<u>Angela Opening Remarks:</u>

Good morning everyone and welcome to Tripadvisor's third quarter 2023 financial results call. Joining me today are Matt Goldberg, President & CEO, and Mike Noonan, CFO.

Last night after the market close, we filed and made available our earnings release. In that release you will find reconciliations of non GAAP financial measures to the most comparable GAAP financial measures discussed on this call.

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 7, 2023. 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 Matt.

Matt Goldberg, CEO

Thanks Angela, and good morning to everyone joining us today.

For the Third Quarter, on a consolidated basis, Tripadvisor Group delivered revenue of $533 million, reflecting growth of 16% year-over-year. Viator achieved another solid quarter of outperformance with 41% revenue growth versus last year, and Tripadvisor Core also performed better than expected. Across both Viator and Tripadvisor Core, the progress in our experiences offering continues to exceed our expectations, reflecting the large opportunity still in front of us in this category. TheFork made meaningful margin improvement on healthy top line growth, nearly reaching breakeven for the quarter. Consolidated adjusted EBITDA was $127 million, or 24% of revenue.

These results reflect our continued progress in executing our segment strategies with strong financial and operational discipline. As a reminder:

- At **Tripadvisor Core**, we are focusing on engagement and delivering world-class guidance products to fuel our diverse monetization paths.

- At **Viator**, we are reinforcing our leadership position in experiences by investing in awareness, enhanced products, and repeat bookings to capture more market share.

- At **TheFork**, we are driving revenue growth with significant margin improvement this year by delivering value to both diners and restaurants as the leader in the European dining market.

I'm pleased with what our teams have accomplished in the quarter. We are leaning into the strength of our existing assets while ensuring that we build and innovate for the future. We're executing more efficiently and effectively across each of our segments. And we continue to solidify our position as the most trusted source for travel and experiences, with Tripadvisor leading the way on the launch of the Coalition for Trusted Reviews, where we have brought together the leading platforms in the online reviews space to combat fake reviews and set global standards to best serve consumers.

Let's get into each segment, starting with **Tripadvisor Core,** where we continue to make steady, quarter-by-quarter progress on our strategy. I'm going to highlight a few examples of the proof points we are seeing in our ability to provide world-class travel guidance, use that guidance to drive deeper engagement with travelers, and position ourselves to translate that engagement over time into meaningful financial impact.

Our strategy starts with **innovating and enhancing our product**, reinforcing Tripadvisor as a world-class guidance platform for planning and taking a trip, as well as in-destination decision-making.

At our last call, we mentioned the promising early feedback from a significant upgrade to Trips – our core trip planning and itinerary product – including a new Generative AI-powered itinerary feature. We're still early in the journey and iterating continuously, but we are seeing compelling results. During the first three months in beta, members who created itineraries returned at a much higher rate within the first seven days than members who hadn't created an itinerary, and we've observed the higher return rate continuing for the full month thereafter as well. Importantly, members who build an itinerary also generate on average 3 times higher revenue than the average Tripadvisor member; and the average member already monetizes at approximately 10 times the rate of non-members. We believe the initial data is a good indication of early product market fit and we are on plan to launch this full trip planning and itinerary product on our mobile app on ioS and Android this quarter.

Another stated priority is to **drive deeper engagement with travelers**, leveraging our unique content and data at scale. We continued to deliver progress in Q3. Let me share two examples.

First, we have been leveraging GenAI and machine learning tools to bring together guidance from our community and our editorial team on a set of our most popular destination pages: think New York City, Paris, and so on. Curating fresh, relevant content on these pages is driving over 15% more saves - so travelers are engaging more frequently by adding a desired hotel, restaurant, or experience they discovered through our product to the trip they are planning.

Second, we recently rolled out a test across tens of thousands of hotels that uses GenAI to summarize reviews and deliver clear insights to travelers on key quality attributes as they consider their choices. Let me give an example. For me, the single most important factor in booking a hotel is that I can get a quiet night's sleep. We are now leveraging our data to provide a clear signal about the noise level of a particular hotel, along with other critical qualities we know are important to travelers like atmosphere, service, value and more. While GenAI provides the perfect way to summarize content at scale, trust is still at the center of why people come to us, so in this feature we share the specific underlying reviews from our community of travelers that were used to generate each insight and provide a direct path to go deeper on what matters most to them.

These examples are just a few of the many encouraging proof points that our teams are driving, which gives us conviction in our strategic direction, prioritization and sequencing. But we know this only matters if it translates to financial impact over time, and we are also pleased with the **leading indicators we are getting on monetization**.

