

---

---

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

---

**FORM 8-K**

---

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

**DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED): February 15, 2017**

---

**TRIPADVISOR, INC.**

(Exact name of registrant as specified in its charter)

---

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

**001-35362**  
(Commission  
File Number)

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

**400 1st Avenue**  
**Needham, MA**  
(Address of principal executive offices)

**02494**  
(Zip code)

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

**Not Applicable**  
(Former name or former address if changed since last report)

---

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

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

**Item 2.02. Results of Operations and Financial Condition.**

On February 15, 2017, TripAdvisor, Inc. issued a press release announcing its preliminary financial results for the quarter and year ended December 31, 2016. TripAdvisor, Inc. also posted prepared remarks from Stephen Kaufer, President and Chief Executive Officer, and Ernst Teunissen, Chief Financial Officer, on the “Investor Relations” section of its website at <http://ir.tripadvisor.com/events/cfm>. The full text of this press release and the prepared remarks are furnished as Exhibits 99.1 and 99.2 to this Current Report on Form 8-K.

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

**Item 9.01. Financial Statements and Exhibits.**

(d) Exhibits.

<b>Exhibit Number</b>	<b>Description</b>
99.1	Press Release of TripAdvisor, Inc. dated February 15, 2017.
99.2	Prepared remarks by TripAdvisor, Inc.’s management, dated February 15, 2017.

---

**SIGNATURE**

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

**TRIPADVISOR, INC.**

By: \_\_\_\_\_ /s/ ERNST TEUNISSEN

**Ernst Teunissen**  
**Chief Financial Officer**

Dated: February 15, 2017

---

## EXHIBIT INDEX

<b>Exhibit No.</b>	<b>Description</b>
99.1	Press Release of TripAdvisor, Inc. dated February 15, 2017.
99.2	Prepared remarks by TripAdvisor, Inc.'s management, dated February 15, 2017.

## TripAdvisor Reports Fourth Quarter and Full Year 2016 Financial Results

**NEEDHAM, MA**, February 15, 2017 — TripAdvisor, Inc. (NASDAQ: TRIP) today reported financial results for the fourth quarter and full year ended December 31, 2016.

“2016 was an important transition year and one of great progress towards creating the best user experience in travel,” said Chief Executive Officer Steve Kaufer. “We rolled out hotel instant booking globally and strengthened our position in Attractions, Restaurants and Vacation Rentals. With our price comparison and booking capabilities in place, we are focused on raising consumer awareness of TripAdvisor as a great place to go to price shop and book.”

### Fourth Quarter and Full Year 2016 Summary

(In millions, except percentages and per share amounts)	Three Months Ended December 31,			% Change	Year Ended December 31,			% Change
	2016	2015			2016	2015		
Total Revenue	\$ 316	\$ 309		2%	\$ 1,480	\$ 1,492		(1)%
Hotel	\$ 252	\$ 260		(3)%	\$ 1,190	\$ 1,263		(6)%
Non-Hotel	\$ 64	\$ 49		31%	\$ 290	\$ 229		27%
GAAP Net Income	\$ 1	\$ 3		(67)%	\$ 120	\$ 198		(39)%
Total Adjusted EBITDA (1)	\$ 58	\$ 87		(33)%	\$ 352	\$ 466		(24)%
Hotel	\$ 66	\$ 95		(31)%	\$ 380	\$ 472		(19)%
Non-Hotel	\$ (8)	\$ (8)		0%	\$ (28)	\$ (6)		(367)%
Non-GAAP Net Income (1)	\$ 23	\$ 66		(65)%	\$ 206	\$ 302		(32)%
Diluted Earnings per Share:								
GAAP	\$ 0.01	\$ 0.02		(50)%	\$ 0.82	\$ 1.36		(40)%
Non-GAAP (1)	\$ 0.16	\$ 0.45		(64)%	\$ 1.40	\$ 2.07		(32)%
Cash flow from operating activities	\$ 46	\$ 78		(41)%	\$ 321	\$ 418		(23)%
Free cash flow (1)	\$ 30	\$ 62		(52)%	\$ 249	\$ 309		(19)%

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

Chief Financial Officer Ernst Teunissen added, “As expected, our significant investments in these growth initiatives dampened full year 2016 financial results. However, we believe we turned a corner in the fourth quarter, as growth rates improved, led by the U.S. In 2017, we are prioritizing revenue growth as well as making the investments necessary to drive monetization, growth and profitability on our platform.”

### Full Year 2016 Highlights

- Revenue for the full year 2016 was \$1,480 million, a decrease of 1% year-over-year (or flat on a constant currency basis).
- GAAP net income for the full year 2016 was \$120 million, a decrease 39% of year-over-year, or \$0.82 per diluted share.
- Adjusted EBITDA for the full year 2016 was \$352 million, a decrease of 24% year-over-year (or a decrease of approximately 23% on a constant currency basis).

- Non-GAAP net income for the full year was \$206 million, or \$1.40 per diluted share.
- Cash flow provided by operating activities for the full year 2016 was \$321 million and free cash flow was \$249 million.
- Cash and cash equivalents, short and long term marketable securities were \$746 million as of December 31, 2016, an increase of \$48 million year-over-year, or 7%.
- Long-term debt was \$91 million as of December 31, 2016, which reflects net repayments of \$109 million since December 31, 2015, against outstanding borrowings on our 2015 credit facility.
- Average monthly unique visitors reached 390 million\* during the peak summer travel season, or up 14% year over year.
- User reviews and opinions grew 45% year-over-year and reached 465 million at December 31, 2016, covering approximately 1,060,000 hotels and accommodations, 835,000 vacation rentals, 4.3 million restaurants and 760,000 attractions and experiences.
- TripAdvisor had 3,327 employees as of December 31, 2016, compared to 3,008 at December 31, 2015.

