenue, particularly in the U.S., despite impact from the rise of the Delta variant in September 2021, and, to a lesser extent, increased hotel auction revenue in Europe, due to the impact of growing consumer travel demand and increasing travel industry recovery on our business, as discussed above.

Hotels, Media & Platform segment Adjusted EBITDA increased \$47 million during the three months ended September 30, 2021, when compared to the same period in 2020, primarily due to an increase in revenue, as noted above, partially offset by an increase in direct selling and marketing expenses related to search engine marketing, or SEM, and other online paid traffic acquisition costs in response to increasing consumer travel demand as travel restrictions ease, vaccination rates increase, and the travel industry recovers, and, to a lesser extent, an increase in personnel and overhead costs to help support business growth during the growing travel demand recovery. Hotels, Media & Platform segment Adjusted EBITDA increased \$56 million during the nine months ended September 30, 2021, when compared to the same period in 2020, primarily due to an increase in revenue as noted above, and, to a lesser extent, a reduction in personnel costs as a result of workforce reductions related to our cost-reduction measures during 2020 in response to COVID-19, partially offset by an increase in direct selling and marketing expenses related to search engine marketing, or SEM, and other online paid traffic acquisition costs in response to increasing consumer travel demand as travel restrictions ease, vaccination rates increase, and the travel industry recovers, and, to a lesser extent, an increase in personnel and overhead costs to help support business growth during the growing travel demand recovery.

The following is a detailed discussion of the revenue sources within our Hotels, Media & Platform segment:

	Three months ended September 30,			% Change 2021 vs. 2020	Nine months ended September 30,			% Change 2021 vs. 2020
	2021	2020			2021	2020		
	(in millions)				(in millions)			
<b>Hotels, Media &amp; Platform:</b>								
Tripadvisor-branded hotels	\$ 143	\$ 67		113 %	\$ 348	\$ 235		48 %
Tripadvisor-branded display and platform	29	13		123 %	69	52		33 %
Total Hotels, Media & Platform revenue	<u>\$ 172</u>	<u>\$ 80</u>		115 %	<u>\$ 417</u>	<u>\$ 287</u>		45 %

### Tripadvisor-branded Hotels Revenue

For both the three and nine months ended September 30, 2021, 83% of our total Hotels, Media & Platform segment revenue was derived from Tripadvisor-branded hotels revenue. For the three and nine months ended September 30, 2020, 84% and 82%, respectively, of our total Hotels, Media & Platform segment revenue was derived from Tripadvisor-branded hotels revenue. Tripadvisor-branded hotels revenue increased \$76 million and \$113 million during the three and nine months ended September 30, 2021, respectively, when compared to the same periods in 2020. This revenue increase was primarily driven by our hotel auction revenue, particularly in the U.S., despite the impact from the rise of the Delta variant in September 2021, and, to a lesser extent, an increase in hotel auction revenue in Europe, due to rising consumer travel demand and travel industry recovery, given rising vaccination rates and easing of government travel restrictions. As consumer travel demand continued to increase during the third quarter of 2021, the Company saw continued improvement in hotel auction monetization, as CPC rates during the third quarter of 2021 exceeded parity of 2019's comparable period, which enabled increased efficient marketing investment on performance channels, enhancing our third quarter of 2021 hotel auction revenue growth. See "Business Trends" above for further discussion.

### Tripadvisor-branded Display and Platform Revenue

For both the three and nine months ended September 30, 2021, 17% of Hotels, Media & Platform segment revenue was derived from our Tripadvisor-branded display and platform revenue, which consists of revenue from Tripadvisor-branded display-based advertising across our websites. For the three and nine months ended September 30, 2020, 16% and 18%, respectively, of Hotels, Media & Platform segment revenue was derived from our Tripadvisor-branded display and platform revenue.

Tripadvisor-branded display-based advertising revenue increased by \$16 million and \$17 million during the three and nine months ended September 30, 2021, respectively, when compared to the same periods in 2020, primarily driven by an increase in marketing spend from our advertisers in correlation with increasing consumer travel demand, as discussed above.

## Experiences & Dining Segment

Experiences & Dining segment revenue increased by \$61 million and \$59 million during the three and nine months ended September 30, 2021, respectively, when compared to the same periods in 2020. Since the first quarter of 2020, this segment's revenue has been negatively and materially impacted at varying levels by a significant reduction in consumer demand due to the COVID-19 pandemic, which has reduced consumer willingness to research, purchase, and consume travel and leisure activities. See "Business Trends" above for further discussion.

However, during the second and third quarters of 2021, our Experiences & Dining segment's financial results significantly improved as a result of the growing consumer travel demand recovery driven by vaccine progress and various government restrictions being gradually lifted during the same time period, which is discussed further under "Business Trends" above.

Experiences & Dining segment Adjusted EBITDA increased \$9 million during the three months ended September 30, 2021, when compared to the same period in 2020, primarily due to an increase in revenue as noted above, partially offset by an increase in direct selling and marketing expenses related to SEM and other online paid traffic acquisition costs in response to increased consumer demand for experiences, tours, and restaurants due to the growing consumer travel demand recovery, and, to a lesser extent, an increase in personnel and overhead costs to help support business growth during the growing travel demand recovery. Experiences & Dining segment Adjusted EBITDA increased \$30 million during the nine months ended September 30, 2021, when compared to the same period in 2020, primarily due to an increase in revenue as noted above, a reduction in personnel costs as a result of workforce reductions related to our cost-reduction measures during 2020 in response to COVID-19, and, to a lesser extent, lower television advertising costs, office lease costs, and bad debt expense, partially offset by increased selling and marketing expenses related to SEM in response to increased consumer demand for experiences, tours and restaurants as part of the growing consumer travel demand recovery and, to a lesser extent, an increase in personnel and overhead costs to help support business growth during the growing travel demand recovery.

## Other

Other revenue, which includes Rentals revenue in addition to primarily click-based advertising and display-based advertising revenue from our Flights, Cars, and Cruises offerings on Tripadvisor websites, decreased by \$1 million and \$16 million during the three and nine months ended September 30, 2021, when compared to the same periods in 2020. The decrease during the nine months ended September 30, 2021, when compared to the same period in 2020, was primarily due to the continued negative impact of COVID-19 on these offerings, and the sale of our SmarterTravel business during the second quarter of 2020.

Adjusted EBITDA in Other increased \$1 million and \$3 million during the three and nine months ended September 30, 2021, respectively, when compared to the same periods in 2020. The increase during the nine months ended September 30, 2021, when compared to the same period in 2020, was primarily due to reduction in personnel costs as a result of workforce reductions related to our cost-reduction measures during the first half of 2020 in response to COVID-19, partially offset by a decrease in revenue as noted above.

## Consolidated Expenses

### Cost of Revenue

Cost of revenue consists of expenses that are directly related or closely correlated to revenue generation, including direct costs, such as credit card and other booking transaction payment fees, data center costs, costs associated with prepaid tour tickets, ad serving fees, flight search fees, and other transaction costs. In addition, cost of revenue includes personnel and overhead expenses, including salaries, benefits, stock-based compensation and bonuses for certain customer support personnel who are directly involved in revenue generation.

