PARTICIPANTS

Corporate Participants

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Stephen Kaufer – President, Chief Executive Officer & Director, TripAdvisor, Inc.
Julie M. B. Bradley – Chief Financial Officer, TripAdvisor, Inc.

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MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and welcome to the TripAdvisor Third Quarter 2013 Conference Call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session and instructions will follow at that time. [Operator Instructions] As a reminder, this call is being recorded.

I would now like to introduce your host for today's conference, Will Lyons. Sir, you may begin.

Will Lyons, Senior Director-Investor Relations

Thank you, Sam. Good afternoon, everyone, and welcome to TripAdvisor's third quarter 2013 earnings conference call. I'm Will Lyons, Senior Director of Investor Relations for TripAdvisor, and joining me on the call today are our CEO, Steve Kaufer; and our CFO, Julie Bradley.

Before we begin, I'd like to remind you that the estimates and other forward-looking statements included in this call represent the company's views as of today, October 23, 2013. TripAdvisor disclaims any obligation to update these statements to reflect future events or circumstances. Please refer to today's earnings release and TripAdvisor's filing with the SEC for information concerning factors that would cause actual results to differ materially from those expressed or implied by such statements. You'll also find reconciliations of non-GAAP financial measures to the most comparable GAAP financial measures discussed on this call in our Q3 earnings release, which is available on our IR site, ir.tripadvisor.com.

Finally, unless otherwise stated, all references to selling and marketing expense, general and administrative expense and technology and content expense exclude stock-based compensation, and all comparisons on this call will be against our results for the comparable period of 2012.

And with that, I'll now turn the call over to Steve.

Stephen Kaufer, President, Chief Executive Officer & Director

Thank you, Will, and welcome, everyone. I'm going to take a few minutes and highlight some key metrics and discuss some notable developments on our technology and growth initiatives. Julie will then review our financials and outlook before we take your questions.

First some of the numbers: hotel shoppers grew a healthy 37% during Q3 as we saw solid growth across our core and emerging markets. This drove 13% click-based revenue growth for the period, a quarter in which we saw the biggest negative impact from our meta transition.

Our display business continued its solid 2013, accelerating nicely to 29% growth based upon global sales traction and product differentiation, and our subscription, transaction and other revenue line saw a very healthy 68% growth. It's worth noting that this strong total revenue growth came without much, if any, contribution from our new TV ad campaign, which we began testing in Q2 and rolled out more broadly in the U.S. and targeted international markets at the end of September. As a result, adjusted EBITDA came in better than we had anticipated as the bulk of our expected TV marketing spend has shifted into the fourth quarter.

Most importantly, we continued strengthening our position in the travel planning funnel, making progress on a number of ongoing initiatives aimed at growing our community and user-generated content, amplifying our brand throughout the globe, as well as improving the TripAdvisor experience for users and partners alike.

I'll now touch upon some interesting developments in a few of these growth initiatives. First, I'll discuss how we're growing three key assets: our traffic, our content and our brand, on a global scale. In terms of traffic, hotel shopper growth, as measured by our logs, remained solid. When including our exceptionally fast growing traffic to our restaurants and attraction pages, our sites averaged 260 million monthly unique visitors in Q3, up 59%.

We expanded our reach in Latin America, rolling out four new TripAdvisor domains in localized Spanish language: Peru, Colombia, Chile and Venezuela. We're also working on a desktop site refresh that places greater emphasis on TripAdvisor's huge, loyal travel community and user-generated content across all of our points-of-sale.

As for content growth, our more than 57 million emailable members are generating content at an accelerated rate of more than 80 contributions per minute, pushing our total reviews and opinions to more than 125 million. In addition to our deep, rich reviews, TripAdvisor users love candid travel photos and we have more than 17 million of them, up 70% year-on-year. We supplemented that recently by acquiring Oyster.com, a hotel review website featuring reviews and photos covering thousands of properties in more than 150 cities.

On the brand side, I alluded to our new TV ad campaign, which highlights a recognizable aspect of our user-generated content, our iconic bubble ratings. The ads kicked off nationally at the end of September, concurrent to testing the original TV ad in targeted European and South American markets. We are seeing some positive signs from this campaign, but it is too early to gauge the overall effectiveness.

We were also very pleased to announce a partnership with American Express, our first major onsite affinity program, which brings additional functionality to card members in the U.S., U.K. and Australia. In addition, we entered into a partnership with European publishing powerhouse, Axel Springer, to create a new German digital travel magazine. These two wins will increase brand awareness, drive user stickiness and nicely complement our ongoing robust Certificates of Excellence and Travelers' Choice Award campaigns, as we strive to achieve brand ubiquity all around the globe.

Secondly, as it relates to how we're making the TripAdvisor experience that much better for users and partners alike, I'll highlight meta, mobile and TripConnect. On the first topic, Meta, since we rolled this out to 100% of our traffic in early June, we've driven more clicks per meta session and better downstream partner conversion, and although pricing remains choppy, we've seen a modest uptick in meta revenue per session. We continue to work on improving onsite and partner conversion, running multiple tests every week, and we expect more gains in this area.

