



Q3 2021

# Letter to Shareholders

	Q3 2021	Q3 2020	Q3 2019
<b>Revenue</b>	<b>\$303M</b>	<b>\$151M</b>	<b>\$428M</b>
<ul style="list-style-type: none"> <li>Q3 2021 performance demonstrates continued relative U.S. strength as well as a broadening recovery</li> </ul>	101% Y/Y (29)% Y/2Y		
<b>Net Income / (Loss)</b>	<b>\$1M</b>	<b>\$(48)M</b>	<b>\$50M</b>
<ul style="list-style-type: none"> <li>Q3 2021 Net Income (Loss) improved primarily due to revenue improvement</li> </ul>			
<b>Adjusted EBITDA (1)</b>	<b>\$72M</b>	<b>\$15M</b>	<b>\$129M</b>
<ul style="list-style-type: none"> <li>Generated positive adjusted EBITDA and more than doubled margin<sup>(2)</sup> in Q3 2021 vs. Q2 2021</li> </ul>			

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

(2) Adjusted EBITDA margin is a non-GAAP profit measure and is defined as Adjusted EBITDA divided by Revenue.

**Letter to Shareholders**

We are pleased with our Q3 results. As vaccination rates continued to increase and countries reopened, we saw solid recovery in our business, and our results improved meaningfully versus the second quarter. In addition to macro improvements in travel, our results also highlight the resilience of our diversified offerings, our strong operating leverage, and steady prudent cost management.

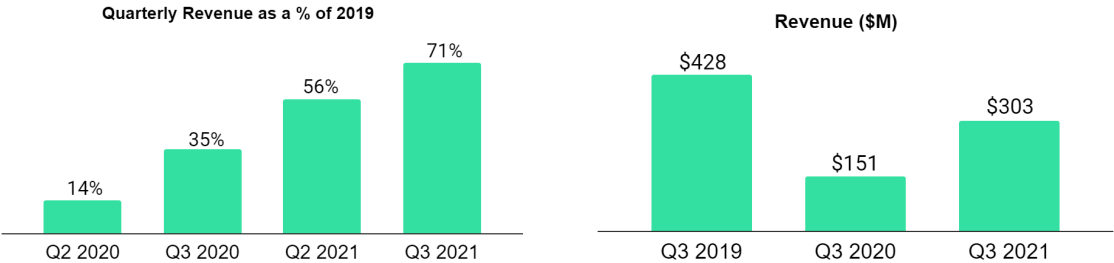
Total revenue of \$303 million was 71% of Q3 2019 levels, reflecting a year-over-year increase of 101%, and a quarter-over-quarter increase of 29%. Net income (loss) improved \$41 million versus Q2 2021 to \$1 million. Adjusted EBITDA was \$72 million, an improvement of \$57 million year-over-year and \$47 million quarter-over-quarter. Adjusted EBITDA margin improved to 24% from 10% a year ago and 11% last quarter.

The recent easing of travel restrictions in the U.S. and Europe continues to provide optimism for the recovery of leisure travel. In the last few months, governments in the U.S. and Europe have announced the removal of certain restrictions, which are expected to accelerate travel's recovery, both domestically and internationally. While all of this should be viewed positively, we would also note that the Delta variant did cause a modest step back in our recovery trajectory in September, which is reflective of the non-linear path we've seen so far this year.

In our key strategic initiatives, we made strong progress. As we'll cover later in the letter, our Experiences revenue grew strongly quarter-over-quarter and as a percent of 2019 (pre-Covid-19 period), reflecting our focus and competitive position in this business. As we noted publicly last month, we have also made progress on the evolution of our Tripadvisor Plus subscription offering, and are currently testing our new Vacation Funds feature.

**Q3 2021 Consolidated Financial Results**

**Revenue recovery broadened in Q3.** Q3 2021 total revenue was \$303 million, representing a year-over-year increase of 101% and a 29% increase versus Q2 2021, which is well beyond typical seasonality. At approximately 71% of 2019's comparable period, Q3 2021 revenue performance improved by 15-percentage points versus Q2 2021, which performed at 56% of 2019's comparable period.

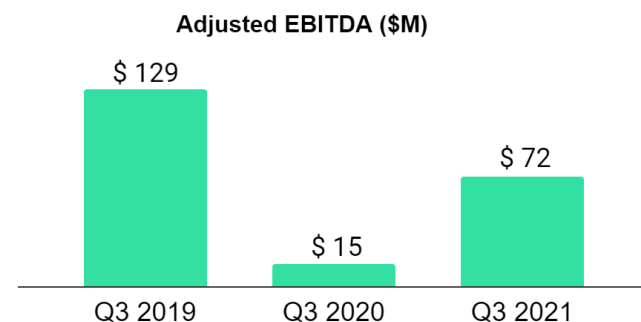
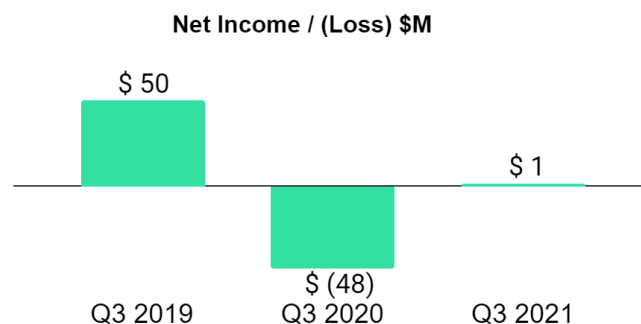


Consolidated revenue in the months of July, August, and September for 2021 was approximately 71%, 74%, and 68%, respectively, of 2019's comparable periods and exceeded all pandemic impacted months from last year.

**Q3 profitability and liquidity position highlights our strong operating leverage and continued prudent cost management.** Q3 2021 consolidated net income turned positive to \$1 million, up from a \$48 million loss in Q3 2020, driven primarily by revenue improvement, partially offset by increased variable marketing expenses.

Q3 2021 Adjusted EBITDA was \$72 million and improved by \$57 million year-over-year, driven primarily by revenue improvement against our stable fixed cost base, partially offset by increased variable marketing expenses. We believe we have positioned the business for operating leverage as travel demand and our revenue recovers further.

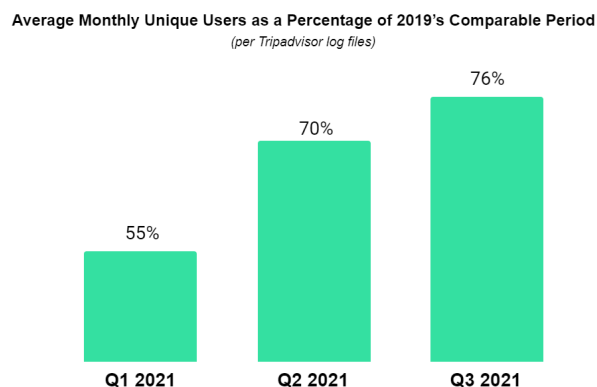
Additionally, we maintained ample liquidity. We had \$682 million of cash and cash equivalents as of September 30, 2021.