	Three months ended September 30,		% Change 2021 vs. 2020	Nine months ended September 30,		% Change 2021 vs. 2020
	2021	2020		2021	2020	
	(in millions)			(in millions)		
Direct costs	\$ 16	\$ 8	100%	\$ 36	\$ 25	44%
Personnel and overhead	7	5	40%	18	17	6%
Total cost of revenue	\$ 23	\$ 13	77%	\$ 54	\$ 42	29%
% of revenue	7.6%	8.6%		8.2%	8.6%	

Cost of revenue increased \$10 million and \$12 million during the three and nine months ended September 30, 2021, respectively, when compared to the same periods in 2020, primarily due to increased direct costs from credit card payment and other revenue-related transaction costs in correlation with an increase in revenue.

### ***Selling and Marketing***

Selling and marketing expenses primarily consist of direct costs, including traffic generation costs from SEM and other online traffic acquisition costs, syndication costs and affiliate marketing commissions, social media costs, brand advertising (including television and other offline advertising), promotions and public relations. In addition, our sales and marketing expenses consist of indirect costs such as personnel and overhead expenses, including salaries, commissions, benefits, stock-based compensation, and bonuses for sales, sales support, customer support and marketing employees.

	Three months ended September 30,		% Change 2021 vs. 2020	Nine months ended September 30,		% Change 2021 vs. 2020
	2021	2020		2021	2020	
	(in millions)			(in millions)		
Direct costs	\$ 104	\$ 30	247%	\$ 211	\$ 103	105%
Personnel and overhead	44	40	10%	132	146	(10%)
Total selling and marketing	\$ 148	\$ 70	111%	\$ 343	\$ 249	38%
% of revenue	48.8%	46.4%		51.9%	51.0%	

Direct selling and marketing costs increased \$74 million and \$108 million during the three and nine months ended September 30, 2021, respectively, when compared to the same periods in 2020, primarily due to an increase in our SEM and other online traffic acquisition spend in our Hotels, Media & Platform and Experiences & Dining segments in response to increasing consumer travel demand as travel activity restrictions ease and the travel industry recovers.

Personnel and overhead costs increased \$4 million during the three months ended September 30, 2021, when compared to the same period in 2020, primarily due to increased personnel and overhead costs related to performance bonuses, contingent staff, and additional headcount to help support business growth and key staff retention during the growing travel demand recovery during 2021. Personnel and overhead costs decreased \$14 million during the nine months ended September 30, 2021, when compared to the same period in 2020, primarily as a result of a reduction in headcount related to our cost-reduction measures across our business in response to COVID-19 implemented during the first half of 2020, partially offset by increased personnel and overhead related to performance bonuses, contingent staff, and additional headcount to help support business growth and key staff retention during the growing travel demand recovery during 2021.

### ***Technology and Content***

Technology and content expenses consist primarily of personnel and overhead expenses, including salaries and benefits, stock-based compensation expense, and bonuses for salaried employees and contractors engaged in the design, development, testing, content support, and maintenance of our websites and mobile apps. Other costs include licensing, maintenance expense, computer supplies, telecom costs, content translation and localization costs, and consulting costs.

	Three months ended September 30,		% Change 2021 vs. 2020	Nine months ended September 30,		% Change 2021 vs. 2020
	2021	2020		2021	2020	
	(in millions)			(in millions)		
Personnel and overhead	\$ 46	\$ 40	15%	\$ 144	\$ 145	(1%)
Other	6	6	0%	17	21	(19%)
Total technology and content	\$ 52	\$ 46	13%	\$ 161	\$ 166	(3%)
% of revenue	17.2%	30.5%		24.4%	34.0%	

Technology and content costs increased \$6 million during the three months ended September 30, 2021, when compared to the same period in 2020, primarily due to increased personnel and overhead costs related to performance bonuses, contingent staff, and additional headcount to help support business growth and key staff retention during the growing travel demand recovery. Technology and content costs decreased \$5 million during the nine months ended September 30, 2021, when compared to the same period in 2020, primarily due to decreased personnel and overhead costs across our business as a result of a reduction in headcount driven by cost-reduction measures across our business in response to COVID-19 implemented during the first half of 2020, partially offset by an



increase in performance bonuses, contingent staff, and stock-based compensation expense to help support business growth and key staff retention during the growing travel demand recovery during 2021.

### General and Administrative

General and administrative expenses consist primarily of personnel and related overhead costs, including personnel engaged in leadership, finance, legal, and human resources, as well as stock-based compensation expense for those same personnel. General and administrative costs also include professional service fees and other fees including audit, legal, tax and accounting, and other costs including bad debt expense, non-income taxes, such as sales, use and other non-income related taxes.

	Three months ended September 30,		% Change 2021 vs. 2020	Nine months ended September 30,		% Change 2021 vs. 2020
	2021	2020		2021	2020	
	(in millions)			(in millions)		
Personnel and overhead	\$ 31	\$ 25	24 %	\$ 93	\$ 85	9 %
Professional service fees and other	6	10	(40 %)	28	44	(36 %)
<b>Total general and administrative</b>	<b>\$ 37</b>	<b>\$ 35</b>	<b>6 %</b>	<b>\$ 121</b>	<b>\$ 129</b>	<b>(6 %)</b>
% of revenue	12.2 %	23.2 %		18.3 %	26.4 %	

General and administrative costs increased \$2 million during the three months ended September 30, 2021, when compared to the same period in 2020. Personnel and overhead costs increased \$6 million during the three months ended September 30, 2021, when compared to the same period in 2020, primarily related to increased performance bonuses, recruiting costs, stock-based compensation expense, and additional headcount to help support business growth and key staff retention during the growing consumer travel demand recovery during 2021. Professional service fees and other decreased \$4 million during the three months ended September 30, 2021, when compared to the same period in 2020, primarily due to a decrease in bad debt expense due to improved collection trends as the travel industry recovers.

General and administrative costs decreased \$8 million during the nine months ended September 30, 2021, when compared to the same period in 2020. Personnel and overhead costs increased \$8 million during the nine months ended September 30, 2021, when compared to the same period in 2020, primarily driven by an increase in performance bonuses, recruiting costs, and stock-based compensation expense to help support business growth and key staff retention during the growing consumer travel demand recovery, partially offset by decreased salaries and wages and related benefits costs across our business as a result of a reduction in headcount driven by cost-reduction measures across our business in response to COVID-19 implemented during the first half of 2020. Professional service fees and other decreased \$16 million during the nine months ended September 30, 2021, when compared to the same period in 2020, primarily due to a decrease in bad debt expense due to improved collection trends as the travel industry recovers and to a lesser extent a decrease in third-party professional service costs.

### Depreciation and amortization

Depreciation expense consists of depreciation on computer equipment, leasehold improvements, furniture, office equipment and other assets, and amortization of capitalized software and website development costs and right-of-use ("ROU") assets related to our finance lease. Amortization consists of the amortization of definite-lived intangibles purchased in business acquisitions.