I mentioned before the significantly higher revenue we see among users who create a trip. As these users build an itinerary and engage more deeply, they are exposed to monetizable hotel and experience recommendations and to relevant ads from our partners, all of which we are increasingly integrating directly into this user journey. And the refreshed content on our destination pages is a perfect point in the journey to surface these options to a traveler–we've already observed double-digit increases in experiences revenue on the pages with these content enhancements and we are just beginning to scale.

All this adds up to more engaged travelers exposed to monetizable products; in experiences, for example, we've already exposed over 30 million more shoppers to bookable products year to date than in 2022. Given our positioning in the traveler journey, and our scale, we see opportunities to expand bookable supply into other categories or geographies, driving value for travelers and partners alike.

Turning to **Viator**, our position as the global leader in experiences continues to strengthen. We're serving more travelers, partnering with more operators, and powering more experiences storefronts than ever before. We reached $1.1B in gross bookings value this quarter. In an attractive category with a total addressable market projected to reach nearly $300 billion in GBV in the next few years, online players like us are set to disproportionately benefit as bookings increase and migrate online. We're working hard to accelerate this migration, differentiate Viator, and drive sustainable results.

On the traveler side, our acquisition engine is gaining efficiency. Our brand marketing investments are yielding greater demand from more profitable channels, such as brand search, app, and direct traffic. And we're successfully turning this new audience into a loyal one. We're doing this in two ways: first by improving the product experience, by easing search, enhancing the app, improving our check-out experience, and in hundreds of other large and small ways. Second, we're making it simple and sensible to come back by providing programs and incentives that drive loyalty. Collectively, these are driving significant improvements to repeat behavior. Our most loyal users are our fastest growing, highest spending, and least expensive of all our users.

On top of this compelling traveler experience, we're also **reinforcing our supply asset**. Viator has the world's largest, high quality, online supply of experiences: over 300,000 products from more than 55,000 operators. We've achieved this by being the best partner we can – by driving more bookings, and delivering demand as seamlessly as possible. Our success here shows up in our high retention rates as well as our operator engagement, with suppliers generating meaningfully more business through Viator the longer they remain on our platform. We also see it in the adoption of our Accelerate program: more than half of eligible products are now opted into the program, with operators choosing to exchange a higher commission for increased exposure across our platform. This has contributed to sustained improvements in take rates, and a clear signal of the meaningful value we are providing.

Finally, at **TheFork**, we continued to make progress on executing our strategy to achieve profitable growth, growing top line revenue while reaching an adjusted EBITDA loss of $1 million, a significant improvement over last year. As we build on this performance, we remain on track to deliver on our commitment to exit the year at break-even profitability.

We are achieving these results by leveraging our historical investments on both sides of the marketplace, while focusing on operational execution. On the **demand side**, we observed strong bookings contribution from repeat diners, the majority of which engage with us through our app - our most efficient and profitable channel. On the **supply side**, our restaurant cohort performance exhibited sequential improvements on both volume and value per restaurant. We're also benefiting from operational efficiencies, as we lead our sales, marketing, support, and customer service teams to higher levels of productivity as the business continues to grow.

Before I pass the call to Mike, I want to reiterate how excited we are about the work we are doing and how proud I am of our team and their focus entering the final stretch of the year.

As we look externally, we can't predict how the global economy or geopolitical events may impact the strong activity in travel we've seen for the last year plus. It's normal for us to see immediate movement in destination intent and experience bookings when disruptions occur, which typically abate in the days or weeks following – whether related to extreme weather, natural disasters, or recently, the activity in the Middle East. Overall, however, we continue to see resilient and durable travel intent in our data, driven by the enduring trend of consumers prioritizing travel and experiences over other discretionary spend.

What we do know is that across the Group we are making tangible progress.

At **Tripadvisor Core** we are on track in a multi-year transformation journey, leaning into a future that diversifies our business to deliver new avenues for sustainable growth and profitability, as exemplified by our thriving experiences marketplace.

At **Viator**, we are scaling to lead the global experiences category, delivering healthy levels of growth with improving unit economics, which gives us confidence in our ability to realize increased profitability at scale from the strategic investments we've made.

And at **TheFork,** we are executing in a fragmented market with a compelling value proposition and competitive differentiation; we will continue to leverage historical investments as we progress this segment to profitable growth in the near-term.

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

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<u>Mike Noonan, CFO</u>

Thanks Matt, and good morning everyone. I'll start by reviewing Q3 results and provide some color on expectations for Q4 as well as some preliminary thoughts on fiscal 2024. All growth rates for 2023 are relative to the comparable period in 2022, unless otherwise indicated.

Now onto Q3. We delivered results that exceeded our expectations for the quarter. **Consolidated revenue** was $533 million, reflecting growth of 16%, or 13% on a constant currency basis. Adjusted EBITDA of $127 million, or 24% of revenue, was approximately 150 basis points better than the range we provided last quarter.