## Business Update

**Monthly unique users improved in Q3 and were largely in line with our revenue recovery.** Overall average monthly unique users on Tripadvisor-branded websites in Q3 were approximately 76% of 2019's comparable period, up from approximately 70% in Q2, and 55% in Q1.

Monthly unique users were generally stable throughout the quarter. Strong traffic on our site remains a leading indicator of consumers' desire to travel, which is why we are pleased to see these improving quarterly trends. From a geographic perspective, we saw European monthly users as a percentage of 2019 catch up to the U.S. in Q3, with Rest-of-World still behind in the recovery.



Taking a look across business segments, we continued to see signs of a broad return to travel during the quarter.

### Hotel, Media & Platform (HM&P)

Revenue in our HM&P segment was \$172 million, reflecting year over year growth of 115%. As a percent of 2019 revenue levels, HM&P reached 72%, an increase from 61% in Q2 and 35% in Q1.

- Within the quarter, monthly revenue progression for July, August and September was approximately 73%, 75%, and 69%, respectively.
- Total hotel auction revenue as a percent of 2019 levels increased in Q3, to 76% of 2019 levels. Geographically, U.S. hotel metasearch auction revenue exceeded 2019 levels despite a modest stepback in September which we attribute to the Delta variant. In Europe, auction revenue in Q3 increased significantly to 66% of 2019 revenue, a sequential increase of almost 30 points.
- The remaining revenue within Tripadvisor-branded hotels (Hotel B2B services) also improved vs Q2, but lagged the pace of recovery in the hotel auction.
- In Tripadvisor-branded display and platform, revenue as a percentage of 2019 levels reached 71% of 2019 levels in Q3, up from 58% in Q2 and 37% in Q1.

### **Experiences & Dining (E&D)**

Revenue in our E&D segment was \$114 million, reflecting year over year growth of 115%. As a percent of 2019 levels, we demonstrably exceeded internal expectations by reaching 81% of 2019 revenue in Q3.

#### **Experiences**

Experiences revenue reached 75% of 2019 levels during Q3. This was led by the Viator point of sale, which roared back to approximately 100% of 2019 revenue levels. In October, we saw further improvement on all Experiences points of sale, delivering combined booking levels that now exceed 2019.

We are very pleased with the progress we are making in our Experiences business this year, as we take full advantage of recovering markets and of our strong competitive position. This year, we have successfully adapted to a market that skews more domestic and more mobile by honing our offering accordingly. Given our historically strong position for booking Experiences for international trips, we are optimistic that the projected upcoming growth in international travel will further propel growth in our Experiences business.

We also continued to improve our merchandising this quarter, raising our on-site conversion consistently. We are also testing, with excellent results so far, a new option for suppliers called Accelerate, which improves a client's visibility on our site to help drive incremental bookings. Additionally, new customer acquisition remains a top priority in the travel recovery. To that effect we continued to lean into paid traffic acquisition, at a positive ROI based on our demonstrated lifetime value, while improving our performance of free channels and repeat usage.

#### **Dining**

Our Dining revenue improved significantly in Q3, exceeding 90% of 2019 levels as restaurants in most of the European countries re-opened for in-restaurant dining, a significant uptick from Q2 levels. We are heartened by the return in restaurant activity, as well as the continued evolution of our offerings. For example, we are seeing good uptake on TheFork Pay, which offers our diners the ability to pay via the app in participating restaurants. We are also excited about our new gift card offer, although it is in early stages. We see excellent opportunities for further improvement in this business as travel and dining return to normal.

As we look forward to 2022 for this segment, we are more convinced than ever that we have a significant value creation opportunity for our Viator and TheFork businesses. We continue to see an attractive growth profile, market opportunity, and competitive strength, and we are considering options to better crystallize their inherent value.

## **Tripadvisor Plus**

We remain tremendously excited about our new product category of travel subscriptions, and our first offering, Tripadvisor Plus. Since our original rollout in June, we've continued to iterate the offering, working to deliver value to both consumers and partners. As we announced in September, 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 these dollars to their bank account, or online wallet, or save them to spend on Tripadvisor on the current or a future trip.

Our continued iterations are reflective of our consumer-focused approach. Since its original roll-out, we've talked to travelers, partner hotels, and other service providers to create an enhanced offering that drives clear value for everyone. Working with hotels and addressing their considerations, such as their existing rate parity agreements, helps add significant supply to our offering, thereby giving travelers more choice and more opportunities to save. And for travelers coming to our site, removing the paywall to see savings on hotels allows us to present the program's benefits to everyone, not just subscribers to the program.

With the hundreds of millions of users coming to our site, we have a unique opportunity to leverage our reach, and we continue to believe in the potential significant revenue opportunity and value that Tripadvisor Plus provides to travelers.

## **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.)*

We are encouraged by the ongoing recovery trends in travel and the resilience of our business during 2021. We continue to believe leisure travel's eventual full recovery will be characterized by consumers feeling safe and confident to travel, and there has been notable progress on this front in 2021.

As we finish out the year, we expect our overall Q4 revenue and profit to be impacted by a typical seasonal step down versus Q3. So far in the current quarter, we see some positive pockets in the business. We estimate at this time that revenue levels as a percent of 2019 in October will reflect a modest improvement from September and, in particular, continued improvement in a return to 2019 levels in our Experiences and Dining segment. However, the pandemic-related challenges continue to add near-term uncertainty to the speed of our recovery, and we therefore remain cautious in our near-term outlook, not anticipating our Q4 revenue as a percent of 2019 to show a meaningful improvement versus Q3.

As we think about next year, we are optimistic about further travel recovery. We expect additional improvement as vaccination levels increase, countries reopen, and the leisure travel recovery broadens. We are also very optimistic about our priority focus areas, specifically travel subscriptions and our Experiences and Dining businesses. The growth, market opportunity, and our competitive position in travel is clear. As such, we will focus on how best to invest in teams and initiatives that we believe will drive long term customer and partner satisfaction, thereby enhancing our leading position in the travel ecosystem.

Finally in closing, today we announced that Steve Kaufer, co-founder and CEO of Tripadvisor, will step down in 2022 after 20+ years with the company. Steve will continue to lead the company until a successor is found. For additional details, please refer to the press release dated November 8, 2021.

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### **Earnings Webcast**

Tripadvisor management will host a conference call to discuss results as well as forward-looking information at 8:30 a.m. ET on November 9, 2021. The link to the live webcast, as well as the audio replay, will be made available on Tripadvisor's Investor Relations website at <http://ir.tripadvisor.com>.