For partners, coverage is strong and bidding frequency is up. Specifically, we've seen the majority of our top partners bidding at least weekly, and many of them as frequent as two to three times per week. We are working to make the bid recommendations we send more actionable, which will give partners additional insight and flexibility in their campaigns. We are also now providing an expanded suite of reports, including a report to help them bid on our mobile traffic, which continues to grow at a fast pace.

More specific to mobile growth, we had more than 108 million average monthly users on tablet and phone, approaching 40% of our total traffic and reaching more than 69 million cumulative app downloads. Our roadmap on these devices is simple; help the traveler find exactly what they need to make an informed travel decision faster.

On the tablet side, our recent app design refresh looks great and makes it a lot easier for travelers to find the hotel they're looking for. The upgrade has performed well, delivering an estimated 20% uptick on tablet app revenue. We plan to roll out the new design to tablet web traffic soon, and are hoping for a revenue uptick there as well.
On the phone side, we're thrilled with the release of our new native Android and iPhone apps as they are hitting the mark in terms of delivering fast results and pleasing design, giving the user an overall much better experience. Also, our pre-install partnership with Samsung has provided a nice bump to mobile app usage, with an average of 7 million monthly unique app users on Galaxy S4 during the quarter. The native app launches and the Samsung partnership are part of phase two on our team's roadmap to materially improve the smartphone user experience.

Phase one was adding meta hotel price comparison late last year. Phase two included refreshing the user interface and writing native apps on iOS and Android for speed and design. Phase three includes translating the app design components to the phone. And phase four, starting sometime in 2014, will aim to remove friction from the booking process, allowing travelers to make a reservation while staying on TripAdvisor.

In our opinion, the current handoff to partners on the phone is, in a word, painful, especially when users want to go back and forth as they explore different partners' booking options. We believe it is absolutely imperative to deliver a better experience on the phone for our travelers. By reducing that friction, travelers will have the opportunity to pick a property, choose a room type and finish the reservation without leaving TripAdvisor. To be clear, we are not becoming an OTA. We greatly prefer the media model and are happy to facilitate the reservation while our partners fulfill the request, especially if it leads to a smoother, more enjoyable user experience on TripAdvisor.

We believe this could be one of those delightful win-win-win scenarios as we expect to drive a cleaner and more enjoyable user experience, better conversion for our partners, and improved smartphone monetization. The magnitude of the monetization improvement remains unclear. However, given that hotel shoppers on smartphone continue to grow in excess of 100%, we see this reduction in friction to help travelers finish their reservations, as a meaningful opportunity in 2014.

Finally, as for the third topic, our new TripConnect platform, for the first time we're enabling independent hoteliers to advertise their rates and availability to our massive travel audience. At this point, we've partnered with over 260 Internet booking engines, or IBEs, representing approximately

200,000 independent properties. Over 70 IBEs have completed the integration, which as of last week, allows more than 40,000 hoteliers to sign up and start bidding for leads.

These smaller, independent properties, many of whom have never been part of an OTA, can now appear in our availability results, advertising their room rates and availability to our massive global audience. We think this is another win-win-win scenario, in which the traveler gets more choice, a new segment of hoteliers get access to that traveler, and TripAdvisor gets better commerce coverage and another bidder in our auction, which helps our conversion numbers.

The TripConnect rollout also includes an adapted Review Express product for hoteliers, allowing them to engage guests by automatically generating post-stay review solicitation emails. This is a great improvement over the current manual version, which was already being used by more than 30,000 business owners around the globe. Review Express will help hoteliers engage guests on a more frequent basis, adding more fresh, valuable content about their properties on TripAdvisor, which in turn helps drive audience and leads through our powerful network effects.

TripConnect is an exciting addition to the Business Listings product suite and the entire team has continued to execute well this year. We also have new leadership at the helm, as we appointed Marc Charron as President of TripAdvisor for Business after his successful three years as Managing Director of our Asia-Pacific region.

Switching gears a bit to our Vacation Rental business, vacation rentals are an increasingly popular accommodation choice, and our more than 400,000 property listings are a nice complement to our 758,000 hotels, inns, B&Bs and specialty lodging on our site. Our experience over the past year is that adding a free-to-list, pay-only-when-the-consumer-books option for the homeowner, in addition to the subscription option, has allowed us to significantly improve the traveler and homeowner experience.

We have reduced the friction to list for the homeowner, it's just amazing what the word free can do, and by doing so we have dramatically improved the selection of properties available to the traveler. We're also just about to add Niumba's excellent Spanish inventory, which puts us over 500,000 Vacation Rental listings on TripAdvisor. We think that vacation rentals is a business that begs for the kind of scale and demand that we can bring to the equation, and we are looking at additional opportunities to consolidate even more supply in this fragmented, fast-growing market.

In summary, we've made some nice progress on our various growth initiatives this quarter and have some exciting initiatives in place that we think will help us better match more travelers with our partners and improve monetization.

I'll now turn the call over to Julie, who'll provide some color on the financial results, as well as our outlook for the balance of 2013.

Julie M. B. Bradley, Chief Financial Officer

Thanks, Steve and good afternoon, everyone. Third quarter revenue grew 20%, driven by continued strong hotel shopper growth in our click-based business as well as notable strength in display and continued strong subscription transaction and other revenue. Currency provided a 1.5% tailwind to total revenue this quarter, adjusted EBITDA growth slowed to negative 2% versus positive 15% in the year ago quarter.