Turning to the segment performance for the third quarter. **Tripadvisor Core** delivered revenue of $290 million, which represented 2% growth for the quarter. **Branded Hotels** revenue of $181 million declined 4%, an improvement from last quarter's decline of 7%. Within Branded Hotels, we saw mid-single digit declines in hotel meta and high-single digit growth in our hotel B2B business.

We were pleased with the stability of hotel meta in Q3, in particular coming out of the volatility we observed in Q2. Healthier trends emerged in July and carried forward through the rest of the quarter. The performance in the quarter, as compared to our outlook, was largely driven by sustained pricing strength, with volume broadly in-line with our expectations across both free and paid channels. Geographically, Europe performed better than our expectations–though on a year over year basis, it still lags the US which continues to benefit from sustained pricing strength.

We continued to see strong pricing growth globally while volumes lag last year's levels. While pricing is heavily impacted by the overall health of the travel market, we believe the pricing trends we have witnessed this year are also a direct result of product decisions we made on the platform. Some of the changes that we implemented have reduced volume but delivered higher quality clicks for our partners, which we believe has contributed to this strong pricing trend this year.

We were pleased with the performance of our free channels within hotel meta, as the share of hotel meta revenue coming from free channels remained stable year-over-year. We continue to manage paid channels for profitability by maintaining consistent ROAS targets.

While this puts pressure on hotel meta revenue growth, we believe maintaining profitability in paid channels is prudent as we continue to execute on our transformation at Tripadvisor Core.

Display and platform revenue grew 15% to $38 million. We're proud of the growth we were able to drive amidst more modest growth in the broader travel media category, in particular traditional display advertising. This performance is due in part to the collaboration in creative and content we are doing with endemic and non-endemic partners.

Experiences and dining revenue grew 22% to $55 million, with experiences revenue growing nearly 30%. We are very pleased with this performance, in particular with how the teams have managed to continuously improve conversion rates across channels and surfaces while more effectively managing profitability in the paid channels.

Revenue from **Other** offerings declined 11% to $16 million due to continued de-emphasis of flights, car rental, and vacation rental categories, which offset revenue growth in cruise of 13%.

Tripadvisor Core adjusted EBITDA was $111 million, or 38% of revenue, above our expectations and approximately 100 basis points lower than the same period a year ago. The modest de-leverage was a result of a revenue mix shift between hotel meta and experiences. Although hotel meta's revenue is a smaller share of total segment revenue, its contribution margin has remained stable year-over-year.

Turning to **Viator**, revenue was $245 million, reflecting growth of 41% or 39% on a constant currency basis, which was meaningfully higher than our expectations. Gross booking value was approximately $1.1 billion, reflecting growth of approximately 33%. Growth in gross booking value was primarily driven by volume growth and to a lesser extent pricing. We observed strong growth in destination bookings outside the US.

Adjusted EBITDA at Viator was $17 million, or 7% of revenue, which is flat year-over-year. While we achieved leverage in performance marketing this quarter, it was offset by an increase in brand spend.

I want to reiterate what Matt said earlier about how Viator continues to deliver an enhanced value proposition to both travelers and operators. It's a large opportunity, and our strategy is focused on investing to build scale and a strong competitive position in the experiences category. Our investment in traveler acquisition continues to translate to attractive and improving repeat behavior that is now delivering meaningful financial impact that we **see carrying over to deliver full-year profitability in 2024**.

As we've discussed, the online addressable market for experiences still has low awareness. Just 25% of the nearly $250B market transacts online today but continues to migrate quickly. Given these dynamics, new travelers typically discover Viator through paid online acquisition channels, such as search engine marketing. Given the value of scale and the reach these channels offer, we have been investing significantly to acquire new customer cohorts that are new not only to Viator, but often new to the category itself. Underpinning this investment strategy is our success in capturing new demand at scale through all acquisition channels and delighting these customers for the first time. And this success is driving attractive, growing repeat behavior that we are now seeing drive leverage as Viator continues to scale.

Our traveler cohort performance has consistently improved across every major metric - higher rates of repeat bookers who are spending more with us and on every subsequent booking returning to us through our most profitable channels: whether it be directly on our site or app, or through SEO, branded affiliates, or branded search. The combination of this consistent behavior has resulted in a highly valuable base of loyal, repeat travelers.

Gross bookings value from this repeat customer base has been our fastest growing segment at Viator, where we observed **3.5 times growth relative to new customers this quarter**. As we continue to deliver on our value proposition, we expect Viator's traveler cohort mix to continue to shift disproportionately more towards a higher contribution of repeat travelers that engage with Viator more and more directly or through immediately profitable acquisition channels.