A replay of the conference call will be available on the same website. A telephonic replay will be available for two weeks following the call at (855) 859-2056; passcode 9957637.

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

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

The earnings press release in addition to other supplemental financial information is available on the Investor Relations section of our website at <http://ir.tripadvisor.com/>. The earnings press release is also included as Exhibit 99.1 to our Current Report on Form 8-K as furnished to the SEC on November 9, 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](http://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.

09-Nov-2021

# TripAdvisor, Inc. (TRIP)

Q3 2021 Earnings Call

## CORPORATE PARTICIPANTS

### Stephen Kaufer

*President, Chief Executive Officer & Director, TripAdvisor, Inc.*

### Ernst J. Teunissen

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

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## OTHER PARTICIPANTS

### Naved Khan

*Analyst, Truist Securities, Inc.*

### James Lee

*Analyst, Mizuho Securities USA LLC*

### Jed Kelly

*Analyst, Oppenheimer & Co., Inc.*

### Deepak Mathivanan

*Analyst, Wolfe Research LLC*

### Brian Fitzgerald

*Analyst, Wells Fargo Securities LLC*

### Mario Lu

*Analyst, Barclays Capital, Inc.*

### Tevis Robinson

*Analyst, D.A. Davidson Companies*

### Vince Ciepriel

*Analyst, Cleveland Research Co. LLC*

### Kevin Kopelman

*Analyst, Cowen and Company*

### Dae K. Lee

*Analyst, JPMorgan Securities LLC*

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Ladies and gentlemen, thank you for standing by, and welcome to the Tripadvisor Third Quarter 2021 Conference Call. At this time, all participants are in a listen-only mode. After the speakers' presentation, there will be a question-and-answer session. [Operator Instructions]

I would now like to hand the conference over to your speaker for today, [ph] Angela White, VP of IR. Angela (00:00:32), please go ahead.

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### Unverified Participant

Thank you, Jay. Good morning, everyone, and welcome to Tripadvisor's third quarter 2021 financial results call. Joining me today are Steve Kaufer, CEO; and Ernst Teunissen, CFO and Chief Executive, Viator, TheFork and Cruise Critic.

Last night, after market close, we distributed and filed our third quarter 2021 earnings release and made available our shareholder letter on our Investor Relations website. In the release, you'll find reconciliations of non-GAAP financial measures to the most comparable GAAP measures discussed on this call. Also, on our Investor Relations website, you'll find supplemental financial information, which also includes reconciliations of certain non-GAAP financial measures discussed on this call as well as other metrics.

Before we begin, I'd like to remind you that this call may contain estimates and other forward-looking statements that represent management's views as of today, November 9, 2021. TripAdvisor disclaims any obligation to update these statements to reflect future events or circumstances. Please refer to our earnings release as well as our filings with the SEC for information concerning factors that could cause actual results to differ materially from these forward-looking statements.

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

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## Stephen Kaufer

*President, Chief Executive Officer & Director, TripAdvisor, Inc.*

Thank you, [ph] Angela (00:01:46), and good morning, everyone. So before I turn the call over to questions and further commentary from myself and Ernst, I wanted to speak to my transition news. Last night, as you undoubtedly heard, I informed investors and our employees my intention to step down from the company as CEO at some point in 2022 or as soon as a successor is named by our board of directors.

I co-founded TripAdvisor in 2,000 with three other amazing people, Nick Shanny, Langley Steinert and Tom Palka. Our goal, to help people plan and take extraordinary vacations all over the world powered by the knowledge of people like you who have been there before. Now while there's never a perfect time, I feel very comfortable that now is the right time for me to announce my transition. The hospitality industry is successfully emerging from the pandemic. We're profitable again. We have a great set of leaders in the company, and we were successful in using the time accorded to us during this pandemic to reinvent ourselves, delivering an enhanced focus on our experiences in dining sectors and creating and launching our first subscription product.

We have a clear set of priorities. And while we have a lot of work ahead to get there, we have a terrific set of team members who I know are up to the challenge. This company has already changed the way billions travel and it's extraordinarily well positioned to create, deliver a new set of innovations in the years and decades ahead.

As a trusted global brand, as the most popular travel website, and as a major influencer in a \$5 trillion industry, we are still a story of upside potential in a massive and really fun category. And as I said yesterday to my TripAdvisor family, the work continues. I have complete confidence that our experienced board of directors will select a great successor and that TripAdvisor's next chapter will be just as exciting as the amazing journey of the past 20-plus years. And in the meantime, I will remain at the helm as fully engaged as I am at driving innovation, building teams and helping our customers.

With that, I'll turn it over to Ernst before we take your questions.

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## Ernst J. Teunissen

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

Thanks, Steve. Thanks for everyone for joining. We were very pleased to see our revenue and adjusted EBITDA level step up significantly this quarter from last quarter, reflecting signs of a continued strong return to travel. We're very pleased to see the recovery in consumer travel continue. This is reflected in the gradual return to 2019 levels we've seen over the last few quarters. In some pockets, as we noted in our shareholder letter, we're actually starting to meet or surpass 2019 levels.

Revenue in the third quarter was \$303 million, reflecting year-over-year growth of 101% and reaching 71% of 2019 levels. We call out that our experiences in Dining revenue, in particular, is showing a very strong recovery

that is not fully reflected yet in Q3 revenue. For instance, on a booking level, our combined Experiences businesses has been up versus 2019 October and the start of November.

We're not out of the woods yet with COVID. It's still impacting us. And although we are cautious about Q4, we remain very optimistic that the recovery is taking root and are bullish about travel and our business in 2022.

With that, let's jump into Q&A.

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## QUESTION AND ANSWER SECTION

**Operator:** Thank you. Our first question comes from the line of Naved Khan of Truist Securities. Your line is open.

**Naved Khan**

*Analyst, Truist Securities, Inc.*

Q

Yes, hi. Thanks a lot. Steve, we're going to miss you after the transition. Came as a surprise, but hopefully we'll see you for the next call as well.

I just had a question on your comment in the letter. You said you're considering options to crystallize the value of TheFork and Viator. Maybe elaborate a bit on the range of possibilities here. Does that include a potential spin-off or potentially a sale of the business? Or is it more around optimizing it just for growth and margins?

**Ernst J. Teunissen**

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

A

Hey, Naved. This is Ernst. I'll take this one. We have two very strong assets in Viator and TheFork. They were strong growth companies before the pandemic. They're category leaders in their markets. Viator is a global leader in Experiences, a market with a very big TAM. TheFork is the European leader in restaurant reservations, increasingly moving into more fintech areas with TheFork PAY and gift cards. And now both are recovering very nicely and beyond our expectations, and we believe coming out of the pandemic with even a stronger competitive position and strong leadership teams that operate with great autonomy within TripAdvisor.