Specific to geographic mix, revenue from international points-of-sale was 53% of total revenue during the quarter, which represents a more normalized state versus Q2 when we saw the impact of the country-by-country phased meta rollout. International revenue growth continues to outpace domestic revenue growth, with Q3 international revenue up 25%. This growth is driven primarily by rapid hotel shopper growth globally and strong performance of our Display and Business Listings products overseas.

International hotel shoppers were up 41%, with LATAM representing our fastest growing region at 54% hotel shopper growth. In terms of revenue by product, click-based revenue grew 13%. This was driven by hotel shopper growth of 37%, offset by three headwinds, 9% to 12% from the meta transition, and approximately 5% to 10% each from our strong smartphone and international growth.

Drilling down a bit on mobile, tablet and phone revenue contributed nearly 15% of total click-based revenue, with unique users on phone up more than 200% year-to-date. We see a distinct opportunity to reduce friction and improve monetization on that device.

Display based revenue growth accelerated for the third straight quarter to 29%, ahead of our full-year expectations. This is due to better sell-through rates on a global basis. Our client count increased 21% in Q3, primarily driven by new business in APAC and EMEA, and an improved rebooking rate in the Americas. In particular, we're seeing nice traction with destination marketing organizations, hoteliers, airlines and more recently financial buyers, as these advertisers seek to leverage TripAdvisor's global consumer reach.

Subscription, transaction and other revenue, which includes Business Listings, Vacation Rentals and our transaction businesses, delivered 68% growth, ahead of our full-year expectations for those businesses. We attribute this solid performance to continued Business Listings sales traction, as well as increased inventory and a better user experience in Vacation Rentals.
On the expense side, our aggressive hiring pace continued in Q3 as we pursued our product, platform and global growth initiatives. Marketing costs increased versus last quarter to prepare new ad creatives for our TV campaign, which started running at the end of September, and added people and advisors to support that campaign, and increased our spend in a variety of traffic acquisition channels. As such, the vast majority of our TV spend budget will be concentrated in Q4 as we continue with our domestic spend and expand the campaign to more international markets.

Moving onto taxes, our Q3 GAAP effective tax rate of 33% increased sequentially, primarily due to normal true-ups of estimates as a result of filing our 2012 tax returns as well as some changes in full year forecasted geographical mix. We expect our GAAP effective tax rate for the full year to be towards the upper end of our previously provided guidance of mid-to-high 20s.

Cash flow from operating activities grew 90% to $145 million, well ahead of our normalized run rate. The year-over-year increase is primarily due to the application of prior year tax overpayments and the timing of customers' receipts for future hotel and vacation rental stays versus the payments to hoteliers and vacation rental owners, which are tracked in our deferred merchant payable. We would expect these two items to have a positive impact on full year cash flow.

CapEx for the quarter was $15.7 million, or 6% of revenue, consistent with our full year guidance. Approximately half of our full year CapEx plan is related to capitalized engineering salaries and the balance is driven by data center expansion needs on higher traffic and leasehold improvements in several new and existing offices.

From a liquidity standpoint, we ended the quarter with $596 million in cash, cash equivalents and short-term and long-term marketable securities. This does not include approximately $40 million for marketable securities that settled after quarter end. At the end of the quarter, we had outstanding borrowings of $350 million as well as an undrawn credit facility of $200 million.

Finally, in terms of capital allocation, we repurchased 1.4 million shares of our common stock for approximately $100 million.

With that, let me provide updated thoughts on our 2013 outlook. We are reiterating our total revenue growth expectation of low-20s for the full year. For click-based revenue, the CPC bidding landscape continues to mature and we are facing increasingly tough traffic comps due to SEO improvements in the back half of 2012 and into early 2013. As a result, we are lowering our full year 2013 expectations for click-based revenue growth to mid to high teens.

Based on our strong results through nine months, we are raising our display-based revenue outlook to high-teens-to-low-20s growth for the full year, but we no longer expect Q4 to have the strongest growth rate.

For subscription, transaction and other business lines, we continue to expect high 50s growth for the full year, and see more upside opportunity than downside risk to that forecast. Remember that our click-based business is highly sensitive to fluctuations in hotel shopper growth and partner CPC pricing, both of which are risks, especially to our click-based revenue line.

On the flip side, neither our results to-date nor our 2013 forecast include any meaningful traffic or repeat visitor lift from our TV ad campaign, so that may represent some potential upside from a traffic or revenue standpoint moving forward.

On the subscription, transaction and other revenue line, remember that the traction in our Vacation Rental free-to-list product, as well as our flash sales products, will have seasonality similar to our click-based revenue, where Q3 is seasonally the strongest quarter and Q4 is seasonally the weakest. Also note that the independent hoteliers using our TripConnect product must purchase a Business Listing subscription, which will continue to be reflected in our subscription, transaction and other revenue line, while the cost per click lead that we send to the independent hoteliers will be captured in our click-based revenue line.