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	(in millions)		(in millions)	
Depreciation	\$ 22	\$ 24	\$ 68	\$ 75
Amortization of intangible assets	5	6	17	19
<b>Total depreciation and amortization</b>	<b>\$ 27</b>	<b>\$ 30</b>	<b>\$ 85</b>	<b>\$ 94</b>
% of revenue	8.9 %	19.9 %	12.9 %	19.3 %

Depreciation and amortization decreased \$3 million and \$9 million during the three and nine months ended September 30, 2021, respectively, when compared to the same periods in 2020, primarily due to the completion of amortization related to certain intangible assets from previous business acquisitions and lower depreciation related to capitalized software and website development costs

driven by a reduction in headcount related to our cost-reduction measures across our business in response to COVID-19 implemented during the first half of 2020.

### Impairment of Goodwill

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	(in millions)		(in millions)	
Impairment of goodwill	\$ —	\$ 3	\$ —	\$ 3
% of revenue	0.0%	2.0%	0.0%	0.6%

The Company recorded a goodwill impairment charge of \$3 million related to our Tripadvisor China reporting unit in the third quarter of 2020, which did not reoccur in 2021.

### Restructuring and other related reorganization costs

Restructuring and other related reorganization costs consist primarily of employee severance and related benefits.

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	(in millions)		(in millions)	
Restructuring and other related reorganization costs	\$ —	\$ —	\$ —	\$ 42
% of revenue	0.0%	0.0%	0.0%	8.6%

In response to the COVID-19 pandemic, during the second quarter of 2020, the Company committed to restructuring actions intended to reinforce its financial position, reduce its cost structure, and improve operational efficiencies, which resulted in headcount reductions, all for which we recognized \$33 million in restructuring and other related reorganization costs. In addition, the Company engaged in a smaller scale restructuring action in the first quarter of 2020 to reduce our cost structure and improve our operational efficiencies, which resulted in headcount reductions for which we recognized \$9 million in restructuring and other related reorganization costs.

### Interest Expense

Interest expense primarily consists of interest incurred, commitment fees, and debt issuance cost amortization related to our 2015 Credit Facility, 2025 Senior Notes, 2026 Senior Notes, as well as interest on our finance lease.

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	(in millions)		(in millions)	
Interest expense	\$ (12)	\$ (13)	\$ (34)	\$ (22)

Interest expense decreased \$1 million during the three months ended September 30, 2021, when compared to the same period in 2020, primarily due to lower average outstanding borrowings on our 2015 Credit Facility during 2021. Interest expense increased \$12 million during the nine months ended September 30, 2021, when compared to the same period in 2020, primarily due to the issuance of our 2025 Senior Notes in July 2020, partially offset by lower average outstanding borrowings on our 2015 Credit Facility during 2021. Refer to “Note 5: Debt” in the notes to our unaudited condensed consolidated financial statements in Item 1 in this Quarterly Report on Form 10-Q for further information.

### Other Income (Expense), Net

Other income (expense), net generally consists of net foreign exchange gains and losses, forward contract gains and losses, earnings/(losses) from equity method investments, gain/(loss) and impairments on non-marketable investments, gain/loss on sale/disposal of businesses, and other non-operating income (expenses).

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	(in millions)		(in millions)	
Other income (expense), net	\$ (1)	\$ —	\$ (2)	\$ (9)

Other expense, net decreased \$7 million during the nine months ended September 30, 2021, when compared to the same period in 2020, primarily due to a loss on sale of business of \$6 million and allowance for credit losses of \$3 million on a long-term note receivable during 2020, which did not reoccur in 2021, partially offset by net foreign currency transaction losses as a result of the fluctuation of foreign exchange rates during 2021.

### (Provision) Benefit for Income Taxes

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	(in millions)		(in millions)	
(Provision) benefit for income taxes	\$ (2)	\$ 10	\$ 19	\$ 48
Effective tax rate	66.7%	17.2%	13.8%	18.1%

The effective tax rate for the three months ended September 30, 2021 was higher than the statutory rate of 21% primarily due to the foreign rate differential, offset by stock-based compensation expense windfalls. The effective tax rate for the nine months ended September 30, 2021 was lower than the statutory rate of 21% primarily due to valuation allowances on foreign losses.

We recorded a total income tax provision of \$2 million for the three months ended September 30, 2021, while we recorded a total income tax benefit of \$19 million for the nine months ended September 30, 2021, and total income tax benefits of \$10 million and \$48 million for the three and nine months ended September 30, 2020, respectively. The decrease in our income tax benefits during the three and nine months ended September 30, 2021, when compared to the same periods in 2020, was primarily due to a decrease in loss before income taxes recognized during the three and nine months ended September 30, 2021. Refer to "Note 6: Income Taxes" in the notes to our unaudited condensed consolidated financial statements in Item 1 in this Quarterly Report on Form 10-Q for further information.

### Net income (loss)

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	(in millions)		(in millions)	
Net income (loss)	\$ 1	\$ (48)	\$ (119)	\$ (217)
Net income (loss) margin	0.3%	(31.8%)	(18.0%)	(44.5%)

Net loss decreased \$49 million during the three months ended September 30, 2021, when compared to the same period in 2020, primarily due to an increase in revenue, as described above in "Revenue and Segment Information", partially offset largely by an increase in selling and marketing expenses in response to increasing consumer travel demand as travel activity restrictions ease and the travel industry recovers and, to a lesser extent, an increase in personnel and overhead costs to help support business growth and key staff retention during the growing consumer travel demand recovery, all of which is described above under "Consolidated Expenses."

Net loss decreased \$98 million during the nine months ended September 30, 2021, when compared to the same period in 2020, primarily due to an increase in revenue, as described above in "Revenue and Segment Information", restructuring costs incurred of \$42 million in the nine months ended September 30, 2020, which did not reoccur during the nine months ended September 30, 2021, and decreased personnel and overhead costs across our business as a result of a reduction in headcount driven by cost-reduction measures across our business in response to COVID-19 implemented during the nine months ended September 30, 2020, partially offset largely by an increase in selling and marketing expenses in response to increasing consumer travel demand as travel activity restrictions ease

and the travel industry recovers and, to a lesser extent, an increase in personnel and overhead costs during the nine months ended September 30, 2021 to help support business growth and key staff retention during the growing consumer travel demand recovery, all of which is described above under “Consolidated Expenses.”

## Adjusted EBITDA

To provide investors with additional information regarding our financial results, we also disclose consolidated Adjusted EBITDA, which is a non-GAAP financial measure. 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.

Adjusted EBITDA is also our segment profit measure and a key measure used by our management and board of directors to understand and evaluate the financial performance of our business 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 ongoing core business performance. Accordingly, we believe that Adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors. We define Adjusted EBITDA 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) other non-recurring expenses and income.

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;
- 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 ongoing core operations of our business, such as legal reserves and settlements, restructuring and other related reorganization costs;
- 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.