Now clearly, the financial profile of these businesses is very different from our core Tripadvisor business. They have higher growth, but also lower profitability due to the investment opportunity that we've been capitalizing on. They also have clear, identifiable and proven lifetime value that we can ascribe versus the CPC and media model that we have in Tripadvisor, of course, which makes us more comfortable to spend for long-term benefit. And particularly for Viator, we've leaned in here in 2021.

Now we note that pure-play category winners like Viator and TheFork in the private and in the public markets get substantial often revenue or gross profit-related valuations rather than an EBITDA multiple, which is the dominant way we believe our Tripadvisor stock gets valued. And a more pronounced sum of the part valuation will make it easier for us to invest appropriately in these businesses and make acquisitions in these businesses.

So as such, we believe there are options to better crystallize the right valuation for these businesses, which we don't believe is currently reflected. We are not outright sellers, to respond to one of your questions, of either assets, at least not in the near term. And especially in the case of Viator, there's a strategic importance to

Tripadvisor having a significant influence in the company due to the importance of Experiences to the Tripadvisor value prop for our consumers.

And also, we think there's a value growth opportunity for both Viator and TheFork over the years to come that we definitely want to be part of. But there are some options. So one area of options would be to enhance disclosure in our segment reporting. But there's also a family of options that we are considering that go a little further in separating out and in separately financing these businesses. Now we haven't got more details to share at this point, and we haven't yet committed to any particular course of action, but we wanted to give you a heads-up that we are considering options over the months and quarters to come.

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**Naved Khan**

*Analyst, Truist Securities, Inc.*

Q

Super helpful. Maybe just a related question. If I look at the sales and marketing line as a percentage of revenue, it was higher than what we had thought. And I guess you were obviously using some of the funds to kind of grow these businesses, both Experiences and Dining. So how should we think about investment levels in 2022 as it relates to Viator and Dining?

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**Ernst J. Teunissen**

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

A

Yes, as I said before, for Viator we have this year pushed further into our lifetime value model. We feel pretty confident as we've seen large consistency in the past in how users come back and how they repeat. And so we feel confident to spend beyond just the immediate return. And that, of course, has a near-term impact and increases advertising, but it's actually good for long-term revenue and is ROI positive over a longer-term timeframe.

So we have gladly done this year. And we've been actually very pleasantly surprised how much we could put to work this year at good ROI levels and grow the Viator business. We've been very successful in expanding the marketing program in that way. And so we feel good about that. It is a near-term increase for marketing as a percentage of revenue as you highlight, but we think it's a good ROI. We think it's a good business, and it cements the very strong position that we have.

So you saw sales and marketing as a percent of revenue ticked down in Q3 from Q2, but we are leaning in on the Experiences side. We've leaned in a little on the hotel side as well in Q3 and have tapered that into October and in Q4. But for Viator we'll continue – as long as we see the good ROI, we'll continue to spend.

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**Naved Khan**

*Analyst, Truist Securities, Inc.*

Q

Great. Thank you, Ernst.

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**Operator:** Thank you. Next question comes from the line of James Lee of Mizuho Securities. Your line is open.

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**James Lee**

*Analyst, Mizuho Securities USA LLC*

Q

Great. Thanks for taking my questions. Steve, thanks for your leadership over the years. And maybe can you talk about your decision to make that transition next year? And also secondly, in terms of finding a successor, what kind of background and experience you and the board are looking for? Is it more travel-related? Or is it more technology related? Thank you.

**Stephen Kaufer**

*President, Chief Executive Officer & Director, TripAdvisor, Inc.*

A

Sure. Thank you, James. Let's see. So as I kind of said in my opening remarks, I think while there's no right time, I think this is a darn good time to be able to start to transition. As I say, sometime in 2022, I'm looking for it to be a smooth transition as possible.

I certainly wasn't going to make any move over the past 18 months. It was pretty traumatic all over the travel industry. But when we look at our future now, you see us clearly coming out of the pandemic. Love the new initiatives at play at TripAdvisor. Overall, parts of the business – overall, the business is recovering in all of its parts. So it's a pretty good time. I think we have a strong management team, got new faces, you have tenured faces. So again, while no time is perfect, I think now makes a lot of sense.

To the second part of the question, as to what the board's looking for, travel experience would be great. Subscription experience would be great. E-commerce, something that's a core part of our business today and going forward. So I don't – I wouldn't – there's no reason anyone should read into anything about my transition other than kind of what it says on the face.

Company is in a good position. I've been at the helm for – by the time I depart it'll be 22 years. It's a good opportunity, tons of potential in front of the company. And so this isn't a question of needing change. This isn't a question of looking to do something dramatically different. And that's – but I wanted to give the board plenty of time to select truly the best leader, because it's a gem of a company with a ton of upside in front of us.

**James Lee**

*Analyst, Mizuho Securities USA LLC*

Q

Great. Thanks, Steve.

**Operator:** Thank you. Next question comes from the line of Jed Kelly of Oppenheimer. Your line is open.

**Jed Kelly**

*Analyst, Oppenheimer & Co., Inc.*

Q

Hey. Great. Thanks for taking my questions. Just two, if I may. One, just on the sales and marketing, that this quarter, I think, it was 90% of 2019 levels. Can you speak to – is that being more invested in the core hotel platform, subscriptions or Experiences and Dining. And can you just speak to the change in the subscription policy going forward and sort of how you think about TripAdvisor Plus into 2022? Thank you.

**Ernst J. Teunissen**

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

A

Hey, Jed, I'll take the first part, and then I'll hand over to Steve for the second part. In terms of advertising, yes, we have – I told you before about the – leaning into Viator for marketing at good ROIs. We've seen in our hotel business an ability to spend more, as a percentage, compared to before because CPCs have been very strong. And our hotel business in the third quarter, particularly, in the US was very strong.

Our US auction was above 2019 in the quarter. So we've seen favorable pricing levels, which always disproportionately favors pay channel. So we've been able to lean in there as well. As I said before, and on the hotel side, we've started to taper that in October and further into Q4, we wanted to spend into the holiday season in the vacation season in the summer, yes, but that is driving the relative performance versus 2019. Over the

longer-term, we expect that to start to normalize again for the hotel business. It's just a phenomenon of good CPCs.

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**Stephen Kaufer**

*President, Chief Executive Officer & Director, TripAdvisor, Inc.*

A

Thanks, Jed, and I'll take part two there regarding Plus. I couldn't be more excited about what Vacation Funds this kind of change in the model can deliver for our travelers and, of course, how well it works for our suppliers.