Finally, on the expense side, our investment objectives and hiring plans remain relatively unchanged. Given our 13% EBITDA growth year-to-date and the fact that our TV spend will be materially higher during the fourth quarter than in the previously two quarters, we are maintaining our full year 2013 EBITDA growth expectation of mid-single-digits.

We will now open the call up to your questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from Lloyd Walmsley of Deutsche Bank. Your line is now open.

<Q – Lloyd Walmsley – Deutsche Bank Securities, Inc.>: Thanks. Just wondering on the updated guidance on click-based advertising, it seems like if you were to be able to do the revenue growth on that line item that you did just in the third quarter alone, you could have gotten to the low end of the old guidance, so are you expecting that that potentially to come in further slowing in the fourth quarter? And then, I guess as you look at the drivers there, how much of that is just the tougher comp on hotel shopper growth and how much of that is, stability or lack thereof in the metasearch auction, you know, is there still a lot of movement going on among the key players or do you feel like they've figured out what they need to do and, the metasearch drag will thus be reduced as we go forward?

<A – Julie Bradley – TripAdvisor, Inc.>: Sure. So, first I just want to reiterate what the guidance was originally. It was the high teens to low-20%s, and we moved it down to mid to high teens, really citing from the hotel shopper side that we have some tough SEO comps continuing in the fourth quarter and into 2013 and we are also still seeing some of those other headwinds that I called out between mobile international and -

<A – Steve Kaufer – TripAdvisor, Inc.>: Meta.

<A – Julie Bradley – TripAdvisor, Inc.>: And meta, which kind of gets us, more into a mid to high teens range for the full year.

<Q – Lloyd Walmsley – Deutsche Bank Securities, Inc.>: And then just on the metasearch auctions, do you see the drag decreasing in the fourth quarter and how long do you think that drag will continue to be a headwind into next year?

<A – Steve Kaufer – TripAdvisor, Inc.>: So, I guess there is a piece of that answer that we have some influence on and a piece that we really don't. So, I look at it as what can I do for onsite conversion of folks entering that meta funnel and we had made some progress in the past quarter. Not as much as I had originally hoped for, but, again, some progress. We continue on a weekly basis to do things and think of it as every other week we find another small win and so they keep adding up. I have no reason to believe that we won't continue to see additional small incremental wins throughout Q4 as we get better and better at optimizing the conversion. I certainly don't think that we are done, we've found everything that there is.

The perhaps higher level of optimism that I had in our last call in terms of what we would be able to do in Q3 has led me to be a little more cautious about my optimism of what we could accomplish in Q3 that we didn't quite deliver on in terms of improving that meta conversion experience, has led me to be more cautious about expecting even higher gains in Q4. If they come, great. It doesn't change our actions. The other half that relates to meta monetization is what pricing does and so, clearly most of our clients are still experimenting frequently with the option. We expect that to continue, think of it as forever as people adjust their bids up and down. And in my remarks I referred to it as choppy because it's hard for them to figure out the dynamics as one client changes their bids and then it affects the others and vice versa and we just think of it as a fluid environment.

I'm comfortable that most of the major players are now bidding intelligently, they are very active, their game is on in almost all cases. So, the slow adoption by a couple of our partners, that issue is in my view mostly gone away and we have an active bidding system. I'm not in the fourth quarter projecting a price increase or a price decrease on average, because I have no indication one way or the other that clients will bid up or down. So for want of better information, I am thinking pricing is neutral, conversion will be up a little bit and that's how we build our forecast, it's all subject, unfortunately, from my perspective, from my forecasting perspective, to a lot of conditions that are just beyond my control.

Operator: Thank you. Our next question comes from Nat Schindler of Bank of America. Your line is now open.

<Q – Nat Schindler – Merrill Lynch, Pierce, Fenner & Smith, Inc.>: Yes, hi. When going with the meta neutrality, you're getting to monetization neutrality with meta, your customers are all very experienced ROI based marketers. You basically moved down the conversion funnel. Why wouldn't that follow a very efficient curve, and would I have to say that the advertisers were paying too much before on click-based or too little now?

<A – Steve Kaufer – TripAdvisor, Inc.>: Great question. And one we wrestle with when we think, hey, wait a minute, I have, apples-to-apples number of travelers, we changed the interface, but they are still at the end of the day going to book the same number of hotels, because I haven't fundamentally changed anything, so why are we making less money than we were before, if you assume that clients are bidding at the same efficiency level, if I could paraphrase your question. I think part of it comes down to when we were sending a lot of clicks over to our clients in the old pop-up mechanism, we were actually spawning lots of windows and lots of sites, and perhaps TripAdvisor was getting some credit for transactions that didn't happen at that point in time.

If I try to remember my own remarks from a couple years ago, pre-meta, when I was talking about why I didn't think the meta model would monetize as well as our old model, I referred to the fact that we actually sent a lot of traffic, and some of that traffic would buy arguably not what was intended, if you will. So, a click over to a Hilton Hotel on Expedia would end up buying an airplane ticket somewhere. And now the click over to Expedia is only happening when they like the price that they have seen for that Hilton property, so it's much more qualified and less likely to perhaps buy something else. So, maybe we were getting a little bit more credit for something that we didn't get before or maybe we were getting more credit before than we are getting now in terms of attribution.

