

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): February 18, 2021

TRIPADVISOR, INC.

(Exact name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

001-35362
(Commission File Number)

80-0743202
(IRS Employer
Identification No.)

400 1st Avenue
Needham, MA 02494
(Address of Principal Executive Offices) (Zip Code)

(781) 800-5000
Registrant's Telephone Number, Including Area Code

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|----------------------------|------------------------------|--|
| Common Stock | TRIP | Nasdaq |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

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.

Item 2.02. Results of Operations and Financial Condition.

On February 18, 2021, Tripadvisor, Inc. issued a press release announcing its preliminary financial results for the quarter and year ended December 31, 2020. Tripadvisor, Inc. also posted a letter to shareholders from Stephen Kaufer, President and Chief Executive Officer, and Ernst Teunissen, Chief Financial Officer, on the “Investor Relations” section of its website at <http://ir.tripadvisor.com/events-and-presentations>. The full text of this press release and letter are furnished as Exhibits 99.1 and 99.2 to this Current Report on Form 8-K.

Pursuant to General Instruction B.2. to Form 8-K, the information set forth in Items 2.02 and Exhibit 99.1 and 99.2 shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, nor shall they be incorporated by reference in any filing under the Securities Act of 1933, as amended (the “Securities Act”), or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

| Exhibit Number | Description |
|---------------------------|--|
| 99.1 | Press Release of Tripadvisor, Inc. dated February 18, 2021. |
| 99.2 | Q4 & Full Year 2020 Letter to Shareholders. |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document). |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

TRIPADVISOR, INC.

Date: February 18, 2021

By: _____ /s/ ERNST TEUNISSEN
Ernst Teunissen
Chief Financial Officer



Tripadvisor Reports Fourth Quarter and Full Year 2020 Financial Results

NEEDHAM, MA, February 18, 2021 — Tripadvisor, Inc. (NASDAQ: TRIP) today announced financial results for the fourth quarter and full year ended December 31, 2020.

“As challenging as 2020 was for the travel industry, we enter 2021 with optimism,” said Chief Executive Officer Steve Kaufer. “Vaccine developments since November are encouraging and we see signals that indicate that pent up travel demand continues to grow, setting the travel industry up for a potential inflection later in the year.”

Kaufer continued, “Most importantly, we have taken exciting steps to orient the business to emerge from the pandemic even stronger. In 2021 and in the years to come, we will remain focused on building direct, durable customer relationships that will enable us to more effectively convert Tripadvisor’s influence into monetization.”

Chief Financial Officer Ernst Teunissen added, “In 2020, we successfully navigated the most challenging period our industry and business has ever faced. Our concerted actions throughout the year – rapidly reducing our flexible cost structure, raising debt capital, and renegotiating our credit facility – have ensured our strong financial position ahead of a variety of recovery scenarios. In 2021, we will continue to execute our business with prudent cost discipline, balancing persistent savings with targeted investments in exciting long-term strategic growth initiatives.”

Fourth Quarter and Full Year 2020 Financial Results

| (In millions, except percentages and per share amounts) | Three Months Ended December 31, | | | Year Ended December 31, | | |
|---|---------------------------------|---------|----------|-------------------------|----------|----------|
| | 2020 | 2019 | % Change | 2020 | 2019 | % Change |
| Total Revenue | \$ 116 | \$ 335 | (65)% | \$ 604 | \$ 1,560 | (61)% |
| Hotels, Media & Platform | \$ 74 | \$ 194 | (62)% | \$ 361 | \$ 939 | (62)% |
| Experiences & Dining | \$ 36 | \$ 109 | (67)% | \$ 186 | \$ 456 | (59)% |
| Other | \$ 6 | \$ 32 | (81)% | \$ 57 | \$ 165 | (65)% |
| GAAP Net Income (Loss) | \$ (73) | \$ 15 | n.m. | \$ (289) | \$ 126 | n.m. |
| Total Adjusted EBITDA (1) | \$ (33) | \$ 92 | n.m. | \$ (51) | \$ 438 | n.m. |
| Hotels, Media & Platform | \$ (12) | \$ 73 | n.m. | \$ 13 | \$ 378 | (97)% |
| Experiences & Dining | \$ (22) | \$ 7 | n.m. | \$ (79) | \$ 5 | n.m. |
| Other | \$ 1 | \$ 12 | (92)% | \$ 15 | \$ 55 | (73)% |
| Non-GAAP Net Income (Loss) (1) | \$ (55) | \$ 53 | n.m. | \$ (167) | \$ 250 | n.m. |
| Diluted Earnings (Loss) per Share: | | | | | | |
| GAAP | \$ (0.54) | \$ 0.11 | n.m. | \$ (2.14) | \$ 0.89 | n.m. |
| Non-GAAP (1) | \$ (0.41) | \$ 0.38 | n.m. | \$ (1.24) | \$ 1.77 | n.m. |
| Cash flow from operating activities | \$ (15) | \$ 59 | n.m. | \$ (194) | \$ 424 | n.m. |
| Free cash flow (1) | \$ (24) | \$ 37 | n.m. | \$ (249) | \$ 341 | n.m. |

n.m. = not meaningful

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

Consumer demand and revenue

In October, November and December 2020, monthly unique users on Tripadvisor-branded websites were approximately 68%, 58%, and 59%, respectively, of 2019's comparable period.

Q4 2020 revenue of \$116 million declined 65% versus 2019's comparable period. This is in line with Q3 2020 performance, and demonstrates significant improvement versus Q2 2020 revenue decline of 86% as compared to 2019's comparable period. On a monthly basis, as expected, revenue performance was uneven, which reflects that the travel industry's recovery progress has slowed as the virus resurged, particularly in Europe.