The following table presents a reconciliation of Adjusted EBITDA to Net Income (Loss), the most directly comparable financial measure calculated and presented in accordance with GAAP, for the periods presented:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	(in millions)			
<b>Net income (loss)</b>	<b>\$ 1</b>	<b>\$ (48)</b>	<b>\$ (119)</b>	<b>\$ (217)</b>
Add: (Benefit) Provision for income taxes	2	(10)	(19)	(48)
Add: Other expense (income), net	13	12	35	28
Add: Restructuring and other related reorganization costs	—	—	—	42
Add: Impairment of goodwill	—	3	—	3
Add: Stock-based compensation	29	28	89	80
Add: Depreciation and amortization	27	30	85	94
<b>Adjusted EBITDA</b>	<b>\$ 72</b>	<b>\$ 15</b>	<b>\$ 71</b>	<b>\$ (18)</b>

### Related Party Transactions

For information on our relationship with LTRIP, which may be deemed to beneficially own equity securities representing 57.0% of our voting power as of September 30, 2021, refer to “Note 1: Business Description and Basis of Presentation” in the notes to our unaudited condensed consolidated financial statements in Item 1 in this Quarterly Report on Form 10-Q. We had no related party transactions with LTRIP during the three and nine months ended September 30, 2021 and 2020.

### Stock-Based Compensation

Refer to “Note 8: Stock Based Awards and Other Equity Instruments” in the notes to our unaudited condensed consolidated financial statements in Item 1 in this Quarterly Report on Form 10-Q for further information on current year equity award activity, including the issuance of approximately 752,000 service-based stock options with a weighted average grant-date fair value per option of \$20.24 and approximately 2,551,000 service-based RSUs with a weighted average grant-date fair value of \$44.90 during the nine months ended September 30, 2021.

### Liquidity and Capital Resources

Our principal source of liquidity is cash flow generated from operations and our existing cash and cash equivalents balance. Our liquidity needs can also be met through drawdowns under our 2015 Credit Facility. As of September 30, 2021 and December 31, 2020, we had \$682 million and \$418 million, respectively, of cash and cash equivalents, with nearly \$500 million of available borrowing capacity under our 2015 Credit Facility. As of September 30, 2021, approximately \$128 million of our cash and cash equivalents were held by our international subsidiaries outside of the U.S., of which nearly 45% was located in the U.K. As of September 30, 2021, the significant majority of our cash was denominated in U.S. dollars. As of September 30, 2021, the Company had \$845 million in long-term debt, as a result of the issuance of our 2025 Senior Notes in July 2020 and 2026 Senior Notes in March 2021, as discussed below.

As of September 30, 2021, we had \$430 million of cumulative undistributed earnings in foreign subsidiaries, of which \$312 million of these cumulative undistributed foreign earnings were not considered to be indefinitely reinvested. As of September 30, 2021, we maintained a deferred income tax liability on our unaudited condensed consolidated balance sheet, which was not material, for the U.S. federal and state income tax and foreign withholding tax liabilities on the cumulative undistributed foreign earnings that we no longer consider indefinitely reinvested. We intend to indefinitely reinvest \$118 million of these foreign earnings in our non-U.S. subsidiaries, which determination of any related unrecognized deferred income tax liability is not practicable.

#### 2015 Credit Facility

As of September 30, 2021, we are party to our 2015 Credit Facility, which, among other things, provides for a \$500 million revolving credit facility with a maturity date of May 12, 2024.

The 2015 Credit Facility requires us to maintain a maximum leverage ratio and contains certain customary affirmative covenants and events of default, including a change of control. Borrowings under the 2015 Credit Facility generally bear interest, at the Company’s option, at a rate per annum equal to either (i) the Eurocurrency Borrowing rate, or the adjusted LIBO rate for the interest period in effect for such borrowing; plus an applicable margin ranging from 1.25% to 2.00% (“Eurocurrency Spread”), based on the Company’s leverage ratio; or (ii) the Alternate Base Rate (“ABR”) Borrowing, which is the greatest of (a) the Prime Rate in

effect on such day, (b) the New York Fed Bank Rate in effect on such day plus 1/2 of 1.00% per annum and (c) the Adjusted LIBO Rate (or LIBO rate multiplied by the Statutory Reserve Rate) for an interest period of one month plus 1.00%; in addition to an applicable margin ranging from 0.25% to 1.00% (“ABR Spread”), based on the Company’s leverage ratio.

However, we amended the 2015 Credit Facility in May 2020 and December 2020, to among other things, suspend the leverage ratio covenant for quarterly testing of compliance beginning in the second quarter of 2020, replacing it with a minimum liquidity covenant through June 30, 2021 (requiring the Company to maintain \$150 million of unrestricted cash, cash equivalent and short-term investments less deferred merchant payables plus available revolver capacity), until the earlier of (a) the first day after June 30, 2021 through maturity on which borrowings and other revolving credit utilizations under the revolving commitments exceed \$200 million, and (b) the election of the Company, at which time the leverage ratio covenant will be reinstated (the “Leverage Covenant Holiday”).

The Company remained in the Leverage Covenant Holiday as of September 30, 2021. During the Leverage Covenant Holiday, any borrowings under the 2015 Credit Facility bear interest at LIBOR plus a 2.25% margin with a LIBOR floor of 1% per annum. We are also required to pay a quarterly commitment fee, at an applicable rate of 0.5%, on the daily unused portion of the revolving credit facility for each fiscal quarter while the Leverage Covenant Holiday is in place. The 2015 Credit Facility includes restrictions on the Company’s ability to make certain payments and distributions, including share repurchases and dividends.

As of September 30, 2021 and December 31, 2020, we had no outstanding borrowings and were in compliance with our covenant requirements under the 2015 Credit Facility. While there can be no assurance that we will be able to meet the leverage ratio covenant after the Leverage Covenant Holiday ceases, based on our current projections, we do not believe there is a material risk we will not remain in compliance throughout the next twelve months.

During the first quarter of 2020, the Company borrowed \$700 million under the 2015 Credit Facility. These funds were drawn down as a precautionary measure to reinforce our liquidity position and preserve financial flexibility in light of uncertainty in the global markets resulting from the COVID-19 pandemic. The Company repaid those borrowings in full during the third quarter of 2020 with proceeds received from the 2025 Senior Notes, as discussed below.

#### *2025 Senior Notes*

In July 2020, the Company completed the sale of \$500 million in 2025 Senior Notes. The 2025 Senior Notes provide, among other things, that interest, at an interest rate of 7.0% per annum, will be payable on January 15 and July 15 of each year, which began on January 15, 2021, until their maturity on July 15, 2025. The Company used the net proceeds from the 2025 Senior Notes, or \$490 million, net of approximately \$10 million in debt issuance costs, to repay a portion of our outstanding borrowings under our 2015 Credit Facility, as noted above. The 2025 Senior Notes are senior unsecured obligations of the Company and are guaranteed by certain of the Company’s domestic subsidiaries.