The other use case that we certainly note is on TripAdvisor today with our meta experience, you can check the prices, you can find everything you need and then, you go home, you check with your spouse and then maybe you go direct to the OTA or the chain to book. And the OTA is still getting the booking, the traveler is still making the reservation, but that connection between the research experience on TripAdvisor over to the OTA isn't trackable anymore, so we call that leakage in our system. And we believe the meta experience has more leakage than the pop-up system because the pop-up – to get the price, you had to pop-up on Expedia or booking or anyone else. And if you went back an hour later, domain direct to those sites, we would get credit for that transaction. Now we don't because we don't have that window appearing.

So, I think it's a nicely complicated way of saying that the meta experience all by itself has more leakage, we believe, than the old pop-up experience. And we are betting, certainly over time, that the fact that it is so much more of an enjoyable experience, travelers will come back to TripAdvisor to do their research more frequently, and will more than make up for the increased leakage with increased visitor rate, but that will take some time.

<Q – Nat Schindler – Merrill Lynch, Pierce, Fenner & Smith, Inc.>: And just a follow-up actually on something you had said on your last call about traffic issues, and I think you mentioned in August at an Investor Conference, persisting. You still came in with very high total traffic growth and you decelerated only slightly on hotel shopper growth. Are you seeing any macro issue on travelers?

<A – Steve Kaufer – TripAdvisor, Inc.>: I wouldn't say that there was any big macro event this past quarter that I would cite as materially affecting us. Our overall traffic growth I expect to continue some pretty high numbers as our attraction in restaurant and Vacation Rental traffic continues to grow in extremely strong ways. As you know, we don't monetize that as well, but it remains an incredible under-monetized, underutilized asset that we have that so many people on so many devices are using TripAdvisor far beyond hotels. And so it's a nice long-term piece of our puzzle. I mean, when you look at 260 million uniques and a 60% or 59% year-on-year growth rate, oh my gosh, that's really big and are really big numbers. So, the law of big numbers will say that will decelerate at some point, but it's still adding at such a rate, building up such a nice asset. But again, we called out hotel shopper specifically because that's more relevant to our financials.

Operator: Thank you. Our next question comes from Dean Prissman of Credit Suisse. Your line is now open.

<Q – Dean Prissman – Credit Suisse Securities (USA) LLC (Broker)>: Great. Thanks for taking my questions. So, with TripConnect, are there any financial incentives you're considering for your booking engine partners to help them, say, sell business listings or even generate ad budgets? And then on the moderation in the year-over-year declines from Expedia revenue, can you comment on the cadence? So, is the trend observed throughout the quarter or pronounced at a particular point? And then secondly, any comment on whether activity from brand Expedia or Hotels.com was more of a factor? Thanks.

<A – Steve Kaufer – TripAdvisor, Inc.>: So, I really don't like to comment on individual client behavior, so I'll have to take a pass on that one. I did say that all of our big clients are very active on our system now, so whereas a couple of quarters ago, I had said that there were some that were slower to adapt. We don't have that issue anymore, by and large. In terms of the offering financial incentive to Internet booking engines, we don't actually feel that we need to at this point. Most or many, I should say, of these Internet booking engines make money by charging a small transaction fee to the hoteliers, and so any time they can find a vehicle that helps drive more website bookings for them, they are going to make money as part of that transaction, frankly. So, we find most of the IBEs extremely cooperative and very interested in helping their client base, the hotelier, get up to speed and bid on our platform. Again, we think they are making money, if not just providing a good service to the individual hoteliers.

The 200 plus sign-ups is a very meaningful percentage. We don't have total figures, but near as we can tell, a very meaningful percentage of all of the IBE players out there and the fact that they have committed to working with us. And the only reason it's not, 200 certified partners at this point is that, hey, there's some development work that they have to schedule. So, they are committed, it's going to happen. We will have these couple of hundred thousand independent hoteliers and hopefully, more over time able to participate in the system and that's the overall beauty of TripConnect as it adds so many more potential players. We don't think financial incentives are at all necessary to help that along.

<Q – Dean Prissman – Credit Suisse Securities (USA) LLC (Broker)>: Great. Thanks.

Operator: Thank you. Our next question comes from Michael Purcell of Stifel. Your line is now open.

<Q – Michael Purcell – Stifel, Nicolaus & Co., Inc.>: Yes. Thanks for taking the question. I'd like to talk a little bit more about the user engagement. The 37% traffic growth, I was wondering if you could give us some cadence if that did accelerate through the quarter and just geography-wise if that is – if you're seeing any difference there? And secondly, on the last call you gave us some updates about the view – page views per session is up 10% and bounce rates. So, I was wondering if you can give us any updates on that? Thanks.

<A – Steve Kaufer – TripAdvisor, Inc.>: Sure. So, I'll start with some of the phone because that was the most exciting, but post quarter I should add as we rolled out the native apps right at the end of the quarter or early October. And we have seen the expected increased engagement from the native. So, we are certainly pleased with that. I don't have an update for you on page views per session or bounce rate. From memory on the traffic growth, 37% hotel shopper growth, I believe it was kind of the rest of world growing the fastest. U.S. held their own in terms of growth. If I recall Europe in terms of hotel shoppers was weaker in terms of year-on-year growth rate than the U.S. I hesitate a little bit in throwing those out because I don't really know off-hand how they were comparing to previous quarters. So, I'm not sure I can help you draw some interesting overall conclusions from that. We do measure bounce rate and page views per session, repeat visitor rate and the like and I don't have anything sort of meaningful to report on those numbers at the moment.