For the full year 2020, revenue declined 61% year-over-year to \$604 million, as the global pandemic materially affected consumer travel demand for the majority of the year.

Cost performance and profitability

Q4 2020 was the second straight quarter with a full contribution from the significant discretionary and workforce-related cost reduction measures we enacted in the first half of 2020. Typical revenue seasonality, as well as the travel industry's uneven recovery impacting consumer travel demand, materially increased our net loss in Q4 2020 versus Q3 2020. We note that a majority of the sequential expense increase in Q4 versus Q3 was due to an increase in our full year compensation expense. As such, \$12 million of incremental Q4 expense is not indicative of the quarterly run rate. We also note that we achieved our target 2020 annualized savings levels that we outlined in our Q2 2020 quarterly update, and we expect the majority of the 2020 fixed cost savings will persist in 2021.

Cash & Liquidity

As of December 31, 2020, Tripadvisor had \$418 million of cash and cash equivalents, an increase of \$99 million from December 31, 2019, with nearly \$500 million in available borrowing capacity under our revolving credit facility.

On December 17, 2020, we amended our existing revolving credit facility to, among other things, continue the suspension of the requirement for quarterly testing of compliance with the maximum leverage ratio covenant 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; downsize its capacity to \$500 million from \$1.0 billion; extend the maturity date from May 12, 2022 to May 12, 2024; and require that the obligations under this facility through maturity remain secured by substantially all of the assets of the borrowers under this facility and the guarantors of those obligations.

CARES Act Relief

Based on our evaluation of the CARES Act, we qualify for certain employee retention payroll tax credits and the deferral of payroll and other tax payments in the future, as well as certain income tax related provisions, some of which are effective retroactively. The most significant benefit from the CARES Act is that it allows us to carryback our U.S. federal net operating loss incurred in 2020, for which we expect to be refunded approximately \$48 million during 2021 as well as benefit from the reduction of tax liabilities in future years.

Fourth Quarter and Full Year 2020 Revenue by Source

| (In millions, except percentages) | Three Months Ended December 31, | | | Year Ended December 31, | | |
|--|------------------------------------|---------------|--------------|-------------------------|-----------------|--------------|
| | 2020 | 2019 | % Change | 2020 | 2019 | % Change |
| Revenue by Source: | | | | | | |
| Hotels, Media & Platform | | | | | | |
| Tripadvisor-branded hotels | \$ 57 | \$ 155 | (63)% | \$ 292 | \$ 779 | (63)% |
| Tripadvisor-branded display and platform | 17 | 39 | (56)% | 69 | 160 | (57)% |
| Experiences & Dining | 36 | 109 | (67)% | 186 | 456 | (59)% |
| Other (1) | 6 | 32 | (81)% | 57 | 165 | (65)% |
| Total Revenue | \$ 116 | \$ 335 | (65)% | \$ 604 | \$ 1,560 | (61)% |

(1) Other consists of Rentals, Flights & Car, and Cruises.

Conference Call

Tripadvisor posted prepared remarks and supplemental financial information on the Investor Relations section of Tripadvisor's website at <http://ir.tripadvisor.com>. Tripadvisor will host a conference call tomorrow, February 19, 2021, at 8:30 a.m., Eastern Time, to discuss Tripadvisor's fourth quarter and full year 2020 operating results, as well as forward-looking information about Tripadvisor's business. Domestic callers may access the earnings conference call by dialing (877) 224-9081 (International callers, dial (224) 357-2223). Investors and other interested parties may also go to the Investor Relations section of Tripadvisor's website at <http://ir.tripadvisor.com> for a live webcast of the conference call. Please access the website at least 15 minutes prior to the call to register, download, and install any necessary audio software. A replay of the conference call will be available on Tripadvisor's website noted above or by phone (dial (855) 859-2056 and enter the passcode 4293356) until February 26, 2021 and the webcast will be accessible at <http://ir.tripadvisor.com/events-and-presentations> for at least twelve months following the conference call.

About Tripadvisor

Tripadvisor, the world's largest travel guidance platform*, helps hundreds of millions of people each month** become better travelers, from planning to booking to taking a trip. Travelers across the globe use the Tripadvisor site and app to discover where to stay, what to do and where to eat based on guidance from those who have been there before. With more than 884 million reviews and opinions of 7.9 million businesses, travelers turn to Tripadvisor to find deals on accommodations, book experiences, reserve tables at delicious restaurants and discover great places nearby. As a travel guidance company available in 49 markets and 28 languages, Tripadvisor makes planning easy no matter the trip type.

The subsidiaries of Tripadvisor, Inc. (NASDAQ:TRIP), own and operate a portfolio of online travel brands and businesses, operating under various websites and apps, including the following websites: www.bokun.io, www.cruisecritic.com, www.flipkey.com, www.thefork.com (including www.lafourchette.com, www.eltenedor.com, www.bookatable.co.uk, and www.delinski.com), www.helloreco.com, www.holidaylettings.co.uk, www.housetrip.com, www.jetsetter.com, www.niumba.com, www.seatguru.com, www.singleplatform.com, www.vacationhomerentals.com, and www.viator.com.