#### Fourth Quarter 2016 Financial Highlights

**Revenue** for the fourth quarter of 2016 was \$316 million, an increase of \$7 million, or 2% year-over-year (or an increase of approximately 4% on a constant currency basis).

(In millions, except percentages)	Three Months Ended December 31,		% Change
	2016	2015	
<b>Revenue by Source:</b>			
TripAdvisor-branded click-based and transaction (1)	\$ 154	\$ 154	0%
TripAdvisor-branded display-based advertising and subscription (2)	69	71	(3)%
Other hotel revenue (3)	29	35	(17)%
Non-Hotel	64	49	31%
<b>Total Revenue</b>	<b>\$ 316</b>	<b>\$ 309</b>	<b>2%</b>

#### Revenue by Geography (% of total revenue):

North America	57%	53%
EMEA	29%	29%
APAC	10%	13%
LATAM	4%	5%

- (1) Consists of click-based advertising revenue, from TripAdvisor-branded websites, as well as transaction-based revenue from instant booking.
- (2) Includes revenue from display-based advertising and subscription-based hotel advertising revenue on TripAdvisor-branded sites, as well as content licensing with third party sites.
- (3) Includes revenue from non-TripAdvisor branded websites, including click-based advertising revenue, display-based advertising revenue and room reservations sold through these websites.

- GAAP net income for the fourth quarter 2016 was \$1 million, a decrease of 67% year-over-year, or \$0.01 per diluted share.
- Adjusted EBITDA for the fourth quarter 2016 was \$58 million, a decrease of 33% year-over-year (or a decrease of approximately 32% on a constant currency basis).
- Non-GAAP net income for the fourth quarter 2016 was \$23 million, or \$0.16 per diluted share.
- Cash flow provided by operating activities for fourth quarter 2016 was \$46 million, a decrease of \$32 million, or 41%, from fourth quarter 2015. Free cash flow for fourth quarter 2016 was \$30 million.
- We repurchased 1,651,957 shares of TripAdvisor outstanding common stock during the fourth quarter 2016 for approximately \$84 million, which are held by the Company as treasury shares as of December 31, 2016. The share repurchase program authorized by our Board of Directors in February 2013 has been completed.

#### Share Repurchase Program

On January 25, 2017, TripAdvisor's Board of Directors authorized up to \$250 million of share repurchases. This new repurchase program has no expiration but may be suspended or terminated by the Board of Directors at any time.

## Conference Call

TripAdvisor posted prepared remarks, supplemental financial information and an investor presentation on the Investor Relations section of TripAdvisor's website at <http://ir.tripadvisor.com>. TripAdvisor will host a conference call tomorrow, February 16, 2017, at 8:30 a.m., Eastern Time, to discuss TripAdvisor's fourth quarter 2016 operating results, as well as other forward-looking information about TripAdvisor's business. Domestic callers may access the earnings conference call by dialing (877) 224-9081 (International callers, dial (224) 357-2223). Investors and other interested parties may also go to the Investor Relations section of TripAdvisor's website at <http://ir.tripadvisor.com/events.cfm> for a live webcast of the conference call. Please access the website at least 15 minutes prior to the call to register, download, and install any necessary audio software. A replay of the conference call will be available on TripAdvisor's website noted above or by phone (dial (855) 859-2056 and enter the passcode 33812218) until February 23, 2017 and the webcast will be accessible at <http://ir.tripadvisor.com/events.cfm> for at least twelve months following the conference call.

## About TripAdvisor

TripAdvisor® is the world's largest travel site\*, enabling travelers to unleash the potential of every trip. TripAdvisor offers advice from millions of travelers, with 465 million reviews and opinions covering 7 million accommodations, restaurants and attractions, and a wide variety of travel choices and planning features — checking more than 200 websites to help travelers find and book today's lowest hotel prices. TripAdvisor branded sites make up the largest travel community in the world, reaching 390 million average unique monthly visitors\*\*, in 49 markets worldwide. TripAdvisor: Know better, Book better and Go better.

TripAdvisor® (NASDAQ:TRIP), through its subsidiaries, manages and operates websites under 23 other travel media brands: [www.airfarewatchdog.com](http://www.airfarewatchdog.com), [www.bookingbuddy.com](http://www.bookingbuddy.com), [www.citymaps.com](http://www.citymaps.com), [www.cruise critic.com](http://www.cruise critic.com), [www.familyvacationcritic.com](http://www.familyvacationcritic.com), [www.flipkey.com](http://www.flipkey.com), [www.thefork.com](http://www.thefork.com) (including [www.lafourchette.com](http://www.lafourchette.com), [www.eltenedor.com](http://www.eltenedor.com), [www.iens.nl](http://www.iens.nl), [www.besttables.com](http://www.besttables.com), [www.dimmi.com.au](http://www.dimmi.com.au), and [www.en.couverts.nl](http://www.en.couverts.nl)), [www.gateguru.com](http://www.gateguru.com), [www.holidaylettings.co.uk](http://www.holidaylettings.co.uk), [www.holidaywatchdog.com](http://www.holidaywatchdog.com), [www.housetrip.com](http://www.housetrip.com), [www.independenttraveler.com](http://www.independenttraveler.com), [www.jetsetter.com](http://www.jetsetter.com), [www.niumba.com](http://www.niumba.com), [www.onetime.com](http://www.onetime.com), [www.oyster.com](http://www.oyster.com), [www.seatguru.com](http://www.seatguru.com), [www.smartertravel.com](http://www.smartertravel.com), [www.tingo.com](http://www.tingo.com), [www.travelpod.com](http://www.travelpod.com), [www.tripbod.com](http://www.tripbod.com), [www.vacationhomerentals.com](http://www.vacationhomerentals.com), and [www.viator.com](http://www.viator.com).