So we continue to be encouraged by the strength of Viator's unit economics and the **leverage they are driving in the second half of this year that we believe will underpin full-year profitability next year.**

At **TheFork**, revenue in Q3 was $42 million, reflecting growth of 20%, and 14% on a constant currency basis. Revenue growth was driven by a mix of both volume and pricing growth. Overall, we are focused on continuing to increase monetization of our marketplace with balanced investments in both supply and demand in order to exit the year at adjusted EBITDA break-even.

Adjusted EBITDA loss at **TheFork** was $1 million, or -2% of revenue. Sales and marketing as well as technology and content costs levered significantly, resulting in 24 percentage points of year-over-year margin improvement driven by disciplined operating execution. We are pleased with the progress we are making on profitability and anticipate further momentum in future periods.

Turning now to consolidated expenses. Cost of revenue de-levered by approximately 100 bps primarily due to the increased weighting of Viator-related costs as a percent of consolidated revenue. Viator's costs include credit card processing fees, which increase with Viator's transaction volume. We also saw some increases in media-related costs in the Tripadvisor Core segment due to more customized campaigns we ran in the quarter.

Sales and marketing as a percent of revenue was approximately flat year over year. People costs as a percent of revenue were lower at Tripadvisor Core and TheFork, offset by higher sales and marketing spend at Viator, primarily due to increased brand spend.

Technology and content de-levered modestly due to higher people costs at both Viator and Tripadvisor Core, which offset lower costs at TheFork.

G&A expenses levered by about 50 bps primarily due to lower people costs at Tripadvisor Core.

During the quarter, we had restructuring expenses of approximately $18 million. This included $8 million in Tripadvisor Core related to the cost savings actions we discussed on our last call. In Viator, this included $3 million related to restructuring efforts to move certain functions to lower cost locations. Finally, at TheFork, this included $7 million related to cost savings initiatives actioned during the quarter. As we noted on the last call, the actions impacting Tripadvisor Core are expected to result in $35 million annualized cost savings. We now also expect the actions we took at TheFork to drive approximately $10 million in annualized savings. Timing of the actions we took across the business were largely isolated to the third quarter, but expect some small incremental restructuring expense to carry over in the coming quarters based on execution timing.

Now on to our cash and liquidity position. Free cash flow in the quarter was a deficit of $2 million. The sequential movement was driven in part by the seasonal outflow in deferred merchant payables during the peak travel season. During the quarter, we received a tax refund of $49 million associated with a previously disclosed IRS audit settlement. As a reminder, this refund was partially offset by the settlement payment of $113 million made during the second quarter of 2023. The expected net cash outflow related to this settlement is approximately $60 to $65 million. Year over year the decline in operating cash flow was due largely to timing of deferred merchant payables and other normal working capital movements.

Finally, as noted in last night's release, during the quarter, the Board of Directors authorized a new repurchase program of $250 million. We plan to execute this program opportunistically, subject to financial performance of the business, stock price movements, and other external factors.

Turning now to the outlook for the fourth quarter. Although we have limited exposure to the Middle East across our brands, we did see volatility increase at the onset of the conflict in October, primarily in experiences. We saw both an increase in cancellations and a deceleration of new bookings in the region. We also saw some impacts in European countries as travel warnings were implemented. Cancel rates receded as we exited the month. October performance has been incorporated in our quarterly outlook. For the quarter, we expect the following:

- Consolidated revenue growth of mid-single digits. The primary drivers of our expectation are mid-single digit declines in Tripadvisor Core and low-20 percent growth in Viator. We expect TheFork to grow in the low- to mid-teens year over year.
- For adjusted EBITDA, we expect consolidated margins of mid-teens, expanding year over year by 400-500 bps.
- By segment, we expect an approximately flat margin in Tripadvisor Core despite expected revenue declines. We expect year over year improvement in Viator margin of approximately 350-450 bps. And we expect TheFork to benefit year over year from cost improvements, and exit at break-even.

For the full year, we now expect revenue growth in the high teens, slightly above the outlook we provided on our last call. For adjusted EBITDA margin, we are slightly increasing our expectation from our last call, and now expect consolidated EBITDA margin of approximately 18%.

As we begin to think about 2024 on a consolidated basis, we expect to deliver adjusted EBITDA dollar growth that will outpace revenue growth due to full year profit contributions from both Viator and TheFork, coupled with our approach to balancing investment in Core strategy where the savings we've found in 2023 allow us more flexibility to support future execution of the strategy.

With that, I'd like to turn the call back to the operator to begin Q&A.

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Thanks again to everyone for joining us today. We're excited about the progress we are making on our stated strategy in each of our segments and focused on closing out the year strong as we look forward to 2024.