* Source: SimilarWeb, unique users de-duplicated monthly, December 2020

** Source: Tripadvisor internal log files

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

| | Three months ended | | Year Ended | |
|--|--------------------|-------------------|-------------------|-------------------|
| | December 31, 2020 | December 31, 2019 | December 31, 2020 | December 31, 2019 |
| Revenue | \$ 116 | \$ 335 | \$ 604 | \$ 1,560 |
| Costs and expenses: | | | | |
| Cost of revenue (1) | 13 | 21 | 55 | 94 |
| Selling and marketing (1) | 66 | 139 | 316 | 672 |
| Technology and content (1) | 55 | 69 | 220 | 293 |
| General and administrative (1) | 44 | 49 | 173 | 187 |
| Depreciation and amortization | 31 | 33 | 125 | 126 |
| Impairment of goodwill | — | — | 3 | — |
| Restructuring and other related reorganization costs | (1) | 1 | 41 | 1 |
| Total costs and expenses: | 208 | 312 | 933 | 1,373 |
| Operating income (loss) | (92) | 23 | (329) | 187 |
| Other income (expense): | | | | |
| Interest expense | (14) | (2) | (35) | (7) |
| Interest income | — | 3 | 3 | 17 |
| Other income (expense), net | 2 | (4) | (8) | (3) |
| Total other income (expense), net | (12) | (3) | (40) | 7 |
| Income (loss) before income taxes | (104) | 20 | (369) | 194 |
| (Provision) benefit for income taxes | 31 | (5) | 80 | (68) |
| Net income (loss) | \$ (73) | \$ 15 | \$ (289) | \$ 126 |
| Earnings (loss) per share attributable to common stockholders: | | | | |
| Basic | \$ (0.54) | \$ 0.11 | \$ (2.14) | \$ 0.91 |
| Diluted | \$ (0.54) | \$ 0.11 | \$ (2.14) | \$ 0.89 |
| Weighted average common shares outstanding: | | | | |
| Basic | 135 | 139 | 135 | 139 |
| Diluted | 135 | 140 | 135 | 141 |
| (1) Includes stock-based compensation expense as follows: | | | | |
| Cost of revenue | \$ — | \$ — | \$ 1 | \$ 1 |
| Selling and marketing | \$ 4 | \$ 7 | \$ 16 | \$ 23 |
| Technology and content | \$ 12 | \$ 16 | \$ 44 | \$ 55 |
| General and administrative | \$ 13 | \$ 12 | \$ 48 | \$ 45 |

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

| | December 31, 2020 | December 31, 2019 |
|--|----------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 418 | \$ 319 |
| Accounts receivable and contract assets, net of allowance for doubtful accounts of \$33 and \$25, respectively | 83 | 183 |
| Income taxes receivable | 50 | 4 |
| Prepaid expenses and other current assets | 22 | 27 |
| Total current assets | 573 | 533 |
| Property and equipment, net of accumulated depreciation of \$386 and \$319, respectively | 240 | 270 |
| Operating lease right-of-use assets | 54 | 74 |
| Intangible assets, net of accumulated amortization of \$206 and \$173, respectively | 86 | 110 |
| Goodwill | 862 | 840 |
| Non-marketable investments | 40 | 55 |
| Deferred income taxes, net | 10 | 7 |
| Other long-term assets, net of allowance for credit losses of \$5 and \$0, respectively | 104 | 95 |
| TOTAL ASSETS | \$ 1,969 | \$ 1,984 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 18 | \$ 11 |
| Deferred merchant payables | 36 | 159 |
| Deferred revenue | 28 | 62 |
| Accrued expenses and other current liabilities | 160 | 203 |
| Total current liabilities | 242 | 435 |
| Long-term debt | 491 | — |
| Finance lease obligation, net of current portion | 71 | 78 |
| Operating lease liabilities, net of current portion | 46 | 64 |
| Deferred income taxes, net | 10 | 8 |
| Other long-term liabilities | 223 | 238 |
| Total Liabilities | 1,083 | 823 |
| Stockholders' equity: | | |
| Preferred stock, \$0.001 par value | — | — |
| Authorized shares: 100,000,000 | | |
| Shares issued and outstanding: 0 and 0, respectively | | |
| Common stock, \$0.001 par value | — | — |
| Authorized shares: 1,600,000,000 | | |
| Shares issued: 140,775,221 and 138,698,307, respectively | | |
| Shares outstanding: 121,930,607 and 124,581,773, 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 | 1,253 | 1,150 |
| Retained earnings | 389 | 681 |
| Accumulated other comprehensive income (loss) | (34) | (63) |
| Treasury stock-common stock, at cost, 18,844,614 and 14,116,534 shares, respectively | (722) | (607) |
| Total Stockholders' Equity | 886 | 1,161 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 1,969 | \$ 1,984 |