\*Source: comScore Media Metrix for TripAdvisor Sites, worldwide, November 2016

\*\*Source: TripAdvisor log files, average unique monthly visitors, Q3 2016

**SELECTED FINANCIAL INFORMATION**

**TripAdvisor, Inc.**  
**Unaudited Condensed Consolidated Statements of Operations**  
(in millions, except per share amounts)

	Three Months Ended			Year Ended	
	December 31, 2016	September 30, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Revenue	\$ 316	\$ 421	\$ 309	\$ 1,480	\$ 1,492
Costs and expenses:					
Cost of revenue	16	19	12	71	58
Selling and marketing (1)	172	210	145	756	692
Technology and content (1)	58	62	55	243	207
General and administrative (1)(2)	34	38	96	143	210
Depreciation	18	18	16	69	57
Amortization of intangible assets	8	8	10	32	36
Total costs and expenses	306	355	334	1,314	1,260
Operating income (loss)	10	66	(25)	166	232
Other income (expense), net (3)	(6)	(3)	(1)	(15)	7
Income (loss) before income taxes	4	63	(26)	151	239
Benefit (provision) for income taxes (2)	(3)	(8)	29	(31)	(41)
Net income	\$ 1	\$ 55	\$ 3	\$ 120	\$ 198
Earnings per share attributable to common stockholders:					
Basic	\$ 0.01	\$ 0.38	\$ 0.02	\$ 0.83	\$ 1.38
Diluted	\$ 0.01	\$ 0.37	\$ 0.02	\$ 0.82	\$ 1.36
Weighted average common shares outstanding:					
Basic	145	146	144	145	144
Diluted	146	147	146	147	146
(1) Includes stock-based compensation expense as follows:					
Selling and marketing	\$ 5	\$ 5	\$ 4	\$ 20	\$ 16
Technology and content	\$ 10	\$ 11	\$ 8	\$ 40	\$ 28
General and administrative	\$ 7	\$ 6	\$ 7	\$ 25	\$ 28

- (2) During the fourth quarter of December 31, 2015, TripAdvisor made a non-cash contribution of \$67 million to settle our pledge obligation with The TripAdvisor Charitable Foundation (the "Foundation"). This resulted in \$59 million (\$36 million after-tax) of incremental charitable contribution expense for both the quarter ended and the year ended December 31, 2015, which did not reoccur in 2016. This amount was settled in TripAdvisor's common stock. TripAdvisor does not expect to make any future contributions to the Foundation.
- (3) During the three months and year ended December 31, 2015, respectively, the Company recorded a \$3 million and \$20 million gain from a sale of a subsidiary in 2015 that did not reoccur in 2016.



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

	December 31, 2016	December 31, 2015
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 612	\$ 614
Short-term marketable securities	118	47
Accounts receivable, net of allowance for doubtful accounts of \$9 and \$6, respectively	189	180
Prepaid expenses and other current assets	31	24
<b>Total current assets</b>	<b>950</b>	<b>865</b>
Long-term marketable securities	16	37
Property and equipment, net of accumulated depreciation of \$111 and \$88, respectively	260	247
Intangible assets, net of accumulated amortization of \$80 and \$52, respectively	167	176
Goodwill	736	732
Deferred income taxes, net	42	25
Other long-term assets	67	46
<b>TOTAL ASSETS</b>	<b>\$ 2,238</b>	<b>\$ 2,128</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 14	\$ 10
Deferred merchant payables	128	105
Deferred revenue	64	64
Current portion of debt	80	1
Taxes payable	10	9
Accrued expenses and other current liabilities	127	123
<b>Total current liabilities</b>	<b>423</b>	<b>312</b>
Long-term debt	91	200
Deferred income taxes, net	12	15
Other long-term liabilities	210	189
<b>Total Liabilities</b>	<b>736</b>	<b>716</b>
Stockholders' equity:		
Preferred stock, \$0.001 par value	—	—
Authorized shares: 100,000,000		
Shares issued and outstanding: 0 and 0, respectively		
Common stock, \$0.001 par value	—	—
Authorized shares: 1,600,000,000		
Shares issued: 134,706,467 and 133,836,242, respectively		
Shares outstanding: 131,310,980 and 132,443,111, respectively		
Class B common stock, \$0.001 par value	—	—
Authorized shares: 400,000,000		
Shares issued and outstanding: 12,799,999 and 12,799,999, respectively		
Additional paid-in capital	831	741
Retained earnings	945	826
Accumulated other comprehensive loss	(77)	(63)
Treasury stock-common stock, at cost, 3,395,487 and 1,393,131 shares, respectively	(197)	(92)
<b>Total Stockholders' Equity</b>	<b>1,502</b>	<b>1,412</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 2,238</b>	<b>\$ 2,128</b>