#### *2026 Senior Notes*

In March 2021, the Company completed the sale of \$345 million of our 2026 Senior Notes. The 2026 Senior Notes provide, among other things, that interest, at an interest rate of 0.25% per annum, will be payable on April 1 and October 1 of each year, beginning on October 1, 2021, until their maturity on April 1, 2026. Concurrently, the Company used a portion of the proceeds from the 2026 Senior Notes to enter into privately negotiated capped call transactions with certain of the initial purchasers of the 2026 Senior Notes and/or their respective affiliates and/or other financial institutions at a cost of approximately \$35 million. The Company intends to use the remainder of the net proceeds from this offering for general corporate purposes, which may include repayment of debt, including the partial redemption and/or purchase of the 2025 Senior Notes prior to maturity. The 2026 Senior Notes are senior unsecured obligations of the Company and are guaranteed by certain of the Company’s domestic subsidiaries.

The 2025 Senior Notes and 2026 Senior Notes are not registered securities and there are currently no plans to register these notes as securities in the future. As a result, Rule 3-10 of Regulation S-X promulgated by the SEC is not applicable and no separate financial statements are required for the guarantor subsidiaries of these notes. We may from time to time repurchase our outstanding 2025 Senior Notes or 2026 Senior Notes through tender offers, open market purchases, privately negotiated transactions or otherwise. Such repurchases, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors.

For further information on our 2015 Credit Facility, 2025 Senior Notes, and 2026 Senior Notes, refer to “Note 5: Debt” in the notes to our unaudited condensed consolidated financial statements in Item 1 in this Quarterly Report on Form 10-Q.

#### *Significant sources and uses of capital*

As of September 30, 2021, we had \$75 million remaining available to repurchase shares of our common stock under our existing share repurchase program authorized by our Board of Directors. During the three and nine months ended September 30, 2021, and the three months ended September 30, 2020, the Company did not repurchase any shares of outstanding common stock under the share repurchase program. During the nine months ended September 30, 2020, we repurchased 4,707,450 shares of our outstanding common stock at an average share price of \$24.32 per share, exclusive of fees and commissions, or \$115 million in the aggregate. The terms of our 2015 Credit Facility were amended to limit the Company from share repurchases during the Leverage Covenant Holiday and the terms of the 2025 Indenture related to the 2025 Senior Notes also impose certain limitations and restrictions on share repurchases.

Our business typically experiences seasonal fluctuations that affect the timing of our annual cash flows related to working capital. In our Experiences business and our Rentals free-to-list model, we receive cash from travelers at the time of booking or prior to the occurrence of an activity and we record these amounts, net of commissions, on our consolidated balance sheet as deferred merchant payables. We pay the suppliers, or the experience providers and/or property rental owners, after the travelers' use. Therefore, we generally receive cash from the traveler prior to paying the supplier and this operating cycle represents a source or use of cash to us. During the first half of the year Experiences and Rentals bookings typically exceed the amount of completed tour-taking and stays, resulting in higher cash flow related to working capital, while during the second half of the year, particularly in the third quarter, this pattern reverses and cash flows from these transactions are typically negative. However, this seasonal trend was negatively and materially impacted by COVID-19's impact on our business throughout the year of 2020, albeit unevenly, primarily reflecting the decline in consumer demand for our products and increased cancellations of reservations. Although consumer demand, traveler hotel and rental stays, and travel activities and experiences taken generally remains materially lower than historic levels, these trends have improved during the nine months ended September 30, 2021, particularly in the second and third quarters of 2021, resulting in increased revenues, and working capital and operating cash flow more akin to typical and historical seasonality trends. However, the ultimate extent and longevity of the COVID-19 pandemic, including new or existing variants, and its impact on travel, regional and global markets, and overall economic activity in currently affected countries or globally remains unknown and impossible to predict with certainty, as such, the impacts on our business, including our operating cash flows, while generally improving, remain uncertain at this point in time. Other factors may also impact typical seasonal fluctuations, which include further significant shifts in our business mix or adverse economic conditions unrelated to COVID-19 that could result in future seasonal patterns that are different from historical trends. In addition, new or different payment options offered to our customers could impact the timing of cash flows. For example, during 2019 we introduced a new payment option which allows our Experiences customers the option to reserve certain experience activities and defer payment until a date no later than two days before the experience date; which although used in less than a majority of bookings through the third quarter of 2021, as a result, may affect the timing of our future cash flows.

As discussed in "Note 6: *Income Taxes*" in the notes to our unaudited condensed consolidated financial statements in Item 1 in this Quarterly Report on Form 10-Q, we have received Notices of Proposed Adjustments issued by the IRS for tax years 2009 through 2016, as of September 30, 2021. These proposed adjustments are related to certain transfer pricing arrangements with our foreign subsidiaries, and would result in an increase to our worldwide income tax expense in an estimated range of \$95 million to \$105 million, exclusive of interest expense, at the close of the audit if the IRS prevails. In addition, we received from HMRC an issue closure notice relating to adjustments for 2012 through 2016 tax years, as of September 30, 2021. These proposed adjustments are related to certain transfer pricing arrangements with our foreign subsidiaries and would result in an increase to our worldwide income tax expense in an estimated range of \$45 million to \$55 million, exclusive of interest expense, at the close of the audit if HMRC prevails. We disagree with the proposed adjustments and we intend to defend our positions through applicable administrative and, if necessary, judicial remedies. Although the ultimate timing for resolution of these matters is uncertain, any future payments would negatively impact our operating cash flows.

The CARES Act, enacted in March 2020, made tax law changes to provide financial relief to companies as a result of the impact to businesses related to COVID-19. Key income tax provisions of the CARES Act include changes in NOL carryback and carryforward rules, increase of the net interest expense deduction limit, and immediate write-off of qualified improvement property. The CARES Act allowed us to carryback our U.S. federal NOL incurred in 2020, generating an expected tax refund of \$48 million, which is recorded in income taxes receivable on both of our unaudited condensed consolidated balance sheets as of September 30, 2021 and December 31, 2020, and is expected to be received during the fourth quarter of 2021.

We believe that our available cash and cash equivalents will be sufficient to fund our foreseeable working capital requirements, capital expenditures, existing business growth initiatives, debt and interest obligations, lease commitments, and other financial commitments through at least the next twelve months. Our future capital requirements may also include capital needs for acquisitions and/or other expenditures in support of our business strategy, and may potentially reduce our cash balance and/or increase our borrowings under our 2015 Credit Facility or to seek other financing alternatives.

In addition, our capital requirements may increase due to the continued impact of the COVID-19 pandemic, including any new or existing variants, which has resulted in reduced revenues and operating cash flows for the Company, and the extent and duration to which it may continue to impact the Company's business and the travel industry remains unclear. Given the continued uncertainty in

the uneven market and economic conditions related to the COVID-19 pandemic, we will continue to evaluate the nature and extent of the impact to our liquidity and capital requirements, and therefore our capital structure.