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

| | Three Months Ended | | Year Ended | |
|---|----------------------|----------------------|----------------------|----------------------|
| | December 31, 2020 | December 31, 2019 | December 31, 2020 | December 31, 2019 |
| Operating activities: | | | | |
| Net income (loss) | \$ (73) | \$ 15 | \$ (289) | \$ 126 |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | | | |
| Depreciation and amortization | 31 | 33 | 125 | 126 |
| Stock-based compensation expense | 29 | 35 | 109 | 124 |
| Deferred income tax expense (benefit) | (5) | (7) | (1) | 6 |
| Provision for expected credit losses | 1 | 3 | 17 | 11 |
| Impairment of goodwill | — | — | 3 | — |
| Loss on sale/disposal of business | — | — | 6 | — |
| Other, net | 2 | (3) | 11 | (3) |
| Changes in operating assets and liabilities, net of effects from acquisitions and other investments | — | (17) | (175) | 34 |
| Net cash provided by (used in) operating activities | (15) | 59 | (194) | 424 |
| Investing activities: | | | | |
| Capital expenditures, including internal-use software and website development | (9) | (22) | (55) | (83) |
| Acquisitions and other investments, net of cash acquired | — | (108) | (4) | (110) |
| Purchases of marketable securities | — | (15) | — | (133) |
| Sales of marketable securities | — | 80 | — | 80 |
| Maturities of marketable securities | — | 30 | — | 70 |
| Other investing activities, net | — | — | 3 | — |
| Net cash provided by (used in) investing activities | (9) | (35) | (56) | (176) |
| Financing activities: | | | | |
| Repurchase of common stock | — | (60) | (115) | (60) |
| Payment of common stock cash dividends to stockholders | — | (488) | — | (488) |
| Proceeds from 2015 credit facility | — | — | 700 | — |
| Payments of financing costs for amendments to 2015 credit facility | (3) | — | (7) | — |
| Payments to 2015 credit facility | — | — | (700) | — |
| Proceeds from issuance of Senior Notes | — | — | 500 | — |
| Payments of financing costs for the issuance of Senior Notes | — | — | (10) | — |
| Proceeds from exercise of stock options | — | — | — | 2 |
| Payment of withholding taxes on net share settlements of equity awards | (3) | (1) | (21) | (29) |
| Payments of finance lease obligation | (1) | (1) | (6) | (5) |
| Net cash provided by (used in) financing activities | (7) | (550) | 341 | (580) |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | 3 | 7 | 8 | (4) |
| Net increase (decrease) in cash, cash equivalents and restricted cash | (28) | (519) | 99 | (336) |
| Cash, cash equivalents and restricted cash at beginning of period | 446 | 838 | 319 | 655 |
| Cash, cash equivalents and restricted cash at end of period | <u>\$ 418</u> | <u>\$ 319</u> | <u>\$ 418</u> | <u>\$ 319</u> |
| Supplemental disclosure of cash flow information: | | | | |
| Cash paid during the period for income taxes, net of refunds | | | \$ 3 | \$ 47 |
| Cash paid during the period for interest | | | \$ 13 | \$ 6 |

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

| | <u>Three Months Ended</u> | | <u>% Change</u> |
|----------------------------------|---------------------------|--------------------------|----------------------|
| | <u>December 31, 2020</u> | <u>December 31, 2019</u> | <u>2020 vs. 2019</u> |
| Revenue: | | | |
| Hotels, Media & Platform | \$ 74 | \$ 194 | (62)% |
| Experiences & Dining | 36 | 109 | (67)% |
| Other (1) | 6 | 32 | (81)% |
| Total revenue | <u>\$ 116</u> | <u>\$ 335</u> | (65)% |
| Adjusted EBITDA: | | | |
| Hotels, Media & Platform | \$ (12) | \$ 73 | n.m. |
| Experiences & Dining | (22) | 7 | n.m. |
| Other (1) | 1 | 12 | (92)% |
| Total Adjusted EBITDA (2) | <u>\$ (33)</u> | <u>\$ 92</u> | n.m. |
| Adjusted EBITDA Margin: | | | |
| Hotels, Media & Platform | (16)% | 38% | |
| Experiences & Dining | (61)% | 6% | |
| Other (1) | 17% | 38% | |
| Total Adjusted EBITDA Margin (2) | (28)% | 27% | |
| Net Income (Loss) (3) | \$ (73) | \$ 15 | |
| Net Income Margin (Loss) | (63)% | 4% | |

| | <u>Year ended December 31,</u> | | <u>% Change</u> |
|----------------------------------|--------------------------------|-----------------|----------------------|
| | <u>2020</u> | <u>2019</u> | <u>2020 vs. 2019</u> |
| Revenue: | | | |
| Hotels, Media & Platform | \$ 361 | \$ 939 | (62)% |
| Experiences & Dining | 186 | 456 | (59)% |
| Other (1) | 57 | 165 | (65)% |
| Total revenue | <u>\$ 604</u> | <u>\$ 1,560</u> | (61)% |
| Adjusted EBITDA: | | | |
| Hotels, Media & Platform | \$ 13 | \$ 378 | (97)% |
| Experiences & Dining | (79) | 5 | n.m. |
| Other (1) | 15 | 55 | (73)% |
| Total Adjusted EBITDA (2) | <u>\$ (51)</u> | <u>\$ 438</u> | n.m. |
| Adjusted EBITDA Margin: | | | |
| Hotels, Media & Platform | 4% | 40% | |
| Experiences & Dining | (42)% | 1% | |
| Other (1) | 26% | 33% | |
| Total Adjusted EBITDA Margin (2) | (8)% | 28% | |
| Net Income (Loss) (3) | \$ (289) | \$ 126 | |
| Net Income Margin (Loss) | (48)% | 8% | |

n.m. = not meaningful

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

Non-GAAP Financial Measures

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

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

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

We define our non-GAAP financial measures as below:

Tripadvisor defines “Adjusted EBITDA” as Net Income (Loss) plus: (1) provision (benefit) for income taxes; (2) other income (expense), net; (3) depreciation and amortization; (4) stock-based compensation and other stock-settled obligations; (5) goodwill, long-lived assets and intangible asset impairments; (6) legal reserves and settlements; (7) restructuring and other related reorganization costs; and (8) non-recurring expenses and income. These items are excluded from our Adjusted EBITDA measure because these items are noncash in nature, or because the amount is not driven by core operating results and renders comparisons with prior periods less meaningful. The Company believes that excluding these amounts better enables management and investors to compare financial results between periods as these costs may vary independent of business performance.