<Q – Michael Purcell – Stifel, Nicolaus & Co., Inc.>: Okay. Thank you.

<Q – Nat Schindler – Merrill Lynch, Pierce, Fenner & Smith, Inc.>: Okay.

Operator: Thank you. Our next question comes from Scott Devitt of Morgan Stanley. Your line is now open.

<Q – Scott Devitt – Morgan Stanley & Co. LLC>: Hi. Thank you. Stephen, 2012, the gap in hotel shopper and CPC revenue was driven by site redesign and traffic quality, and I think mobile international and Expedia pricing as well and then as we transitioned into this year, the gap has been mobile international and meta. And so, it seems like now that those three are potentially going to continue into 2014 and I was just wondering, if you could speak to whether or not you foresee any other potential headwinds as it relates to monetization as we approach 2014? And then, as it relates to the three that you're facing this year, how you think of those in terms of being structural versus transitional given the length of time that they have impeded revenue growth? Thanks.

<A – Steve Kaufer – TripAdvisor, Inc.>: Sure. Excellent questions. So, in terms of those mobile international and meta, meta I think we will continue to make modest improvements as we continue to work on conversion, maybe slower going than I would have liked, but that one goes away when we lap. So, hey, by June we'll have rolled out 100% and so, we won't be facing that headwind anymore, and I don't see a particular reason why that would reemerge as a headwind. International growth, no, we would continue to expect international growth to remain a modest headwind as we continue to grow, as the countries get bigger and more online, the CPCs tend to rise. It doesn't always work that way, but I would put that in the modest headwind category for the next several years.

And then mobile, I'm not sure to what extent the reducing the friction, helping to complete the reservation on the phone is going to offset the faster phone growth than desktop tablet. So, mobile will continue to be a headwind because it's growing so much faster than anything else or than desktop certainly, but it should be less of a headwind for us because we will be able to take all of our current traffic and the future growth traffic and we expect to have a monetization improvement on that score. So, yes, a headwind, but a decreasing level of headwind, if you will.

<Q – Scott Devitt – Morgan Stanley & Co. LLC>: And would you envision bringing direct booking from mobile back to desktop like what you had done with metasearch?

<A – Steve Kaufer – TripAdvisor, Inc.>: I'm talking about figuring it out on the phone because the phone is really the pain point where the back and forth on the consumer on the phone, you open it up, the TripAdvisor app, you look around, you say, wow, searching in a city for a hotel, great hotel, love the photos, love the this, love the that, found the great price, click over and you land on Booking.com or an Expedia or Hotels.com or Travelocity or – and then, hey I want to check the next rate and you're kind of lost a bit. I mean, when we watch our users, they struggle with getting back to TripAdvisor and we feel that's a key reason why we are not monetizing as well on the phone, plus we don't let someone finish the transaction, so they click off and then, again, they go home and instead of opening up the app again, they go directly to the site that they saw the price and they book. So we lose credit there.

Finishing the reservation on the phone allows us to plug both of those holes, and so if we have a serious hotel shopper on the phone, and we do, we believe we do, and you see other folks report meaningful bookings on the phone, not just people looking, we think we can sort of capture that demand. The need is less on the desktop because you click on the button, it opens a new window and that's fine, you click on the next button, it opens a new window. You don't have the experience of completely losing the context. So, we will see how it works for us on the phone, we will see what the user reactions are. We are very protective of our unbiased perspective or our unbiased brand reputation on the part of consumers, so we don't want to be seen as just pushing one particular supplier or we'd never go exclusive in a market, that sort of thing. So, we want to maintain our site, where you can do your price comparison and do a reservation through a number of different vehicles on the phone. And, again, I'll pass on the question of whether that makes it to the desktop or tablet or not. Phone is where our head is at.

Operator: Thank you. Our next question comes from Douglas Anmuth of JPMorgan. Your line is now open.

<Q – Douglas Anmuth – JPMorgan Securities LLC>: Great. Thanks for taking my question. I just want to ask you about CPC trends in particular and by geography and if you're seeing any material differences there? And then, I may have missed it, but did you give an expectation on when you think you can achieve revenue parity under meta?

<A – Steve Kaufer – TripAdvisor, Inc.>: Hi, Doug. So I'm no longer talking about a timeframe that I'm going to achieve revenue neutrality on meta because I'm not thinking about it that way anymore. I'm looking at on a weekly basis we're making conversion improvements, and I am not sure I can even measure what true revenue neutrality looks like anymore. So, it is what it is. We're not moving back. We'll comp over it and the appropriate question, if you will, each quarter might be, hey, so how many points of conversion improvement do you think you can get over the next quarter or how many did you get over the last quarter sort of thing. And, to answer that now, I said, hey, we made a smaller than expected conversion improvement in Q3 and we still think that there is improvement we can make in Q4, we don't think we've tapped the low hanging fruit.