Remember, the original instant savings model had us offer a discount right upfront but that did cause more supplier-facing problems than we had anticipated. So, we're nothing if not a nimble company, able to adapt. And when we heard that feedback and when supply started to be a bit constrained, we shifted.

And so, we're in beta testing now with Vacation Funds, which again, offers the hotel rates at retail, but then offers the same economic benefit that just comes a little bit later. And so at the actual stay time. We're working on kind of the flows to make sure that that's well understood. It's literally the same cash that the end-user is going to get.

So they're benefiting by being able to achieve an impressive savings, be able to stay an extra night, dine at a restaurant, save it up for the next trip or put it straight to your bank account as cash and spend in any which way the traveler wants.

So for Tripadvisor, for the benefit of the product, this unlocks supply. So we're able to get a lot more supply, a lot more hotels available for sale as part of a Plus offering than we were before. That's really exciting.

It's easier for us to onboard independent properties onto the program because we're not asking them to load a let's call it the rate code – a special rate just for Tripadvisor. This is the regular retail rates, so it's not compared with their own website. And just organizationally and tactically, it's easier on the part of the hoteliers. So you bring all that inventory on. We're highlighting great discounts at the top of our sort order, delivering really nice additional value to customers.

And then kind of how we think about it in 2022, we remain focused on the US market. We want to make sure we get to that product market fit before we expend the energy to roll it out to the rest of our audience. As everyone understands, the US is a very big market, so it's plenty big for us to test against. And we'll continue iterating until we have that fit and then, as they say, we go international with it.

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**Jed Kelly**

*Analyst, Oppenheimer & Co., Inc.*

Q

Thank you. So just so I'm understanding, the hotel would pay that initial discount back to the travelers that's coming out of the hotel, even though they're seeing the retail rate?

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**Stephen Kaufer**

*President, Chief Executive Officer & Director, TripAdvisor, Inc.*

A

Well, you can think of it as from the travelers perspective they're looking at a regular retail rate, that they use our meta-search engine or they compare it anyway they want, and they see that they're paying the same rate that they would pay anywhere else.

And then, as they go through the shopping funnel, they learn and they'll also get \$150 back, \$300 back, whatever the Vacation Funds number is based upon where they're staying and how long they're staying.



As soon as that traveler makes that stay or has the stay, they get pinged with a, congrats your \$150 is now in your bank account, as Vacation Funds for you. And the traveler can then do whatever they want with those funds.

That's a pretty amazing savings. Underneath the covers, what's happening is we are funding that, Tripadvisor is funding that as a benefit of a Plus membership. Hotels are paying us the regular commission that they would pay essentially to any online distribution platform. So from a hotel's perspective, it's clearly a pay for performance. When we send a booking and the booking happens, the hotel pays us. That's what they're used to doing all day along with every other OTA. And essentially, we're not treated much differently.

We look to get an additional perk or two from the properties to otherwise improve the value proposition for travel or to make that stay extra special. But to the economics, we're funding an amazing discount, far more valuable than regular sort of loyalty points, if you will, from other folks, and the traveler gets that benefit, and we get the commission from the hotel.

Our financial gain is all of Tripadvisor's win is part of that subscription fee. So the \$99 that we're charging, that lands for us and generates the renewal rates, the ongoing revenue stream as essentially we have the opportunity to fund the loyalty program with the commissions from the hotel program.

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**Jed Kelly**

*Analyst, Oppenheimer & Co., Inc.*

Q

Thank you and good luck in next year, Steve.

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**Stephen Kaufer**

*President, Chief Executive Officer & Director, TripAdvisor, Inc.*

A

Thank you.

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**Operator:** Thank you. Next question comes from the line of Deepak Mathivanan of Wolfe Research. Your line is open.

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**Deepak Mathivanan**

*Analyst, Wolfe Research LLC*

Q

Great. Thanks for taking the question. Steve, I do want to mention that we will miss you. So just a couple of questions, a follow-up to the question before. Thanks for all the color on Trip Plus. It was very helpful. But curious how your conversations with hotel changed and OTA partners, post the model change announcement has been. Are they now more comfortable to come on board? Should we expect kind of a big change to participate? What are your expectations there?

And then sort of second question also related to the prior one about the economics. I mean with you funding the books for the travelers, offset by the commissions that you get from hotels and then also the cost from traveler. How does it compare to kind of like the cost-per-click fees that you generate? I mean do you think this model is going to be accretive under this arrangement? Thanks so much.

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**Stephen Kaufer**

*President, Chief Executive Officer & Director, TripAdvisor, Inc.*

A

Thanks, Deepak. Thanks for your kind words. Two excellent questions in there. So how have our conversations gone with hotel chains? Let me back it up and sort of point out or explain our supply perspective.

When we were doing instant discounts, we needed to have the chain participation or chain blessing because it was actually lower than what was on their own – lower than what was on their own site. And we thought that would work because we would have a paywall. This was a gated, a very, very closed user group. But it turns out that, that wasn't enough.

Now that we've moved to a retail model, we would love – absolutely appreciate the chains participating. But to be clear, in our beta site right now, you see a lot of chain properties already on the system, showing the exact same rate as is on the brand.com website. Because it's a regular retail rate, it's not bothering the chains in terms of violating any rate parity. That allows us, through other aggregators, not the chains, to be able to represent that we have some of the best properties in the world from the Hiltons and the Marriotts and IHGs and Hyatts, because we're getting them through other sources, sometimes directly through channel managers, sometimes through other aggregators.

And I'd say it's safe. It's not violating the rate parity piece. So while I invite all of the chains to participate, we're in conversations, some will join now, some will join later, I predict. But the point for more economic models, I don't actually need them to participate because we have aggregators, including our very public partnership with Trip.com, who has access to a lot of global inventory, and that inventory can show up on our site in a rate parity-safe manner.

To the second question, the economics versus our CPC model. Do we think that this will be accretive? We think it's going to be wonderfully accretive. So part of the challenge/opportunity of having so many travelers looking at hotels on our site is that we offer lot of kind of free browsing and we don't make much money because somebody doesn't click.

And then when the traveler does click on our meta offering over to an OTA, the vast, vast, vast majority of those clickers don't actually book because they're not ready to or whatever reason. And therefore, technically, we got paid on a CPC, but in reality, since it didn't book, it didn't generate any profits for our clients. It's in effect lowering the value of the next click that we're going to get.

So what I mean to say is the number of travelers that we send to the OTAs that still are not booking is the opportunity that we see to make this a much more accretive model for Tripadvisor, because we're sending people into our own transaction flow. We're giving them a very clear incentive on why they should book with us, which is all of this cash back, all these Vacation Funds. And if they're going to save more than \$99 on the very first booking, it becomes, as we expect, a very simple equation, charge \$99 million for the subscription, they have \$150 cash back, maybe they don't even have to pay anything upfront, and we just give them \$50 cash back at the end. So ways to get folks to sign up.