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

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

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

Some of these limitations are:

- Adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not reflect the interest expense or cash requirements necessary to service interest or principal payments on our debt, if any;

- Adjusted EBITDA does not consider the potentially dilutive impact of stock-based compensation or other stock-settled obligations;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and Adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- Adjusted EBITDA does not reflect certain income and expenses not directly tied to the ongoing core operations of our business, such as legal reserves and settlements and 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.

Tripadvisor defines “non-GAAP net income (loss)” as GAAP net income (loss) excluding, net of their related tax effects (which excludes the impact of significant one-time changes resulting from tax legislation or significant legislation that impacts tax, such as the CARES Act): (1) stock-based compensation expense and other stock-settled obligations; (2) amortization of intangible assets; (3) goodwill, intangible asset, and other long-lived asset impairments; (4) legal reserves and settlements; (5) restructuring and other related reorganization costs; and (6) certain gains, losses, and other non-recurring income or expenses that we do not believe are indicative of our ongoing operating results. We believe non-GAAP net income (loss) is an operating performance measure which provides investors and analysts with useful supplemental information about the financial performance of our business, as it incorporates our unaudited condensed consolidated statement of operations, taking into account depreciation, which management believes is an ongoing cost of doing business, but excluding the impact of certain expenses, infrequently occurring items and items not directly tied to the ongoing core operations of our businesses, and also enables comparison of financial results between periods where certain items may vary independent of business performance. The Company believes this change better enables management and investors to compare financial results between periods as these costs may vary independent of business performance.

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

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

Tripadvisor defines “free cash flow” as net cash provided by operating activities less capital expenditures, which are purchases of property and equipment, including capitalization of internal-use software development costs. We believe this financial measure can provide useful supplemental information to help investors better understand underlying trends in our business, as it represents the operating cash flow that our operating businesses generate, less capital expenditures but before taking into account other cash movements that are not directly tied to the ongoing core operations of our businesses, such as financing activities, foreign exchange or certain investing activities. Free cash flow has certain limitations in that it does not represent the total increase or decrease in the cash balance for the period, nor does it represent the residual cash flow for discretionary expenditures. Therefore, it is important to evaluate free cash flow along with the unaudited condensed consolidated statements of cash flows.

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

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

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

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

| | Three Months Ended | | | Year Ended | | |
|--|----------------------|-----------------------|----------------|----------------------|----------------------|----------------------|
| | December 31, 2020 | September 30, 2020 | June 30, 2020 | December 31, 2019 | December 31, 2020 | December 31, 2019 |
| Reconciliation of GAAP Net Income (Loss) to Adjusted EBITDA (Non-GAAP): | | | | | | |
| GAAP Net Income (Loss) | \$ (73) | | | \$ 15 | \$ (289) | \$ 126 |
| Add: Provision (benefit) for income taxes | (31) | | | 5 | (80) | 68 |
| Add: Other (income) expense, net | 12 | | | 3 | 40 | (7) |
| Add: Depreciation and amortization | 31 | | | 33 | 125 | 126 |
| Add: Impairment of goodwill | — | | | — | 3 | — |
| Add: Restructuring and other related reorganization costs | (1) | | | 1 | 41 | 1 |
| Add: Stock-based compensation expense | 29 | | | 35 | 109 | 124 |
| Adjusted EBITDA (Non-GAAP) | <u>\$ (33)</u> | | | <u>\$ 92</u> | <u>\$ (51)</u> | <u>\$ 438</u> |
| Revenue (GAAP) | \$ 116 | | | \$ 335 | \$ 604 | \$ 1,560 |
| Net Income (loss) margin (GAAP) | (63%) | | | 4% | (48%) | 8% |
| Adjusted EBITDA margin (Non-GAAP) (1) | (28%) | | | 27% | (8%) | 28% |
| Reconciliation from GAAP Net Income (Loss) and GAAP Net Income (Loss) per diluted share to Non-GAAP net income (loss) and Non-GAAP net income (loss) per diluted share: | | | | | | |
| GAAP Net Income (Loss) | \$ (73) | | | \$ 15 | \$ (289) | \$ 126 |
| Add: Stock-based compensation expense | 29 | | | 35 | 109 | 124 |
| Add: Restructuring and other related reorganization costs | (1) | | | 1 | 41 | 1 |
| Add: Impairment of goodwill | — | | | — | 3 | — |
| Add: Amortization of intangible assets | 6 | | | 10 | 26 | 33 |
| Add: Loss on sale of business | — | | | — | 6 | — |
| Add: (Gain)/Loss on investment | (1) | | | 1 | (3) | 1 |
| Subtract: Income tax effect of Non-GAAP adjustments (2) | 14 | | | 9 | 37 | 35 |
| Subtract: Income tax impact related to CARES Act (3) | 1 | | | — | 23 | — |
| Non-GAAP net income (loss) | <u>\$ (55)</u> | | | <u>\$ 53</u> | <u>\$ (167)</u> | <u>\$ 250</u> |
| GAAP diluted shares | 135 | | | 140 | 135 | 141 |
| GAAP Net Income (loss) per diluted share | \$ (0.54) | | | \$ 0.11 | \$ (2.14) | \$ 0.89 |
| Non-GAAP net income (loss) per diluted share (4) | \$ (0.41) | | | \$ 0.38 | \$ (1.24) | \$ 1.77 |
| Reconciliation of GAAP cash flows from operating activities to Free Cash Flow (Non-GAAP): | | | | | | |
| Net cash provided by (used in) operating activities (GAAP) | \$ (15) | \$ (31) | \$ (78) | \$ 59 | \$ (194) | \$ 424 |
| Subtract: Capital expenditures | 9 | 11 | 15 | 22 | 55 | 83 |
| Free cash flow (Non-GAAP) | <u>\$ (24)</u> | <u>\$ (42)</u> | <u>\$ (93)</u> | <u>\$ 37</u> | <u>\$ (249)</u> | <u>\$ 341</u> |