The CPC trends by geography; this is a little bit from memory here, but U.S., Canada, Australia, probably pretty strong markets, Southern Europe, still weak in terms of overall CPCs. I'm not sure that that's going to change in the coming quarters just because of the overall economic situation. I don't see big clients missing. I don't see big potential changes that happened in the last two months that would make me predict something is going to change in the next two months that would sort of fundamentally cause any one market to be particularly strong or particularly weak when we chat again in the next quarter.

<Q – Douglas Anmuth – JPMorgan Securities LLC>: Thanks, Steve.

Operator: Thank you. Our next question comes from Tom White of Macquarie. Your line is now open.

<Q – Tom White – Macquarie Capital (USA), Inc.>: Great. Thanks for taking my question. Steve, I think intra quarter, you made some comments that suggested you guys might roll out your brand marketing campaign internationally more, add additional countries throughout next year, maybe can you give a little bit of color on how broad that might be and if possible put some numbers to it?

And then just on the question, the prior questions about CPC trends for sort of outside the U.S., I know it's kind of hard to isolate, I guess, what's been happening with those independent of this meta change, but as we look out across 2014, what do you think is the best way for us to assess whether that kind of pricing headwind from some of these newer markets, may be closing or that delta might be closing relative to U.S. CPC prices? Is it just kind of changes in ADRs in those markets or are there other factors? Thanks.

<A – Steve Kaufer – TripAdvisor, Inc.>: Excellent question. I'll take each in turn. So, the brand marketing international rollout, let's see, we're very big in the U.S. now. In Europe, we've been testing in Spain and France. We do – when we think TV, we do think global ,as you have to create a TV ad, it's a little hard to create – we found it hard to create one that would instantly work and be testable in every market, so there's, as you can imagine, additional production costs depending on the markets that you seek. We picked a few different markets because we wanted to see if we'd be able to measure a benefit that would come in a market as small for us as Argentina versus as large as us for the U.S. And so, it's quite possible, I'm not saying we're doing this, I'm just saying it's quite possible, that we will choose to continue to – we will continue TV in 2014 in markets where we need strong awareness and go light in markets where we're already particularly strong or vice versa.

Given how global we are, there are so many different places that we are going to have to make some strategic trade-offs in the market. Don't have any numbers to share because we haven't set those ourselves because we don't have results yet from the current tests. So, it's – I remain cautiously optimistic about television having a meaningful effect on the business. We do have to take a longer-term view. I'm not interested in testing at the level that we've been out in Q4, expand into all markets throughout 2014. That would sort of kill us and we really wouldn't have a lot of logic behind that. That's why we did a test. So, that's why we are testing now. That's why we're heavy in the markets that we chose so we can see the effect. And from that, we'll be able to pick out some numbers and then hone in on individual markets next year.

I'd give you the, perhaps insight – we will just say comment on the way we think about the television for next year will be to set aside some funds. And they will be fungible in terms of – we're not going to approach it as we have X budget, so we are going to spend it by definition. We'll continue to iterate and test and perhaps some of that testing will be in markets that we haven't been in before. Perhaps if we like the results in our current markets, we'll continue there, but it will still be subject to change, and we may or may not break out TV spend specifically from other sales and marketing expenditures over the course of next year.

We wanted to tell you this year because it was big, it was material, it was something we had never done before. And in another quarter, I'll give you my best guess or my best take on how it worked for us and the logic of roughly the – how we're thinking of continuing that in 2014.

To the CPCs outside the U.S., the best way to monitor how our international monetization gap would be, it's – I'm a little stumped because we're just not sharing enough information on the breakout in international markets, so where our traffic and clicks are coming from to the degree that you can get other information from other online travel agencies as to how well they're doing in a particular market. I would naturally expect some level of similarity if a particular OTA is doing well, commanding high margins, et cetera. That generally means that they can afford to pay us more as a lead source. So that's an indication of pricing. You know, Australia is a good market, it's a rich market and, and the prices are strong, whereas some of the newer LatAm markets, there's not a lot of online trends – there's not as many online transactions happening there, so prices tend to be lower, no surprise. Sorry if that's not a particularly helpful answer to you, but I can't, off hand, think of anything better.

<Q – Tom White – Macquarie Capital (USA), Inc.>: No, thanks for the color.

Operator: Thank you. Our next question comes from Mark Mahaney of RBC Capital Markets. Your line is now open.

<Q – Mark Mahaney – RBC Capital Markets LLC>: Thanks. I just wanted to ask one quick question on TripConnect. Have you noticed any increased tensions, pushback from some of your larger OTA partners with the rollout of that product? And Steve, I know you mentioned some statistics in there about properties that have never been involved with any OTAs in the past. But nonetheless, as you do this, have you noticed anything that has encouraged you or discouraged you in terms of the timing and the strengths with which you roll out TripConnect? Thank you.

<A – Steve Kaufer – TripAdvisor, Inc.>: Hi, Mark. Good question. No, we really haven't had pushback from our OTA clients. And while somebody that's not an OTA client bidding on a new property probably wouldn't – you know, wouldn't notice, wouldn't care. They might well ask, hey, if this adds another bidder to the auction, that might not be good for me, the OTA.