And then that's \$99 we weren't seeing – we weren't seeing in the CPC model. Then take it the next step and now you are a paying member to a travel subscription to a travel club. We believe a number of people are going to say, well, I belong to Tripadvisor Plus; therefore, I'm starting my next trip on Tripadvisor looking at the Plus hotels and Experiences and all the other offerings. And so we'll get repeat business in a much higher degree because you're a long member.

And then whether you're making additional transaction, however, many additional transactions that traveler is doing over the course of the year, that's all, generally speaking, incremental revenue to us. We monitor what Tripadvisor Plus does with the CPC clicks. And obviously we have to keep a careful eye on that and make sure our own conversion flow more than makes up for the clicks that don't go over to meta clients. Thanks.

**Deepak Mathivanan**

*Analyst, Wolfe Research LLC*

Very helpful. Thanks, Steve.

Q

**Operator:** Thank you. Next question comes from the line of Brian Fitzgerald of Wells Fargo. Your line is open.

**Brian Fitzgerald**

*Analyst, Wells Fargo Securities LLC*

Thanks guys. Steve, congratulations, and we will miss you. Couple of things, I wanted to ask about was the pullback that you saw in September, was that consistent across regions? Did Europe stay strong in September?

And then on Plus, want to know if you're seeing any early indications or dynamics in terms of maybe the customer cohorts there? And are you seeing a differentiated use of Experiences or Viator or TheFork, anything with these Plus members that are saying, hey, they're converting into other product usage better?

Q

**Ernst J. Teunissen**

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

I'll take the first question.

A

**Stephen Kaufer**

*President, Chief Executive Officer & Director, TripAdvisor, Inc.*

Excellent question. Yes, go ahead, Ernst, on the first.

A

**Ernst J. Teunissen**

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

Yes, I'll take the first part, Brian and I'll give it over to you Steve. In terms of September, we saw more of an impact in the US on the Delta. Europe had been recovering. US was the first to recover, as you know, in Q1 and Q2, much stronger than Europe. But Europe's caught up from a traffic perspective in Q3, and we saw revenue improve throughout Q3, including September.

Now, was that impacted by Delta? Maybe it would have grown even more without Delta. That we saw more of a sort of step back as a result of Delta in September in the US in October, that has been moving up again in the US, but that was the more pronounced impact geographically of Delta for us.

A

**Stephen Kaufer**

*President, Chief Executive Officer & Director, TripAdvisor, Inc.*

Thanks. And with regard to Plus, candidly, we've been kind of really focused on our shift to Vacation Funds and how we clearly present this value proposition to the traveler. So excellent questions on, hey, have we seen cohorts of existing Plus subscribers now move over to Experiences, but truly, we haven't been kind of focused on building that up yet with our efforts, clearly targeting that golden pot of 160 million times that people click over on expensive trips that should be great Plus candidates.

A

**Brian Fitzgerald**

*Analyst, Wells Fargo Securities LLC*

Got it. Thanks.

Q

**Operator:** Thank you. Next question comes from the line of Mario Lu, Barclays. Your line is open.

**Mario Lu**

*Analyst, Barclays Capital, Inc.*

Q

Great. Thanks for taking the questions. I have 2 more follow-up on Plus. So, you already mentioned some hotel chains and aggregators were added to the platform. Any way to help quantify how meaningful the number of hotels were added to Plus after the change to the Vacation Funds was made? And then similarly, on the customer side, any color you could provide on, if this change impacted conversion or user engagement? Thank you.

**Stephen Kaufer**

*President, Chief Executive Officer & Director, TripAdvisor, Inc.*

A

Thanks, Mario. Excellent questions. Those are the kind of the exact ones that we are studying, looking at and trying to grow. With respect to the number of new hotels, I'd simply point out we're able to tap into a lot more of the Trip.com inventory as an example because they had a bunch of properties that had a special rate that we had put live on instant discounts. But obviously, they have way more properties at a regular retail rate. And with the Vacation Funds model, all of a sudden, all of those properties can come online. Similarly, with some of the other aggregators we work with, there was just more flexibility in being able to bring on more inventory as long as we kept the rate at parity with other sites.

And we also had our independent supply efforts, and this would go back several years. But we had signed up quite a few independent properties that connected directly with our back-end that would offer their rates. And by not having to go reach out to those properties and negotiate a specific discount, we're able to bring all those properties live essentially immediately because they were kind of already signed up, and that's in the thousands, but it's closer to a handpicked thousands.

The most interesting part of the question is really that conversion rate and how is it going. And I can't offer much at this point because we've just rolled out to a fraction of just our US audience, but that's key. We need to make sure that the language on the site, explaining the value proposition, the flow, the ability to easily book a Vacation Funds property or Plus property because the photos are good, the rooms are well understood, the payment happened smoothly, the errors don't exist, getting the bugs out of the system. And that's basically the stage we're at now as we tested on a small slice of the traffic. So as we make improvements and as it becomes better and better, we roll out more and more. And obviously, we hope for 100% rollout as soon as we can.

**Mario Lu**

*Analyst, Barclays Capital, Inc.*

Q

Great. Thanks, Steve. That's really helpful.

**Operator:** Thank you. Next question comes from the line of Tom White of D.A. Davidson. Your line is open.

**Tevis Robinson**

*Analyst, D.A. Davidson Companies*

Q

Thanks so much. This is Tevis on for Tom. First question, I was wondering about your monthly unique user trends in Q3. They seem to improve and sort of in line with the trajectory of revenue recovery. Can you talk a bit about specifically what you're seeing in terms of the user engagement, maybe the specific region, the type of trips, the

willingness to book and spend and whether these engagement differs in any meaningful ways than from earlier days of the pandemic? Thank you.

**Ernst J. Teunissen**

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

A

Hi. Yes, we saw a step-up again in users as a percentage of 2019 in the third quarter. We were at 70% in the second quarter, and we went up to 76% in the third quarter. I think the most important trends to point out are geographic. So where we saw that the US was clearly ahead in terms of traffic recovery in the first and second quarter to the rest of the world, Europe really caught up to it. And so in the third quarter, Europe and the US were sort of very similar in traffic as a percentage of 2019.

So that's one important trend. Europe starting slow this year, but catching up in the third quarter. The rest of the world also a significant part of our usual traffic, outside of the US and outside of Europe has been much slower to recover and is, therefore, dragging down the overall, of 76% versus 2019 that we reached in the third quarter.

**Tevis Robinson**

*Analyst, D.A. Davidson Companies*

Q

Thank you. And then for my second question, I was wondering in regards to the HM&P segment, you mentioned that the monthly revenue is it dipped a little bit in September versus July, August and September as a percentage of 2019. Could you elaborate a bit on that and talk a bit more? I know you discussed briefly about October, but a bit more on how October looked in that segment. Thank you.