- (1) Tripadvisor defines “Adjusted EBITDA margin” as Adjusted EBITDA divided by revenue.
- (2) The non-GAAP adjustments described above are reported on a pre-tax basis. The income tax effect on non-GAAP adjustments was calculated based on the individual impact that these items had on our GAAP consolidated income tax expense for the periods presented.
- (3) Represents a tax benefit of \$1 million and \$23 million recorded in connection with the passage of the CARES Act, pertaining to the tax rate differential in tax years applicable to U.S. loss carryforwards that became eligible for carryback, recorded during the three months and year ended December 31, 2020, respectively.
- (4) Tripadvisor defines “non-GAAP net income per diluted share” as non-GAAP net income divided by GAAP diluted shares.

Safe Harbor Statement

Statements in this press release regarding management’s future expectations, beliefs, intentions, goals, strategies, plans or prospects, including, without limitation, statements relating to Tripadvisor’s future financial performance on both a GAAP and non-GAAP basis, and Tripadvisor’s prospects as a comprehensive destination for hotels, experiences, and restaurants, may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and other federal securities laws. Forward-looking statements can be identified by terminology such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “is planned,” “may,” “should,” “will,” “look forward,” “would” or similar terms, variations of such terms or the negative of those terms. Investors are cautioned that statements in this press release, which are not strictly historical statements, including, without limitation, statements by our executive officers with respect to growth objectives, strategic investments, and statements regarding management’s plans, objectives and strategies, constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors including those risks, uncertainties and factors detailed in Tripadvisor’s filings with the SEC. As a result of such risks, uncertainties and factors, Tripadvisor’s actual results may differ materially from any future results, performance or achievements discussed in or implied by the forward-looking statements contained herein. Tripadvisor is providing the information in this press release as of this date and assumes no obligations to update the information included in this press release or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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Tripadvisor

Q4 & Full Year 2020 Letter to Shareholders

Dear Fellow Shareholders,

As challenging as 2020 was for the travel industry, we enter 2021 with optimism due to three main factors. First, the vaccine news since early November has been very positive, and we are encouraged by recent reports highlighting improved vaccine distribution. Second, signals indicate that pent up travel demand continues to grow, setting the travel industry up for a potential inflection later in the year. Third, we have executed well on factors within our control, strengthened our offerings for the rebound, and oriented the business towards an exciting future. Specifically, we:

- Executed disciplined cost controls that drove significant savings in 2020, enabling increased, durable, operating leverage as revenue returns.
- Ensured our strong liquidity position by amending our credit facility and raising debt capital.
- Focused on our competitive advantages and diverse revenue streams, which are poised to respond quickly when consumer demand recovers and travel advertisers lean back in.
- Expanded our long-term growth potential by beta-launching an exciting direct-to-consumer subscription offering called Tripadvisor Plus in Q4.

In sum, we successfully navigated the toughest year in our company's history and quickly adapted to our new reality. Despite uneven travel recovery trends in Q4 and early 2021, we see encouraging signs and are optimistic that travel could come roaring back. Tripadvisor is poised to play an important role and we believe we are positioned to emerge from the pandemic even stronger.

Q4 and Full Year 2020 Update

Monthly consumer traffic remains solid. We are pleased to see that consumer interest in travel - as measured by monthly unique users on our platform - remained relatively high in Q4. This, despite recent infection spikes, lockdowns and mobility restrictions impacting consumers ability to travel. Monthly unique users on Tripadvisor in October, November and December were approximately 68%, 58%, and 59%, respectively, of 2019's comparable periods. In the second half of 2020, monthly unique users on Tripadvisor-branded websites averaged nearly two-thirds of 2019's comparable period. This compares favorably to the 33% level we saw in April.



Travel demand has flattened since September as governments, particularly in Europe, once again imposed business restrictions to mitigate virus spread. This drove Q4 monthly unique users on Tripadvisor-branded sites to average 60% of 2019's comparable period, versus approximately 70% in Q3.

Throughout 2020, Tripadvisor remained the world's largest travel guidance platform in the world based on monthly unique users on our websites, according to SimilarWeb. This global audience - particularly in the middle of a worldwide pandemic - signifies Tripadvisor's lasting influence. It also gives us unique visibility into global travel trends, and we are encouraged by a number of signals in our consumer surveys, as well as on our platform, that indicate consumers are excited to get out and travel in 2021:

- More than half (57%) of global consumers surveyed said that they have spent time planning for future trips during the pandemic and nearly three quarters (74%) of consumers surveyed said they will spend more time choosing a destination this year.
- While the majority of near-term bookings are for domestic travel, nearly one quarter (24%) of respondents said that they plan to take three or more international trips in 2021, including one-third of U.S. respondents.
- Consumers planning hotel stays 90+ days out have grown approximately 50% since December 2020, indicating strengthening interest in planning 2021 vacations.
- When planning their trips, travelers are searching longer stays and are booking more expensive trips than they did in either of the past two years.

Revenue has trended generally in line with travel demand. As expected, monthly revenue recovery slowed into the fall and early winter as the virus resurged, particularly in Europe. October revenue performance was slightly lower than September's performance, and November and December revenue performance dipped to approximately one-third of 2019's comparable period. Q4 revenue performance was in line with Q3's performance, and both periods showed notable improvement compared to the Q2 trough.