**TripAdvisor, Inc.**  
**Unaudited Condensed Consolidated Statement of Cash Flows**  
(in millions)

	Three Months Ended			Year Ended	
	December 31, 2016	September 30, 2016	December 31, 2015	December 31, 2016	December 31, 2015
<b>Operating activities:</b>					
Net income	\$ 1	\$ 55	\$ 3	\$ 120	\$ 198
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation of property and equipment, including amortization of internal-use software and website development	18	18	16	69	57
Amortization of intangible assets	8	8	10	32	36
Stock-based compensation expense	22	22	19	85	72
Non-cash contribution to charitable foundation	—	—	67	—	67
Gain on sale of business	—	—	(3)	—	(20)
Deferred tax benefit	(6)	(9)	(41)	(20)	(37)
Other, net	4	5	2	10	9
Changes in operating assets and liabilities, net of effects from acquisitions and other investments, and dispositions	(1)	(186)	5	25	36
<b>Net cash provided by (used in) operating activities (1)</b>	<b>46</b>	<b>(87)</b>	<b>78</b>	<b>321</b>	<b>418</b>
<b>Investing activities:</b>					
Capital expenditures, including internal-use software and website development	(16)	(21)	(16)	(72)	(109)
Acquisitions and other investments, net of cash acquired	(20)	(24)	—	(43)	(29)
Proceeds from sale of business, net of cash sold	—	—	3	—	25
Purchases of marketable securities	(22)	(47)	(55)	(166)	(205)
Sales of marketable securities	22	22	115	84	187
Maturities of marketable securities	9	5	19	32	71
Other investing activities, net	1	1	1	2	2
<b>Net cash provided by (used in) investing activities</b>	<b>(26)</b>	<b>(64)</b>	<b>67</b>	<b>(163)</b>	<b>(58)</b>
<b>Financing activities:</b>					
Repurchase of common stock	(84)	(9)	—	(105)	—
Proceeds from Chinese credit facilities	5	2	—	7	4
Payments to Chinese credit facilities	(1)	—	—	(1)	(41)
Principal payments on 2011 credit facility	—	—	—	—	(300)
Proceeds from 2015 credit facility, net of financing costs	91	10	—	101	287
Payments to 2015 credit facility	(20)	(81)	(90)	(210)	(90)
Proceeds from 2016 credit facility, net of financing costs	—	73	—	73	—
Proceeds from exercise of stock options	1	3	3	7	12
Payment of withholding taxes on net share settlements of equity awards	(2)	(1)	(7)	(15)	(73)
Other financing activities, net	—	—	—	—	12
<b>Net cash used in financing activities (1)</b>	<b>(10)</b>	<b>(3)</b>	<b>(94)</b>	<b>(143)</b>	<b>(189)</b>
Effect of exchange rate changes on cash and cash equivalents	(9)	(1)	(4)	(17)	(12)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1</b>	<b>(155)</b>	<b>47</b>	<b>(2)</b>	<b>159</b>
Cash and cash equivalents at beginning of period	611	766	567	614	455
Cash and cash equivalents at end of period	<u>\$ 612</u>	<u>\$ 611</u>	<u>\$ 614</u>	<u>\$ 612</u>	<u>\$ 614</u>

- (1) In the third quarter of 2016, TripAdvisor early adopted Accounting Standards Update (“ASU”) 2016-09, Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting, which eliminates the requirement to reclassify excess tax benefits related to stock-based compensation from operating to financing activities in the condensed consolidated statement of cash flows. The retrospective application to prior periods resulted in a \$4 million and \$36 million increase in cash flows provided by operating activities during the three months and year ended December 31, 2015, respectively, and a corresponding increase in cash flows used in financing activities.

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

	Three Months Ended			Q/Q Growth	Y/Y Growth
	December 31, 2016	September 30, 2016	December 31, 2015		
Revenue:					
Hotel	\$ 252	\$ 320	\$ 260	(21)%	(3)%
Non-Hotel	64	101	49	(37)%	31%
Total revenue	<u>\$ 316</u>	<u>\$ 421</u>	<u>\$ 309</u>	(25)%	2%
Adjusted EBITDA (1):					
Hotel	\$ 66	\$ 99	\$ 95	(33)%	(31)%
Non-Hotel	(8)	15	(8)	(153)%	0%
Total Adjusted EBITDA	<u>\$ 58</u>	<u>\$ 114</u>	<u>\$ 87</u>	(49)%	(33)%
Adjusted EBITDA Margin (1):					
Hotel	26%	31%	37%		
Non-Hotel	(13)%	15%	(16)%		
Total Adjusted EBITDA Margin	18%	27%	28%		
Net Income (2)					
Net Income	\$ 1	\$ 55	\$ 3		
Net Income Margin	0%	13%	1%		

	Year ended December 31,		% Change
	2016	2015	2016 vs. 2015
Revenue:			
Hotel	\$ 1,190	\$ 1,263	(6)%
Non-Hotel	290	229	27%
Total revenue	<u>\$ 1,480</u>	<u>\$ 1,492</u>	(1)%
Adjusted EBITDA (1):			
Hotel	\$ 380	\$ 472	(19)%
Non-Hotel	(28)	(6)	(367)%
Total Adjusted EBITDA	<u>\$ 352</u>	<u>\$ 466</u>	(24)%
Adjusted EBITDA Margin (1):			
Hotel	32%	37%	
Non-Hotel	(10)%	(3)%	
Total Adjusted EBITDA Margin	24%	31%	
Net Income (2)			
Net Income	\$ 120	\$ 198	
Net Income Margin	8%	13%	

(1) Please refer to "Non-GAAP Financial Measures" below for definitions of these non-GAAP financial measures, as well as reconciliations to the most directly comparable GAAP measure.

(2) This amount reflects our consolidated net income for the periods presented. TripAdvisor does not calculate or report net income by segment.

## Non-GAAP Financial Measures

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

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

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

We define our non-GAAP financial measures as below:

TripAdvisor defines “Adjusted EBITDA” as Net Income (loss) plus: (1) provision for income taxes; (2) other income (expense), net; (3) depreciation of property and equipment, including amortization of internal use software and website development; (4) amortization of intangible assets; (5) stock-based compensation and other stock-settled obligations; (6) goodwill, long-lived assets and intangible asset impairments; and (7) other non-recurring expenses and income. These items are excluded from our Adjusted EBITDA measure because these items are noncash in nature, or because the amount is not driven by core operating results and renders comparisons with prior periods less meaningful.