**Ernst J. Teunissen**

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

A

Yes. So September was – someone asked the question before about the impact of Delta. We saw an impact of Delta, we believe, in September in the US. So that impacted HM&P. The CPCs have continued to be strong in September and the behavior of our partners in the auction has been very consistent and similar, but volume was impacted as a result in September. We've seen improvement of that environment in October. I also said earlier in the call that we tapered some of our marketing in October and into the fourth quarter, so that's going to impact. We spend more – we lean in more in the third quarter. But the general environment in October for the US has improved from September, clearly.

**Tevis Robinson**

*Analyst, D.A. Davidson Companies*

Q

Great. Thanks so much and congrats on the new chapter, Steve.

**Stephen Kaufer**

*President, Chief Executive Officer & Director, TripAdvisor, Inc.*

A

Thank you.

**Operator:** [Operator Instructions] Next question comes from the line of Vince Ciepiel of Cleveland Research. Your line is open.

**Vince Ciepiel**

*Analyst, Cleveland Research Co. LLC*

Q

Great. Thanks for taking my question. Curious, when you look at the existing base of Trip Plus members, I know it's still a newer program, but see anything interesting in terms of engagement or repeat booking activity of Trip Plus members versus the average user on Tripadvisor?

**Stephen Kaufer**

*President, Chief Executive Officer & Director, TripAdvisor, Inc.*

A

Good question, Vince. We do see repeat bookings from Plus members. That's nice. Unfortunately, we don't really have a great way to compare that to whether those are just people who travel a lot and would be repeat booking through our meta auction because we don't always see – well, we frequently don't see their actual booking behavior.

So, yes, it's nice to see we have more Plus bookings than we have Plus subscribers, if you will, because people are coming back and booking more. And clearly, that's benefiting us, but I can't compare it to another site terribly well at this point. It's one of the things that we watch in terms of – and we think the Vacation Funds model will give us kind of yet another data point on that.

There's a reasonable thesis that says an instant discount kind of sounds great. You get the money right there. But a Vacation Funds model where you're sort of building up a bank, knowing that you can take that bank and take it as cash anytime you want, it's as good as cash. One way to think about it is an extremely rich loyalty program. But the other way to think about it or a complementary way to think about it is it's building up a bank of things that you can continue to do on Tripadvisor.

And so, people have expressed to us, they like the notion of saving for that next trip. They like the notion of, hey, doing a few more purchases on Tripadvisor, so that they'll have some more funds saved up, again, for the same trip or the next trip but it goes back to the travel jar that some folks used to have where you just save some extra money along the way to go spend on that wonderful trip. And I think we're tapping into a bit of that for a segment of our audience. And we see that, I think, in some of our repeat bookings.

**Vince Ciepiel**

*Analyst, Cleveland Research Co. LLC*

Q

Thanks. And my second question, I think earlier on the call you mentioned that, the commission the hotel would be paying wouldn't be that dissimilar to what they would pay other OTAs. But then, I'm trying to think about the economics from a hotel perspective, if they're paying a similar commission as well as providing an amenity and a potential upgrade, how does this channel compare in total cost relative to other distribution channels with Plus?

**Stephen Kaufer**

*President, Chief Executive Officer & Director, TripAdvisor, Inc.*

A

Excellent question. So, we're quite flexible on the hotel side. So when we approach an independent hotelier, for instance, we have perhaps a minimum commission. But then, we point out the better deal that we can present to our traveler means you're going to get more visibility on Tripadvisor.

And so, let's say, a hotel might pay a, let's call it a 15% commission, that's probably less than what they're paying to other OTAs, so it's a bit cheaper of a channel. And that might be a hook for us to help persuade the hotelier that it's worth signing up.

Mind you, it's very easy to sign up. So there's no like organizational or there's no logistical or technical barrier there. So, we get the hotel to sign up. And then the message is and if you add a perk, and it could be as simple as a bottle of wine, a fruit plate, a free upgrade if available, there's a little bit of a very small amount of cost maybe.

And then, because that offer looks more compelling on Tripadvisor, it rises higher in our sort order and hopefully, that hotel receives more bookings. And they don't have to have it. But many properties are – it's relatively easy for them to offer a \$20 off a \$50 dining charge.

And so it helps get them in the restaurant. It helps get them spending the money on-premises. And the whole notion of Vacation Funds, allow someone to build-up this credit and we encourage the hotel and we can help the hotel market the ancillary services, whereby those credits can, in fact, be spent on property.

Hotels love that, travelers appreciate the ability to get the extra amenity or the extra thing at the hotel. And it's all up to the property if they want to participate kind of in exchange for more demand. So that's how we view our whole ecosystem working.

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**Vince Ciepiel**

*Analyst, Cleveland Research Co. LLC*

Q

Thanks for the color, Steve, and best of luck in the next chapter.

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**Stephen Kaufer**

*President, Chief Executive Officer & Director, TripAdvisor, Inc.*

A

Thank you.

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**Operator:** Thank you. Next question comes from the line of Kevin Kopelman of Cowen. Your line is open.

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**Kevin Kopelman**

*Analyst, Cowen and Company*

Q

Thanks so much. I had a couple of questions. First, could you talk about how you think about TV advertising and whether, now that we're in the recovery, whether you would consider returning to TV.

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**Stephen Kaufer**

*President, Chief Executive Officer & Director, TripAdvisor, Inc.*

A

I can start. With regard to Tripadvisor Plus, as I've said before, we feel we have an extremely highly qualified audience already on our site, who we have the ability to educate as they are shopping for a hotel. So while TV is phenomenally effective for overall brand advertising, for raising overall awareness, we feel we have plenty of traffic on our site today, at the right point in time that we can educate, drive home the benefits of Tripadvisor Plus without spending an incremental dime.

Once, the product market fit and are on the growth ramp that we're really excited about, amen to all different vehicles that enable us to put fuel on the fire. But I'm pretty clear, I want to be able to show, we need to be able to show ourselves and then we would be sharing with you that this thing is a rocket ship, and here's why putting more fuel on the fire would make a lot of sense.

I don't think I'm of the mindset that I should do that level of branding on a speculative nature. I think there's another angle as to whether we approach television for our Viator and TheFork businesses because they are in a different investment mode. They have a different opportunity to capitalize on share gain. And they're also doing

extremely well right now without any of those other media pieces. So, I don't view it as something that is necessary, but certainly could be additive over the course of next year and those other brands, if we choose to do so.