Our cash flows for the nine months ended September 30, 2021 and 2020, as reflected in our unaudited condensed consolidated statements of cash flows, are summarized in the following table.

	Nine months ended September 30,	
	2021	2020
	(in millions)	
Net cash provided by (used in):		
Operating activities	\$ 43	\$ (180)
Investing activities	(41)	(46)
Financing activities	269	349

During the nine months ended September 30, 2021, our primary use of cash was from operations, financing activities (including payment of withholding taxes on net share settlements of our equity awards of \$39 million and purchase of Capped Calls of \$35 million), and investing activities (including capital expenditures of \$40 million). This use of cash was funded primarily with cash on hand, operating cash flow and financing activities, which includes \$340 million of proceeds from the issuance of our 2026 Senior Notes, net of financing costs.

During the nine months ended September 30, 2020, our primary use of cash was in operations, financing activities (including repurchases of our outstanding common stock at an aggregate cost of \$115 million under our existing share repurchase program and payment of withholding taxes on net share settlements of our equity awards of \$18 million), and investing activities (including capital expenditures of \$46 million). This use of cash was funded primarily with cash on hand and cash equivalents, and financing activities, which includes \$490 million in proceeds from the issuance of our 2025 Senior Notes, net of financing costs.

Net cash provided by operating activities for the nine months ended September 30, 2021, increased by \$223 million when compared to the same period in 2020, primarily due to an increase in working capital of \$177 million, primarily driven by an increase in deferred merchant payables and deferred revenue reflecting the cash received from travelers due to an increase in experiences and tour bookings which exceeded our payments to traveler suppliers, an increase in marketing cost accruals and a decrease in income tax payments, partially offset by an increase in accounts receivable across the business, all largely reflective of the increasing consumer demand for travel activities during the second and third quarters of 2021, in addition to timing of vendor payments and collection of receivables.

Net cash used in investing activities for the nine months ended September 30, 2021 decreased by \$5 million when compared to the same period in 2020, primarily due to a decrease in capital expenditures as part of cost-reduction measures across the business implemented during the first half of 2020 in response to COVID-19.

Net cash provided by financing activities for the nine months ended September 30, 2021 decreased by \$80 million when compared to the same period in 2020, primarily due to cash provided from the issuance of our 2025 Senior Notes in the third quarter of 2020 of \$490 million, net of financing costs, partially offset by cash used to purchase shares of our common stock under our share repurchase program of \$115 million during the nine months ended September 30, 2020, both which did not reoccur in 2021, as contrasted to proceeds received from the issuance of our 2026 Senior Notes of \$340 million in the first quarter of 2021, net of financing costs, which was partially offset by payments of \$35 million for the Capped Calls in connection with our 2026 Senior Notes, which also occurred during the first quarter of 2021.

### Contractual Obligations, Commercial Commitments and Off-Balance Sheet Arrangements

As of September 30, 2021, with the exception of the issuance of the 2026 Senior Notes, resulting in an additional \$345 million in long-term debt due in April 2026, including semi-annual interest payments with an interest rate of 0.25% per annum, as discussed above, there have been no material changes outside the normal course of business to our contractual obligations and commercial commitments since December 31, 2020.

As of September 30, 2021, other than our contractual obligations and commercial commitments, we did not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K promulgated by the SEC. Refer to “*Liquidity and Capital Resources*” in Part II, Item 7. —Management’s Discussion and Analysis of Financial Condition and Results of Operations of our Annual Report on Form 10-K for the year ended December 31, 2020 for a discussion of our contractual obligations and commercial commitments.



## Contingencies

In the ordinary course of business, we are party to regulatory and legal matters, including threats thereof, arising out of or in connection with our operations. These matters may involve claims involving patent and other intellectual property rights (including alleged infringement of third-party intellectual property rights), tax matters (including value-added, excise, transient occupancy and accommodation taxes), regulatory compliance (including competition, consumer matters and data privacy), defamation and reputational claims. Periodically, we review the status of all significant outstanding matters to assess any potential financial exposure. When (i) it is probable that an asset has been impaired or a liability has been incurred; and (ii) the amount of the loss can be reasonably estimated, we record the estimated loss in our consolidated statements of operations. We provide disclosures in the notes to the consolidated financial statements for loss contingencies that do not meet both of these conditions if there is a reasonable possibility that a loss may have been incurred that would be material to the consolidated financial statements. We base accruals on the best information available at the time which can be highly subjective. Although occasional adverse decisions or settlements may occur, we do not believe that the final disposition of any of these matters will have a material adverse effect on our business. However, the final outcome of these matters could vary significantly from our estimates. Finally, there may be claims or actions pending or threatened against us of which we are currently not aware and the ultimate disposition of which could have a material adverse effect on us.

We are also under audit by the IRS and various other domestic and foreign tax authorities with regards to income tax and non-income tax matters. We have reserved for potential adjustments to our provision for income taxes that may result from examinations by, or any negotiated agreements with, these tax authorities. Although we believe our tax estimates are reasonable, the final determination of audits could be materially different from our historical income tax provisions and accruals. The results of an audit could have a material effect on our financial position, results of operations, or cash flows in the period for which that determination is made.

By virtue of consolidated income tax returns previously filed with Expedia, we are currently under an IRS audit for the 2009, 2010 and short-period 2011 tax years. We are separately under examination by the IRS for the short-period 2011, 2012 through 2016, and 2018 tax years, and have various ongoing audits for foreign and state income tax returns. These audits include questioning of the timing and the amount of income and deductions and the allocation of income among various tax jurisdictions. These examinations may lead to proposed or ordinary course adjustments to our taxes. We are no longer subject to tax examinations by tax authorities for years prior to 2009. During the three months ended June 30, 2021, we closed an employment tax audit by the IRS for the 2015 through 2017 tax years. As of September 30, 2021, no material assessments have resulted, except as noted below regarding our 2009, 2010, and 2011 IRS audit with Expedia and our 2012 through 2016 standalone IRS audit.

In January 2017 and April 2019, as part of the IRS audit of Expedia, we received Notices of Proposed Adjustment from the IRS for the 2009, 2010, and 2011 tax years. Subsequently, in September 2019, as part of Tripadvisor's standalone audit, we received Notices of Proposed Adjustment from the IRS for the 2012 and 2013 tax years, and in August 2020, we received Notices of Proposed Adjustments from the IRS for the 2014, 2015 and 2016 tax years. These proposed adjustments are related to certain transfer pricing arrangements with our foreign subsidiaries, and would result in an increase to our worldwide income tax expense in an estimated range of \$95 million to \$105 million at the close of the audit if the IRS prevails. The estimated range takes into consideration competent authority relief and transition tax regulations, and is exclusive of deferred tax consequences and interest expense, which would be significant. We disagree with the proposed adjustments and we intend to defend our position through applicable administrative and, if necessary, judicial remedies. Our policy is to review and update tax reserves as facts and circumstances change. Based on our interpretation of the regulations and available case law, we believe the position we have taken with regard to transfer pricing with our foreign subsidiaries is sustainable. In addition to the risk of additional tax for 2009 through 2016 transactions, if the IRS were to seek transfer pricing adjustments of a similar nature for transactions in subsequent years, we would be subject to significant additional tax liabilities. We have requested competent authority assistance under MAP for tax years 2009 through 2016. We expect the competent authorities to present a resolution for the 2009 through 2011 tax years in the near future. Upon receipt, we will assess the resolution provided by the competent authorities as well as its impact on our existing income tax reserves for all subsequent years which remain open.