Consumer travel demand has remained relatively stable in North America, while shutdowns in Europe have paused travel's overall recovery. In January, hotel auction revenue in the US was down approximately 50% YoY, while Europe was down significantly more; restaurants remained closed for in-restaurant dining in most of the European countries in which TheFork operates; and Experiences business activity was largely limited to U.S. consumers making domestic bookings. Our hotel auction continues to recover in line with the demand environment. Traffic and conversion rates are still down significantly relative to pre-pandemic times; however, partner bidding trends have stabilized, and we estimate the percentage partners are paying per booking we generate are returning to normalized levels following the virus's resurgence in Q4. We estimate that January revenue performance dipped slightly relative to December; however, we have seen sequential improvement in February, with a more pronounced increase versus January than in previous years. Current trends indicate Q1 2021 will likely mirror Q4 2020, and we are optimistic that leisure travel can improve materially in the second half as vaccines are administered and consumer demand improves.

Disciplined cost controls delivering significant, persistent savings. (Estimated costs and costs savings levels referenced below do not consider depreciation, amortization, restructuring and other related reorganization costs, or stock-based compensation.)

We executed disciplined cost controls since the pandemic hit and for the full year 2020, we achieved more than \$200 million in workforce-related and discretionary fixed cost savings versus 2019.

Performance-based marketing and the transaction-based portion of cost of revenue were approximately \$24 million in Q4, which was \$6 million lower than Q3, and remained well below 2019 levels, reflecting the lower overall travel demand environment. Looking ahead to 2021, we expect variable expenses will continue to generally track travel demand trends.

We note that a majority of the sequential expense increase in Q4 versus Q3 was due to an increase in our full year compensation expense. As such, \$12 million of incremental Q4 expense is not indicative of the quarterly run rate. Moreover, we expect the majority of the 2020 fixed cost savings will persist in 2021.

In short, we swiftly right-sized our flexible cost structure in 2020 to align with our new reality. While we anticipate prudently increasing investments as the demand environment improves, we expect our fundamentally leaner cost structure to deliver increased operating leverage as revenue returns.

We further bolstered our liquidity position in Q4. In December, we successfully amended our revolving credit facility. The new agreement extends maturity to May 2024, extends our leverage covenant holiday through maturity for borrowings up to \$200 million and reduces the capacity to \$500 million (from \$1 billion) resulting in reduced interest expense on undrawn funds. We ended 2020 with \$418 million of cash and cash equivalents, an increase of \$99 million from December 31, 2019, as well as nearly \$500 million in available borrowing capacity under our revolving credit facility.

Q4 cash flow from operations was negative \$15 million (compared to negative \$31 million in Q3 and negative \$78 million in Q2) and capital expenditures were \$9 million. Capital expenditures in Q1 2021 are expected to be in line with Q4 2020 and well below 2019's comparable period due to lower capitalized website development costs on lower headcount. Q4 free cash flow of negative \$24 million sequentially improved by \$18 million versus Q3, and was considerably better than Q2, which - at negative \$93 million - was the peak period for cash outflows during 2020.

We remain confident that our concerted, prudent actions have the business positioned to remain both well capitalized and covenant compliant.

Deepening engagement and monetizing our influence

Over the past 20 years, Tripadvisor has become the world's largest travel guidance platform, a unique travel nexus connecting consumers with travel businesses, at scale. We remain focused on growing and improving our offerings, unlocking unique value for travelers that we believe only Tripadvisor can, and deepening customer engagement to further monetize our influence.

As we look ahead to a world where our business opportunity and audience is bifurcated between users and members, we took an important step in building a premium offering for our most valued travelers. In the second half of 2020, we launched two direct-to-consumer products and brands: Tripadvisor Plus, a



first-of-its-kind travel membership offering subscriber benefits across multiple travel categories and Reco, a marketplace for trip designers.

Hundreds of millions of consumers have chosen their preferred subscription services across categories like music, online shopping, and video content, and we believe Tripadvisor Plus can fill the notable void of an affordable, high value subscription offering in travel. Plus delivers travelers compelling value in an entirely new way. Today, Plus subscribers can access deals and perks across more than 100,000 hotels as well as exclusive savings on our hundreds of thousands of bookable experiences. Like these other consumer subscriptions, over time we envision adding many more services and benefits such as more VIP amenities, in-destination travel benefits, airline related perks, people-powered travel support, member-only content, and exclusive availability to experiences and reservations at the world's most iconic destinations and restaurants.

Taking a methodical approach. In beta, Plus remains limited in both scope and geographic reach by design. We expect to continue our U.S. rollout during the first half of 2021, with other English-speaking markets later. We are promoting Plus primarily on our owned channels and particularly in “no brainer” moments such as hotel searches for \$750 or more, instances when the hotel discount generates savings for the consumer in excess of the \$99 subscription fee. Looking ahead, we see the potential to drive consumer adoption via partnerships and other marketing channels. We believe our deliberate, methodical approach is appropriate. Building strong subscription businesses take time, and we have measured expectations for 2021 in acknowledgment of the challenges inherent in launching any new product during a pandemic, much less in travel.

Significant opportunity ahead. That said, we are excited and confident that Plus's strong consumer proposition - built on exclusive savings, perks and benefits that will make a trip more memorable - will resonate globally and our large audience and influence uniquely positions us to capitalize on this opportunity. In 2019, we generated over 160 million hotel metasearch clicks from hotel searches for stays of \$750 or more. Converting even a small percentage of engaged Tripadvisor traffic, not to mention the hundreds of millions of visitors per month that are searching on Tripadvisor for hotels and experiences to book, implies a long-term growth opportunity to achieve tens of millions of subscribers and a multi-billion dollar recurring revenue.