**Kevin Kopelman**

*Analyst, Cowen and Company*

Q

Thanks. And if I could ask an unrelated question. Could you give any more color or detail on how we should anticipate the experiences in Dining? Or let me rephrase that. How well it did in the month of October for revenue because I think you alluded to the bookings, the bookings being higher than the revenue trend for Q3. So, any color on how that trended into October, would be helpful? Thanks.

**Ernst J. Teunissen**

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

A

Yes, we saw a bit of an impact from Delta in September also on the Experiences business, but Experiences roared back in October, doing really, really strongly. And as we called out on a bookings level, and of course, bookings are a leading indicator of revenue because the revenue recognition is at consumption rather than at the time of booking.

But on the booking level, so the combined Experiences points of sales, Viator, Tripadvisor, third-party were above 2019 levels, which is very, very encouraging. And it has been sort of the last step in a very strong recovery this year, getting bookings above 2019.

What is strong about that is that Viator was clearly leading the way earlier in the year, Viator is well above that level above 2019 on the bookings level. But Tripadvisor has been catching up. And so to be above 2019 on a bookings level for the combined points of sale in Experiences is just a very strong signal for us that this market is coming back strongly, and that our position is very good in it. So, we're very pleased with that.

**Kevin Kopelman**

*Analyst, Cowen and Company*

Q

Great. And Steve, we'll definitely miss you on the calls and best of luck.

**Stephen Kaufer**

*President, Chief Executive Officer & Director, TripAdvisor, Inc.*

A

Thank you. Thank you very much.

**Operator:** Thank you. Next question comes from the line of Doug Anmuth of JPMorgan. Your line is open.

**Dae K. Lee**

*Analyst, JPMorgan Securities LLC*

Q

Good morning. This is Dae Lee on for Doug. Thanks for taking the question. The first one, with regards to your strong performance in Experiences. Are you seeing any evidence that travelers are increasingly looking ahead because of the pandemic? And if so, is this the behavior that you think could accelerate the adoption of online booking in Experiences coming out of the pandemic?

And secondly, for Trip Plus, in the letter you talked about, for travelers coming to your site, removing the paywall to see savings on hotels. Can you elaborate on that comment a little bit what that means?



**Ernst J. Teunissen**

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

A

On the first part, the sound quality wasn't great. You were asking, is this experience an evidence of what, sorry, please say it again?

**Dae K. Lee**

*Analyst, JPMorgan Securities LLC*

Q

Are you seeing any evidence that travelers are increasingly booking ahead because of the pandemic? And if this is a behavior that could accelerate the adoption of online booking in Experiences coming out of the pandemic?

**Ernst J. Teunissen**

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

A

Yes. I think, so we're seeing a number of very important trends appearing. One, was a direct result of the pandemic, is that we've seen a lot more domestic Experience consumption. That was very strong. We tended to index on international travel. Americans going to Rome or to Paris or to London, but we've seen such a strong performance of our US and European customers actually consuming Experiences locally. And so domestic was very strong.

Where pre-pandemic, we skewed to city Experiences, we start to skew to more outdoorsy Experiences, either water sports or hiking or canoeing and that was a large big market that opened. And what makes us feel very optimistic now is that we have clearly established an ability in the minds of our consumers to be very relevant in these more domestic and more outdoorsy Experience is great. We expect that to stick as we recover from COVID.

And then city travel is coming back, but not yet at the levels that it was before. And international travel definitely is lagging at the moment where we were before. And so, what makes us optimistic is, we've established now deeper penetration in domestic and outdoors. And when international and city comes back in full force, we think that will be additive for the business. So strong signals, we think.

**Stephen Kaufer**

*President, Chief Executive Officer & Director, TripAdvisor, Inc.*

A

I would add that I think we're playing to a very macro trend of people looking to do more on their vacations combined with your ability to book on the phone, combined with the bringing of this inventory online over the past decade. And I think we're seeing the tipping point where more and more folks are planning to book what they're going to do online. And we're in the pole position there. We've got – Viator has a beautiful business strategy of licensing their inventory to all the major distribution channels. Of course, Tripadvisor is also one of them.

But having a tremendous supply footprint, great products, all interesting markets, key things that you want to do and that you want to make sure you have a seat on that tour before you get there because if you're – it's too scary to arrive in your destination and not know if you can do it.

COVID, I believe, accelerated because you want to know what's open, you want to know the cleanliness, safety concerns all the rest of it. But then again, we've taught people how easy and convenient it is to book in advance. Experiences has always been referred to as the last of the major categories to come online after [indiscernible] (00:51:23) hotel. And so we see COVID having taught people the ability and sometimes the necessity of doing this booking online. And I think we're going to benefit from that trend for decades to come. To your...

**Ernst J. Teunissen**

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

A

Okay. There's a simultaneous trend next to the planning in advance, which is because the phone has become much more important also for Experiences, there's also an increased ability to actually book things while you're on the trip. And so one of the big opportunities that we have and have been capitalizing on is if someone has planned in advance and did an Experience, we can help them do another Experience on the trip. And so it is both increased planning upfront, but also an increased ability in market to market to them. Steve, the second part...

**Stephen Kaufer**

*President, Chief Executive Officer & Director, TripAdvisor, Inc.*

A

And then to your second question on Tripadvisor Plus and the paywall, sorry, for the strange reference. In the current instant savings model, some of the properties that you click through, you can find the discount, you can book immediately, other properties, you have to actually buy Plus first, and then we will show you what the discount is on all those rooms. So we refer to that as a paywall experience.

In both cases, in the first case, you're buying Plus with the transaction but in the second case, you actually have to make the purchase before you can see all the room details. And that's a natural barrier to customer adoption. It's something we had to do because of the supply challenges. And that whole aspect completely goes away in the Vacation Funds model. And so, we know that that's going to be a big win from the consumer side of things. And so it's another reason why I'm particularly excited about the upcoming launch of Vacation Funds.

**Dae K. Lee**

*Analyst, JPMorgan Securities LLC*

Q

Great. Thanks for the color. Steve, good luck, and we will miss you as well.

**Stephen Kaufer**

*President, Chief Executive Officer & Director, TripAdvisor, Inc.*

A

Thank you.

**Operator:** Thank you. There are no further questions at this time. And I would like to turn the call back to Steve for closing remarks.

**Stephen Kaufer**

*President, Chief Executive Officer & Director, TripAdvisor, Inc.*

Terrific. Well, thank you. Thank you everyone. A very special thank you to all the Tripadvisor team members, all around the world who continue to put their all into helping hospitality businesses, travelers, diners emerge from this pandemic. We're quite optimistic, we're extremely optimistic about the recovery of our industry and look forward to updating you next quarter on our core businesses and all of our new initiatives. Thank you again and stay safe.

**Operator:** Ladies and gentlemen, this concludes today's conference call. Thank you for participating, you may now disconnect. Have a great day.

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