In January 2021, we received an issue closure notice relating to adjustments for 2012 through 2016 tax years from HMRC. These proposed adjustments are related to certain transfer pricing arrangements with our foreign subsidiaries and would result in an increase to our worldwide income tax expense in an estimated range of \$45 million to \$55 million, exclusive of interest expense, at the close of the audit if HMRC prevails. We disagree with the proposed adjustments and we intend to defend our position through applicable administrative and, if necessary, judicial remedies. Our policy is to review and update tax reserves as facts and circumstances change. Based on our interpretation of the regulations and available case law, we believe the position we have taken with regard to transfer pricing with our foreign subsidiaries is sustainable.

Over the last several years, the Organization for Economic Cooperation and Development ("OECD") has been working on a Base Erosion and Profit Shifting Project to address the tax challenges arising from digitalization. The OECD/G20 Inclusive Framework has issued various guidelines, policy notes, and proposals that if adopted could result in an overhaul of the international

taxation system under which our current tax obligations are determined. In October 2021, more than 130 countries tentatively signed on to a framework, expected to be implemented in 2023, which calls for a minimum tax rate on corporations of 15% and a reallocation of profits from the largest and most profitable businesses to countries where they make sales. The proposed framework, once enacted, envisages new international tax rules and the removal of all digital services taxes. As this framework is subject to further negotiation, final approval by the G20, and implementation by each member country, the timing and ultimate impact of any such changes on our tax obligations is uncertain. As the OECD/G20 continues to drive toward a consensus framework, several countries which have previously enacted unilateral digital services tax initiatives, will continue to impose these revenue based taxes in the interim. The Company continues to monitor certain countries, such as France, Italy, Spain, and the U.K., which have enacted unilateral digital services taxes that will be applicable to the Company until implementation of the consensus framework. During the three months ended September 30, 2021, digital service tax recorded to general and administrative expense on our unaudited condensed consolidated statement of operations was not material, while this amount was \$1 million during the nine months ended September 30, 2021. During the three and nine months ended September 30, 2020, we recorded \$1 million and \$2 million, respectively, of digital service tax to general and administrative expense on our unaudited condensed consolidated statement of operations.

As a result of the 2017 Tax Act, foreign earnings may generally be repatriated back to the U.S. without incurring U.S. federal income tax. Prior to the 2017 Tax Act, we had asserted our intention to indefinitely reinvest the cumulative undistributed earnings of our foreign subsidiaries. In response to increased cash requirements in the U.S. related to our declaration of a special cash dividend and other strategic initiatives during the fourth quarter of 2019, we determined that we no longer consider all of these foreign earnings to be indefinitely reinvested. As of September 30, 2021, \$312 million of our cumulative undistributed foreign earnings were no longer considered to be indefinitely reinvested. As of September 30, 2021, we maintained a deferred income tax liability on our unaudited condensed consolidated balance sheet, which was not material, for the U.S. federal and state income tax and foreign withholding tax liabilities on the cumulative undistributed foreign earnings that we no longer consider indefinitely reinvested. We intend to indefinitely reinvest \$118 million of these foreign earnings in our non-US subsidiaries, which determination of any related unrecognized deferred income tax liability is not practicable.

Refer to “Note 6: *Income Taxes*” in the notes to our unaudited condensed consolidated financial statements in Item 1 in this Quarterly Report on Form 10-Q for further information on potential tax contingencies, including current audits by the IRS and various other domestic and foreign tax authorities, and other income and non-income tax matters.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

There has been no material change in our market risk profile during the nine months ended September 30, 2021, or since December 31, 2020. For a discussion of current market conditions and impacts on the Company’s financials resulting from the COVID-19 pandemic, refer to “Note 1: Business Description and Basis of Presentation” in the notes to our unaudited condensed consolidated financial statements in Item 1 in this Quarterly Report on Form 10-Q, and for further information, Part I, Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and to Part II, Item 1A, “Risk Factors”. For additional information about our market risk profile, refer to “Quantitative and Qualitative Disclosures About Market Risk” in Item 7A. in Part II of our Annual Report on Form 10-K for the year ended December 31, 2020.

Market risk refers to the risk of loss arising from adverse changes in stock prices, interest rates and foreign currency exchange rates. We are exposed to market risks primarily due to our international operations, our ongoing investment and financial activities, as well as changes in economic conditions in all significant markets in which we operate which has been heightened during the COVID-19 pandemic. The risk of loss can be assessed from the perspective of adverse changes in our future earnings, cash flows, fair values of our assets, and financial condition. Our exposure to market risk, at any point in time, may include risk, including to any borrowings under our 2015 Credit Facility, or outstanding debt related to our 2025 Senior Notes and 2026 Senior Notes, derivative instruments, capped calls, cash and cash equivalents, short term and long term marketable securities, if any, accounts receivable, intercompany receivables/payables, accounts payable and deferred merchant payables denominated in foreign currencies. We have established policies, procedures and internal processes governing our management of market risks and the use of financial instruments to manage and attempt to mitigate our exposure to such risks.

We expect that we will increase our operations internationally as, or when, COVID-19 restrictions are fully lifted and as international markets continue to reopen. Our exposure to potentially volatile movements in foreign currency exchange rates will increase as we begin to increase our operations in these international markets. The economic impact to us of foreign currency exchange rate movements is linked to variability in real growth, inflation, interest rates, governmental actions, and other factors. These changes, if material, could cause us to adjust our foreign currency risk strategies. For example, Brexit (pursuant to which the United Kingdom ceased to be a member of the European Union) has caused volatility in currency exchange rates, including between the U.S. dollar and the British pound. Although, the U.K. and E.U. finalized the terms of the departure on December 24, 2020, certain decisions still need to be made on financial services, among others, and disputes may lead to tariffs being imposed on some goods in

the future. Continued uncertainty regarding our international operations and U.K. and E.U. relations may result in future currency exchange rate volatility which may impact our business and results of operations.