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

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

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

Some of these limitations are:

- Adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not reflect the interest expense or cash requirements necessary to service interest or principal payments on our debt;
- Adjusted EBITDA does not consider the potentially dilutive impact of stock-based compensation or other stock-settled obligations;

- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and Adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- Adjusted EBITDA does not reflect tax payments that may represent a reduction in cash available to us; and
- Other companies, including companies in our own industry, may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

TripAdvisor defines “non-GAAP net income” as GAAP net income excluding, net of their related tax effects: (1) stock-based compensation expense and other stock-settled obligations; (2) amortization of intangible assets; (3) certain gains, losses, and other expenses that we do not believe are indicative of our ongoing operating results; (4) goodwill, long-lived assets and intangible asset impairments and (5) other non-recurring expenses and income. We believe non-GAAP net income is an operating performance measure which provides investors and analysts with useful supplemental information about the financial performance of our business, as it incorporates our unaudited condensed consolidated statement of operations, taking into account depreciation, which management believes is an ongoing cost of doing business, but excluding the impact of certain expenses, infrequently occurring items and items not directly tied to the core operations of our businesses, and also enables comparison of financial results between periods where certain items may vary independent of business performance.

TripAdvisor defines “non-GAAP net income per diluted share”, or non-GAAP diluted EPS, as non-GAAP net income divided by GAAP diluted shares. We believe non-GAAP diluted EPS is useful to investors because it represents, on a per share basis, our unaudited condensed consolidated statement of operations, taking into account depreciation, which we believe is an ongoing cost of doing business, as well as other items which are not allocated to the operating businesses such as interest expense, interest income, income taxes and foreign exchange gains or losses, but excluding the effects of certain expenses not directly tied to the core operations of our businesses. During the second quarter of 2016, TripAdvisor began calculating non-GAAP net income per diluted share using GAAP diluted shares determined under the treasury stock method. This change did not have a material effect on our previously reported non-GAAP EPS calculations in prior periods.

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

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

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

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

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

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

	Three Months Ended			Year Ended	
	December 31, 2016	September 30, 2016	December 31, 2015	December 31, 2016	December 31, 2015
<b>Reconciliation of GAAP Net Income to Adjusted EBITDA (Non-GAAP):</b>					
<b>GAAP Net Income</b>	\$ 1	\$ 55	\$ 3	\$ 120	\$ 198
Add: Provision for income taxes	3	8	(29)	31	41
Add: Other expense (income), net	6	3	1	15	(7)
Add: Depreciation and amortization of intangible assets	26	26	26	101	93
Add: Stock-based compensation expense	22	22	19	85	72
Add: Non-cash charitable contribution (2)	-	-	67	-	67
Add: Other non-recurring expenses	-	-	-	-	2
Adjusted EBITDA (Non-GAAP)	<u>\$ 58</u>	<u>\$ 114</u>	<u>\$ 87</u>	<u>\$ 352</u>	<u>\$ 466</u>
<b>Revenue (GAAP)</b>	\$ 316	\$ 421	\$ 309	\$ 1,480	\$ 1,492
<b>Net Income margin (GAAP)</b>	0%	13%	1%	8%	13%
Adjusted EBITDA margin (Non-GAAP) (1)	18%	27%	28%	24%	31%
<b>Reconciliation from GAAP Net Income and GAAP Net Income per diluted share to Non-GAAP net income and Non-GAAP net income per diluted share:</b>					
<b>GAAP Net Income</b>	\$ 1	\$ 55	\$ 3	\$ 120	\$ 198
Add: Stock-based compensation expense	22	22	19	85	72
Add: Amortization of intangible assets	8	8	10	32	36
Add: Non-cash charitable contribution (2)	-	-	67	-	67
Add: Other non-recurring expenses	-	-	-	-	2
Subtract: Gain on sale of business	-	-	3	-	20
Subtract: Income tax effect of Non-GAAP adjustments (3)	8	7	30	31	53
Non-GAAP net income	<u>\$ 23</u>	<u>\$ 78</u>	<u>\$ 66</u>	<u>\$ 206</u>	<u>\$ 302</u>
<b>GAAP diluted shares</b>	146	147	146	147	146
<b>GAAP Net Income per diluted share</b>	\$ 0.01	\$ 0.37	\$ 0.02	\$ 0.82	\$ 1.36
Non-GAAP net income per diluted share (4)	\$ 0.16	\$ 0.53	\$ 0.45	\$ 1.40	\$ 2.07
<b>Reconciliation of GAAP cash flows from operating activities to Free Cash Flow (Non-GAAP):</b>					
<b>Net cash provided by (used in) operating activities (GAAP) (5)</b>					
	\$ 46	\$ (87)	\$ 78	\$ 321	\$ 418
Subtract: Capital expenditures	16	21	16	72	109
Free cash flow (Non-GAAP) (5)	<u>\$ 30</u>	<u>\$ (108)</u>	<u>\$ 62</u>	<u>\$ 249</u>	<u>\$ 309</u>
<b>Revenue Before Effects of Foreign Exchange:</b>					
<b>Total Revenue (GAAP)</b>	\$ 316		\$ 309	\$ 1,480	\$ 1,492
Effects of foreign exchange	4			18	
Non-GAAP revenue before effects of foreign exchange	<u>\$ 320</u>			<u>\$ 1,498</u>	
Year/Year Growth (6)	4%			0%	

	Three Months Ended			Year Ended	
	December 31, 2016	September 30, 2016	December 31, 2015	December 31, 2016	December 31, 2015
<b>Adjusted EBITDA Before Effects of Foreign Exchange:</b>					
Adjusted EBITDA	\$ 58		\$ 87	\$ 352	\$ 466
Effects of foreign exchange	1			8	
Adjusted EBITDA before effects of foreign exchange	\$ 59			\$ 360	
	Year/Year Growth (6)		(32)%	(23)%	