Direct-to-consumer complements our diverse revenue streams. Pre-pandemic, we grew hotel B2B, display advertising, Experiences and Dining, collectively, by double digits, and generated nearly \$1.6 billion of total revenue in 2019. Some updates on these areas:

- B2B - In October, we launched two new hospitality B2B solutions, Spotlight and Reputation Pro. Along with Travel Safe and Menu Connect for restaurants, these products demonstrate our commitment to supporting partners, helping them adapt to the new landscape, and drive their business forward as travel and dining starts to come back.
- Display advertising - With advertiser display budgets largely paused on travel platforms for most of 2020, we focused on improving our offering in anticipation of the pending recovery. We enhanced our targeting capabilities, commercialized new solutions, built new ad units, and continued to expand our diverse advertiser base to include non-endemic clients across an array of categories, including consumer packaged goods, auto, entertainment, finance, and spirits.

- Experiences - We improved how we merchandise inventory to improve conversion and also made continued progress in Q4 helping consumers find and book the experiences they want, in the language they speak, with the payment methods they use. Helping consumers find and book travel experiences online remains an attractive, and underpenetrated, long-term growth opportunity, and we believe our Tripadvisor and Viator assets position us to win.
- Dining - Our restaurant offerings showed strong resilience last summer. TheFork got back to 2019 levels in September. The recovery took a step back in Q4 due to lockdowns across Europe; however, we remain in the early days of delivering media-based and transaction-based solutions to more of the millions of restaurants on our platform.

Outlook

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

The pandemic has reinforced Tripadvisor's value proposition - connecting consumers with guidance to make them better travelers, and helping travel partners build their business. In 2021, we will remain focused on building direct, durable customer relationships that will enable us to more effectively convert Tripadvisor's influence into increased repeat, intentional, engagement and monetization. This includes modernizing the experience, helping consumers return to travel safely, and growing Tripadvisor Plus.

Financially, in 2021 and the years beyond, we believe we can not only rebuild our revenue profile, but also drive sustainable growth from our focus areas. Specifically:

- In Tripadvisor-branded hotels, we aim to grow and expand our offerings by leveraging our data and insights to drive continuous improvement in our auction and our hotel B2B services and deliver more value for partners.
- As referenced earlier, a key 2021 priority is developing Tripadvisor Plus. We have all the necessary ingredients for success, including a huge global audience, strong consumer engagement, and a comprehensive offering. We believe we are uniquely positioned to capitalize on a multi-billion dollar recurring revenue opportunity.
- In media advertising, pre-pandemic we shared in these letters how our global, brand-safe channel under-indexes relative to our massive audience and influence on travel commerce. This remains the case, and we believe we are well-positioned to benefit as advertisers lean back into the travel vertical.
- In Experiences & Dining (E&D), unlocking growth opportunities across Tripadvisor, Viator and TheFork remains a top priority. We maintain differentiated assets and competitive advantages in these areas, and E&D remains a key part of our future. We drove rapid revenue growth pre-pandemic, and we are confident in our long-term growth potential.

With that as a backdrop, we offer our 2021 financial outlook.



The pandemic continues to be a major headwind to the travel industry and to our business. We believe travel's recovery path will be defined by rising consumer confidence and traveler safety, both of which are directly related to the speed of vaccine distribution. As such, we currently expect:

- Q1 2021 revenue and adjusted EBITDA roughly in line with Q4 2020;
- A modest first-half recovery, and a more robust second-half recovery driven by vaccine distribution progress driving increased consumer confidence; and
- Some expenses to be prudently added back as the business justifies, though we expect to continue to operate a fundamentally leaner cost structure compared to 2019.

Closing thoughts

Overall, we are pleased with our 2020 execution despite a historically difficult operating environment. We enter 2021 with optimism stemming not only from increased confidence in leisure travel's recovery and the important role that Tripadvisor will continue to play, but also because of how we have oriented the business to emerge from the pandemic even stronger.

Sincerely,

Steve Kaufer, Co-founder & CEO
Ernst Teunissen, CFO

Conference Call and Webcast

Tripadvisor, Inc. management will host a conference call to discuss results as well as other forward-looking information about Tripadvisor's business tomorrow morning at 8:30 a.m. Eastern Time. Domestic callers may access the earnings conference call by dialing (877) 224-9081 (International callers, dial (224) 357-2223). Investors and other interested parties may also go to the Investor Relations section of Tripadvisor's website at <http://ir.tripadvisor.com> for a live webcast of the conference call.

* * *

Tripadvisor, Inc.'s fourth quarter and full year 2020 earnings press release and supplemental financials are available on the Investor Relations section of the Tripadvisor, Inc.'s website at ir.tripadvisor.com. The earnings release is also included as Exhibit 99.1 to our Current Report on Form 8-K as furnished to the U.S. Securities Exchange Commission, or SEC, on February 18, 2021, which is available on the Investor Relations section of our website at ir.tripadvisor.com and the SEC's website at www.sec.gov.

Forward-Looking Statements

These prepared remarks contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The following words, when used, are intended to identify forward-looking statements: "anticipate,"



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

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

Use of Non-GAAP Financial Measures

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

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

The earnings press release in addition to other supplemental financial information is available on the Investor Relations section of our website at <http://ir.tripadvisor.com/>. The earnings press release is also included as Exhibit 99.1 to our Current Report on Form 8-K as furnished to the SEC on February 18, 2021,



which is available on the Investor Relations section of our website at <http://ir.tripadvisor.com/> and the SEC's website at www.sec.gov.

Key Business Metrics

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