#### **Item 4. Controls and Procedures**

##### **Evaluation of Disclosure Controls and Procedures**

As of September 30, 2021, our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended, or the Exchange Act. Based upon that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that, as of September 30, 2021, our disclosure controls and procedures were effective in ensuring that material information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's, or the SEC's, rules and forms, including ensuring that such material information is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

##### **Changes in Internal Control over Financial Reporting**

There were no changes to our internal control over financial reporting that occurred during the quarter ended September 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II—OTHER INFORMATION**

### **Item 1. Legal Proceedings**

In the ordinary course of business, we are party to regulatory and legal matters, including threats thereof, arising out of, or in connection with our operations. These matters may involve claims involving intellectual property rights (including alleged infringement of third-party intellectual property rights), tax matters (including value-added, excise, transient occupancy and accommodation taxes), regulatory compliance (including competition and consumer protection matters), defamation and reputational claims, personal injury claims, labor and employment matters and commercial disputes. Periodically, we review the status of all significant outstanding matters to assess any potential financial exposure. We record the estimated loss in our consolidated statements of operations when (i) it is probable that an asset has been impaired or a liability has been incurred; and (ii) the amount of the loss can be reasonably estimated. We provide disclosures in the notes to the consolidated financial statements for loss contingencies that do not meet both of these conditions if there is a reasonable possibility that a loss may have been incurred that would be material to the consolidated financial statements. We base accruals on the best information available at the time which can be highly subjective. Although occasional adverse decisions or settlements may occur, we do not believe that the final disposition of any of these matters will have a material adverse effect on our business. However, the final outcome of these matters could vary significantly from our estimates. Finally, there may be claims or actions pending or threatened against us of which we are currently not aware and the ultimate disposition of which could have a material adverse effect on us.

### **Item 1A. Risk Factors**

While we attempt to identify, manage and mitigate risks and uncertainties associated with our business to the extent practical under the circumstances, some level of risk and uncertainty will always be present. Refer to Part I, Item 1A., "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2020 for a description of the risks and uncertainties which could materially and adversely affect our business, financial condition, cash flows and results of operations, and the trading price of our common stock. In addition to our discussion in the Annual Report, as well as our unaudited condensed consolidated financial statements and the related notes, management's discussion and analysis of financial condition and results of operations, and other sections of this report, we have provided below additional risk factors regarding the 2026 Senior Notes. The risks and uncertainties described are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently believe are immaterial may also impair our business, results of operations or financial condition.

#### ***We are subject to risks relating to our 2026 Senior Notes.***

During the first quarter of 2021, we adopted new accounting guidance issued by the FASB which simplifies the accounting for convertible debt instruments by reducing the number of accounting models and the number of embedded conversion features that could be recognized separately from the primary contract. The new accounting guidance requires a convertible debt instrument to be accounted for as a single liability measured at its amortized cost, as long as no other features require bifurcation and recognition as derivatives. The new accounting guidance, among other things, requires an entity to use the if-converted method in the diluted

earnings per share calculation for convertible instruments. Under the if-converted method, diluted earnings per share would generally be calculated assuming that all the notes were exchanged solely into shares of common stock at the beginning of the reporting period, unless the result would be anti-dilutive. The application of the if-converted method may reduce our reported diluted earnings per share, if any.

Furthermore, if any of the conditions to the conversion of the 2026 Senior Notes is satisfied, then we may be required under applicable accounting standards to reclassify the liability carrying value of the 2026 Senior Notes as a current, rather than a long-term, liability. This reclassification could be required even if no noteholders exchange their 2026 Senior Notes and could materially reduce our reported working capital.

Holders of our 2026 Senior Notes may convert the 2026 Senior Notes after the occurrence of certain dates or events. Refer to “Note 5: *Debt*” in the notes to our unaudited condensed consolidated financial statements in Item 1 in this Quarterly Report on Form 10-Q for further information on our 2026 Senior Notes. Settlement of the 2026 Senior Notes could adversely affect our liquidity.

***We are subject to risks relating to the Capped Calls.***

In connection with the 2026 Senior Notes, we entered into privately negotiated Capped Calls to reduce potential dilution to our common stock and/or offset cash payments we must make in excess of the principal amount, in each case, upon any conversion of Senior Notes, with such offset subject to a cap.

We are subject to the risk that one or more of the hedge counterparties may default under the Capped Call. If any of the hedge counterparties become subject to insolvency proceedings, we will become an unsecured creditor with a claim equal to our exposure at that time under our transactions with such counterparties. Our exposure will depend on many factors but, generally, the increase in our exposure will be correlated to the increase in the market price and in the volatility of our common stock. In addition, upon a default by a hedge counterparty, we may suffer adverse tax consequences and more dilution than we currently anticipate with respect to our common stock.

## **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

### **Unregistered Sales of Equity Securities**

During the quarter ended September 30, 2021, we did not issue or sell any shares of our common stock, Class B common stock or other equity securities pursuant to unregistered transactions in reliance upon an exemption from the registration requirements of the Securities Act of 1933, as amended. In March 2021, the Company completed the sale of \$345 million in 2026 Senior Notes. Refer to “Note 5: *Debt*” in the notes to the unaudited condensed consolidated financial statements in Item 1 on this Quarterly Report on Form 10-Q for information about our 2026 Senior Notes.

### **Share Repurchases**

During the quarter ended September 30, 2021, we did not repurchase any shares of our common stock under our existing share repurchase program. As of September 30, 2021, we had \$75 million remaining available to repurchase shares of our common stock under our previously authorized share repurchase program.

While the Board of Directors has not suspended or terminated the share repurchase program, the terms of our 2015 Credit Facility limit the Company from engaging in share repurchases and the terms of our 2025 Indenture related to our 2025 Senior Notes impose certain limitations and restrictions on share repurchases. Refer to “Note 5: *Debt*” in the notes to the unaudited condensed consolidated financial statements in Item 1 in this Quarterly Report on Form 10-K for further information about our 2015 Credit Facility and our 2025 Indenture.

## **Item 3. Defaults Upon Senior Securities**

None.

## **Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

Not Applicable.

**Item 6. Exhibits**

The exhibits listed below are filed as part of this Quarterly Report on Form 10-Q.

Exhibit No.	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	SEC File No.	Exhibit	Filing Date
31.1	<a href="#">Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>	X				
31.2	<a href="#">Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>	X				
32.1	<a href="#">Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>	X				
32.2	<a href="#">Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>	X				
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	X				
101.SCH	Inline XBRL Taxonomy Extension Schema Document.	X				
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.	X				
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.	X				
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.	X				
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.	X				
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).	X				



**Certification**

I, Stephen Kaufer, Chief Executive Officer of TripAdvisor, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended September 30, 2021 of TripAdvisor, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2021

/s/ STEPHEN KAUFER

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Stephen Kaufer

*President and Chief Executive Officer*

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**Certification**

I, Ernst Teunissen, Chief Financial Officer of TripAdvisor, Inc. certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended September 30, 2021 of TripAdvisor, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2021

/s/ ERNST TEUNISSEN

Ernst Teunissen

*Chief Financial Officer*

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report on Form 10-Q of TripAdvisor, Inc. (the "Company") for the quarter ended September 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen Kaufer, Chief Executive Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

- 1) the Report which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 8, 2021

/s/ STEPHEN KAUFER

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Stephen Kaufer

*President and Chief Executive Officer*

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report on Form 10-Q of TripAdvisor, Inc. (the "Company") for the quarter ended September 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ernst Teunissen, Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

- 1) the Report which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 8, 2021

/s/ ERNST TEUNISSEN

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Ernst Teunissen

*Chief Financial Officer*

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