- (1) TripAdvisor defines "Adjusted EBITDA margin" as Adjusted EBITDA divided by revenue.
- (2) Represents a non-cash charitable contribution to the Foundation of \$67 million that was settled in company stock and therefore added back for non-GAAP purposes, of which \$6 million was accrued during the nine months ended September 30, 2015 under GAAP with the intention of settling in cash and then reclassified as non-GAAP expense during the fourth quarter of 2015 to reflect the non-cash nature of the final settlement.
- (3) The non-GAAP adjustments described above are reported on a pre-tax basis. The income tax effect on non-GAAP adjustments was calculated based on the individual impact that these items had on our GAAP consolidated income tax expense for the periods presented.
- (4) TripAdvisor defines "non-GAAP net income per diluted share" as non-GAAP net income divided by GAAP diluted shares. During the second quarter of 2016, TripAdvisor began calculating non-GAAP net income per diluted share using GAAP diluted shares determined under the treasury stock method. All historical periods have been conformed to the current calculation method. This change did not have a material effect on our previously reported non-GAAP net income per diluted share calculations in any prior period.
- (5) In the third quarter of 2016, TripAdvisor early adopted ASU 2016-09, Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting, which eliminates the requirement to reclassify excess tax benefits related to stock-based compensation from operating to financing activities in the unaudited condensed consolidated statement of cash flows. The retrospective application to prior periods resulted in a \$4 million and \$36 million increase in cash flows provided by operating activities during the three months and year ended December 31, 2015, respectively, and a corresponding increase in cash flows used in financing activities. In addition, this resulted in an increase in free cash flow of \$4 million and \$36 million during the three months and year ended December 31, 2015, respectively.
- (6) Represents constant currency growth, as a percentage, which is calculated by determining the change in current period revenues and Adjusted EBITDA over prior period revenues and Adjusted EBITDA, where current period figures are translated using prior period foreign currency exchange rates.



## **Safe Harbor Statement**

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

## **Contacts**

Investors  
(781) 800.7848  
[ir@tripadvisor.com](mailto:ir@tripadvisor.com)

Media  
(781) 800.5061  
[uspr@tripadvisor.com](mailto:uspr@tripadvisor.com)

**TripAdvisor, Inc. Q4 2016 Prepared Remarks**

*(All comparisons are against the same period of the prior year, unless otherwise noted)*

2016 was an important transition year for our business and we made great progress towards our North Star: creating the best user experience in travel. We have made significant investments in our product experience, we have seen improvements in our revenue growth trends, and we continue to focus on creating a consumer mindset that TripAdvisor is the best place to compare prices and book.

TripAdvisor remains the category leader in planning and researching the best places to travel, worldwide. Network effects at the top-of-the-funnel remain strong. Our user-generated content grew nearly 50% in 2016 and is fast approaching 500 million reviews and opinions. Community grew 14% in 2016, and reached nearly 390 million monthly unique users per month during the peak summer travel season. With nearly half of our monthly unique users visiting TripAdvisor on the phone, we remain well positioned as travel planning and booking moves towards those smaller screens.

However, while ComScore studies suggest TripAdvisor influences roughly 40-50% of global online hotel reservations, we believe we get credit only for a tiny fraction of those transactions. This creates what we estimate is a multi-billion dollar opportunity if we can successfully bring more shoppers back to our site when they are ready to book and get credit for the transactions that we have influenced.

Adding hotel instant booking over the past couple of years completes the differentiated, next-generation hotel shopping vision we described a year ago. It enables a stickier, more comprehensive user value proposition – well beyond what we have achieved as the world's largest and most well known travel-planning site. It also positions us to increase our market share of high value shoppers – the ones that are most likely to book – which we believe will enhance long-term revenue growth and profitability.

The instant booking rollout induced significant revenue headwinds in 2016, muting revenue growth and significantly impacting profitability. Consolidated revenues, GAAP net income and adjusted EBITDA were down year-on-year by 1%, 39%, and 24%, respectively. While such volatility was largely expected, we saw a dampened back-half recovery and we were perhaps too optimistic about how quickly our product changes would raise awareness of TripAdvisor as a great place to book. All the while, our competition has not been standing still and we continue to be significantly outspent on marketing. This competitive dynamic has been compounded as revenue per hotel shopper headwinds from instant booking slowed 2016 Hotel segment direct marketing expenses to single-digit growth year-on-year.

However, we are encouraged by recent trends. Click-based and transaction revenue growth improved in the fourth quarter and again in January compared to the fourth quarter, particularly in our U.S. market where we have completely lapped our instant booking rollout. We have been

re-investing our monetization improvements into performance-based marketing channels to enhance revenue growth and will continue to do so in 2017.

As we lap the instant booking rollout in other markets during the first half of 2017 and as we further streamline the hotel shopping experience to focus on helping users find the best price, we are also evaluating a multi-year brand marketing investment, including a return to TV advertising. At a high-level, we believe a brand marketing investment would enable us to reach a broad audience and could help to accelerate the user perception shift to TripAdvisor as a place to price compare and book. Size, scope, timing, and ROI of such investment are currently under consideration. We will provide our updated thoughts on this investment in due course.

While our significant ongoing investments have reduced near-term profitability, we believe they position us for both long-term revenue and profit growth. Over time, as users engage with TripAdvisor to price compare and to book, thereby plugging the leak, we believe hotel shopper monetization and marketing efficiency can improve. This, combined with margin improvement in our Non-Hotel businesses, will enable us to return to profit growth over the longer-term.