But you have to remember, we have a lot of OTAs in our auction already, so adding one more player, in most markets, there's lots of players. So it helps, from our perspective, in pricing, but it's not, from an OTA perspective, a particular sort of meaningful. By point of comparison, hey, we could sign up another OTA that has 20,000 properties to add and, boom, in one day, all of a sudden, 20,000 more properties have competition. It will take us a long time to sign up 20,000 more individual hoteliers who are all managing their self-service CPC bids.

So, in the scheme of adding competition, sure it adds some competition; in the scheme of OTAs losing click share, that's a little further down the road to see. And OTAs are absolutely used to competing with each other on our site, they're used to competing directly with the hotel chain on our site. They're used to, in a small degree, competing with independents who were represented by aggregators before, because we always had some of those.

And so, adding thousands or tens of thousands of more independent hotels bidding, probably isn't losing the needle for them one way or the other. Maybe it's just a very long-winded way of saying, I'm sure they knew this was coming like competition comes in all markets.

<Q – Mark Mahaney – RBC Capital Markets LLC>: Thank you, Steve.

Operator: Thank you. Our next question comes from Eric Sheridan of UBS. Your line is now open.

<Q – Eric Sheridan – UBS Securities LLC>: Thanks guys for taking the question. This was the first quarter where Expedia and Pricelines had their own and operated net of properties inside their own companies. Did you see anything from either a bidding perspective or a budget perspective that might have changed now that Expedia owns Trivago and Priceline owns Kayak and how that might continue to develop going forward into 2014? Thanks.

<A – Steve Kaufer – TripAdvisor, Inc.>: Eric, that's an interesting question. No, we haven't heard anything from clients that indicate their bidding behavior or budgets on TripAdvisor have changed because of this. I'd say that knowing full well that why would they tell me if anything had changed, but the behavior we see on the day-to-day client relationship continues to be, we're optimizing our bids on TripAdvisor or how can we get more traffic or efficiencies are better, I can add my bids a little more, or hey, TripAdvisor, where should I do it, oh, my efficiencies are going in the wrong direction, I need to cut back, where can I reallocate?

It's a partnership, there's a lot of dialogue back and forth. And I'm not even sure the overlap in terms of the people that we deal with at our big clients, are they the same individuals that are bidding on our metasearch competitors? I suspect in most cases they're not. So, we're not seeing a – certainly we're not seeing a budget shift and we're not seeing any other behavioral shifts that I can articulate.

<Q – Eric Sheridan – UBS Securities LLC>: Great. Thanks.

Operator: Thank you. And our next question comes from Mike Olson of Piper Jaffray. Your line is now open.

<Q – Mike Olson – Piper Jaffray, Inc.>: Just one question on mobile. You've talked about the direct mobile booking solution to kind of help with the fumbling of the hand-off issue. How widespread will that direct mobile bookings path be – like does it take time to roll out to a broad portion of inventory or what are kind of the restrictions or limitations for rolling that out?

<A – Steve Kaufer – TripAdvisor, Inc.>: So a great question. It will certainly roll out over time. It's a new set of flows to make the reservation on TripAdvisor as opposed to just click off, so we have to develop all that. It's a new piece of connectivity with our partners that we need to develop.

I'd make the clear distinction between what we're doing on the phone and what we just went through with the classic or pop-up windows over to Meta, because that transition was truly a, hey guys, it's coming, hey, it's coming, better get on board, better get on board, we are launched and you're not participating. And because it was a sort of a Big Bang launch, you had – you, the client, had to move from classic over to Meta or you just weren't being shown on our site. Whereas the move on the phone to help our travelers finish the booking or finish the reservation is not changing anyone's ability to continue to bid for traffic exactly as they're doing now.

So, you could hypothetically say, well, hey, Steve, if you had one hotel chain, you could roll it out, and that's right, I could. I don't think we'll do it that way, just guessing into the future, because we'll want a more robust product offering with more than just one hotel chain as an end provider. But in theory, we could do that because they're not disruptive to all of the other bidding and all of the other dynamics. It's just – it's adding another option for the traveler who doesn't want to click off and just wants to complete the reservation while in the Trip App or Trip Mobile experience.

Having said all that, clearly we believe it's the right thing to do. We will be eager to get as much participation from as many clients as possible. This is kind of news to a lot of folks and we're eager to chat with as many as we can to have them participate in our launch of this when we pick a timeframe.

<Q – Mike Olson – Piper Jaffray, Inc.>: Thank you.

Operator: Thank you. And at this time, I'd like to turn the call back to Steve Kaufer for any closing comments.

Stephen Kaufer, President, Chief Executive Officer & Director

Great. Well, I really want to thank everyone for joining us today. I also want to thank all of TripAdvisor employees around the globe for their hard work and awesome dedication to the tasks. Our opportunities are large, our opportunities are exciting, and yet, there remains a lot of work to be done, a tremendous opportunity set of innovative features and innovation to come as we help serve the traveler all around the globe. We look forward to updating all of you on our progress in the next few months. Thanks.

Operator: Ladies and gentlemen, thank you for participating in today's conference. This does conclude today's program. You may all disconnect. Everyone, have a wonderful day.