#### ***Q4 Hotel Segment Update***

Our Hotel segment was 80% of total revenue in both the fourth quarter and for 2016. Users can seamlessly book hundreds of thousands of hotels, getting the best price from whichever partner has the lowest room rate, all while using their stored credit card. Our comprehensive hotel shopping experience is unique in the marketplace, and we view it as particularly strategic as consumer behavior moves towards a mobile-first, app-first world.

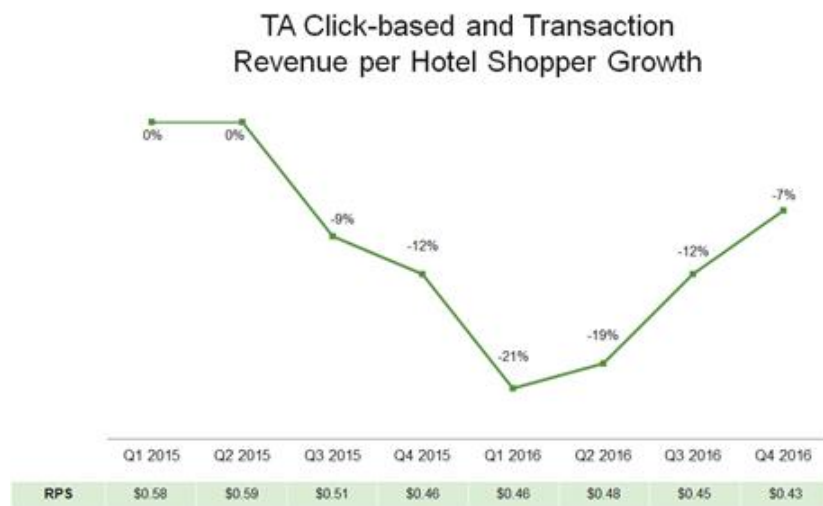
In the fourth quarter, we reached more than 560,000 instantly bookable hotels on our platform. Also, we were pleased to have recently announced global instant booking partnerships with Expedia and Hilton. On the product side, we introduced a new hotel sorting algorithm and a cleaner price-shopping display, kicking off an ongoing initiative focused on streamlining our hotel shopping experience.

We have seen nice early results helping users find the best deal before they book. We carry these insights into 2017 and we are rapidly iterating on a comprehensive hotel shopping experience refresh on all devices, making sure shoppers can find the best prices every time. Of course, instant booking remains our strategic preference since we expect it will generate greater long-term monetization value, while our core product focus remains on delivering the best user experience, whether that is powered by metasearch or instant booking.

In 2016, we also expanded our suite of products and tools that help hotelier and OTA partners advertise more effectively on our site. Earlier in the year, we enabled partners to retarget their visitors when they are on our hotel pages. In the fourth quarter, we launched our new Bid Management Platform, a product that is already helping many of our partners increase the efficiency of their campaigns. Early adopters have achieved nice share gains as a result. Including instant booking, these new products underscore our ongoing commitment to helping partners achieve even more value from our platform.

Turning to our Hotel segment financial performance, fourth quarter revenue results improved sequentially to negative 3% year-over-year driven by improving click-based and transaction revenue growth rates and partially offset by some softness in display and subscription revenue. Currency was approximately a one percent headwind in the period.

Our instant booking launch dampened our core click-based and transaction revenue growth in 2016, but we believe we have started to turn a corner. Click-based and transaction revenue growth improved significantly in the fourth quarter, up 10 percentage points sequentially, to flat growth year-over-year. Revenue per hotel shopper growth improved by five percentage points sequentially to negative 7% year-over-year. The graph below illustrates an improving revenue per hotel shopper trend following the significant instant booking dilution during the first half of 2016.



We are encouraged by this trend, particularly in the U.S., which, in late August, was our first country to anniversary the instant booking rollout. This trend led to revenue growth improvements in Q3 and Q4. In the fourth quarter, U.S. click-based and transaction revenue delivered double-digit growth year-on-year. We are investing in performance-based marketing behind these improving monetization trends to further enhance growth. In January, worldwide click-based and transaction revenue growth rates improved to high single-digits, driven by strong double-digit year-over-year growth in the U.S. We are in the midst of lapping the instant booking rollout in international markets, and we expect revenue growth rates in those regions to benefit, though similar to Q4, it will not translate into profit growth in Q1.

In total, improving monetization trends as well as performance-based marketing investments drove total average monthly unique hotel shopper growth, which accelerated to 8%, as shown in the graphic below.

## Average Monthly Unique Hotel Shoppers Growth



In addition, phone remains a fast-growing and key strategic platform, as fourth quarter hotel shoppers grew 22% year-on-year. Monetization on phone improved relative to desktop in 2016, and this still represents a large long-term opportunity.

Our fourth quarter results illustrate that we have a lot more work to do to improve Hotel monetization but we are pleased with our progress.

### **Q4 Non-Hotel Segment Update**

While we progress along our Hotel initiatives, our Non-Hotel offerings – Attractions, Restaurants and Vacation Rentals – further expand our addressable market, enabling users to find and book more experiences on more trips. This segment constituted 20% of our total revenue in both the fourth quarter and for full-year 2016. Similar to our Hotel philosophy, we are investing in building bookable supply, bringing more functionality to mobile and delivering a more comprehensive experience, thereby helping more users in more moments on more trips.

Outside of Hotels, Attractions remains our largest long-term growth opportunity and we believe we are in a great position to win. In 2016, we grew the number of supplier partners by nearly 90% and grew bookable products by nearly 80% to 56,000. During the fourth quarter, we continued to deepen our Viator and TripAdvisor integration and improved our marketing efficiency. We have integrated Viator attractions content onto our TripAdvisor product pages, we completed our attractions instant booking launch across all TripAdvisor platforms, and we improved the overall shopping experience for attractions. Given our massive attractions audience on TripAdvisor, a key focus for 2017 will be on conversion, by matching travelers to businesses, and turning lookers into bookers as quickly and efficiently as possible.

We are investing behind similar demand and supply advantages to scale our Restaurants business. In 2016, we grew bookable restaurant supply by more than 20% to 40,000 across 12 countries and we launched mobile push notifications this year, which continues to drive awareness, repeat usage and bookings. In the fourth quarter, we launched our new Restaurant

Solutions product that provides restauranters with more powerful marketing tools. In 2017, we are focused on further expanding bookable inventory, redesigning the mobile experience and helping more restauranters get even more value from our platform.

In Vacation Rentals, our focus on providing users more high-quality supply has improved the user experience and driven very healthy conversion gains in 2016. Property listings grew by nearly 10% to 835,000 at the end of the fourth quarter, driven by our free-to-list model. Four out of every five of these properties are now online bookable, making it easier for the user to seamlessly find and book a rental.

Turning to Non-Hotel segment financial performance, fourth quarter revenue growth was 31% while currency was approximately a 6% headwind during the period. Full-year revenue growth of 27% was generally in line with last year's outlook, which outlined strong second-half growth due to the highly seasonal revenue patterns in these businesses. Owing to its highly seasonal revenue pattern, Non-Hotel segment adjusted EBITDA margins were negative 13% in the fourth quarter. Looking at the full year, negative 10% adjusted EBITDA margins underscore the strategic growth investments we are making to grow supply, increase user conversion, expand our platform, and grow market share.

#### ***Q4 Consolidated Financials***

Our fourth quarter consolidated total revenue growth improved to 2% year-over-year in reported currency, and 4% in constant currency. This revenue growth improved from our third quarter results, driven by improvements in our core click-based and transaction business.

Fourth quarter consolidated GAAP net income declined by 67% year-over-year. Total adjusted EBITDA declined by 33% in reported and 32% in constant currency, driven by increased marketing investments in Hotels, seasonality in our Attractions business, as well by a one-time non-cash item in fourth quarter 2015 to settle our pledge obligation with The TripAdvisor Charitable Foundation. The latter negatively impacted net income by \$59 million (\$36 million after-tax) in Q4 2015 and positively impacted Q4 2015 adjusted EBITDA by \$6 million.

Our 2016 GAAP effective tax rate was approximately 21%, primarily due to earnings in jurisdictions outside the United States as well as certain discrete items. We note that our 2017 GAAP effective tax rate is likely to increase, potentially well into the 30's, primarily driven by stock-based compensation tax accounting at a lower share price, changes in valuation allowances and debt interest deductions in some foreign jurisdictions. We believe our non-GAAP tax rate, which is not subject to share price volatility, will be less impacted than our GAAP tax rate.

Cash provided by operating activities in the fourth quarter was \$46 million, or 15% of revenue, down from \$78 million in fourth quarter of 2015. Capital expenditures for the quarter were \$16 million, or 5% of revenue, flat from the fourth quarter of 2015. As a result, fourth quarter free cash flow was \$30 million compared to \$62 million in the fourth quarter of 2015.

Our liquidity position remains strong. Cash, cash equivalents and short-term and long-term marketable securities were \$746 million at the end of the quarter. Throughout 2016, we allocated

\$105 million to share repurchases at an average purchase price of approximately \$52 per share. In the fourth quarter, we reached the \$250 million limit of our initial share repurchase program. We recently received approval from our Board of Directors for another \$250 million of share repurchase capacity.

### ***2017 and longer term financial outlook***

We operate a business in an attractive marketplace and we focus our efforts on long-term growth objectives. We regularly see opportunities throughout a given year to invest for growth, whether through organic or inorganic means. While investing for growth is well within our control, we also encounter factors that fall well outside of our control, such as movements in the competitive landscape and in our metasearch auction, and macro-economic events that affect the travel industry, among other things. As such, our overall visibility into financial performance can be limited. With that as a backdrop, we offer investors the following thoughts about our financial outlook:

Coming out of 2016, we believe we are turning a corner. We are investing behind improving monetization trends to enhance revenue growth amidst a competitive travel landscape, prioritizing revenue growth as opposed to profit growth this year. As a result, we are targeting double-digit consolidated revenue growth in 2017, driven by a return to double-digit click-based and transaction revenue growth, while absolute adjusted EBITDA could be flat to down year-on-year.

Leveraging indirect investments we have made in the past, we expect people costs to grow slower than revenue growth this year, while direct marketing costs grow in excess of revenue growth. We note that our consolidated revenue growth and adjusted EBITDA growth will be more back-half weighted than 2016 due to our increasingly seasonal business and as we make progress along our various growth initiatives.

These insights into our 2017 financial outlook do not include the aforementioned potential for a strategic multi-year brand marketing investment, including TV advertising. Any such brand investment would likely further enhance revenue growth and would likely negatively impact near-term adjusted EBITDA as well as our 2017 outlook outlined above. We will provide our updated thoughts in due course.

Looking out over the longer term, as travelers increasingly associate the TripAdvisor brand with price shopping and booking, and not just reviews, we believe we can drive improved profitability, as well as revenue growth. This will happen as we bring users back to TripAdvisor when they are ready to book, plugging the monetization leak and increasing revenue per hotel shopper. If successful, we believe this will enable us to meaningfully improve our marketing efficiency, drive sustained double-digit revenue growth and surpass the absolute adjusted EBITDA levels we achieved in 2014 and 2015. We believe we will make progress against this objective in 2017, though the full benefits and profit growth will more likely accrue over the longer-term.

TripAdvisor's fourth quarter and full year 2016 earnings press release is available on the Investor Relations section of the TripAdvisor website at <http://ir.tripadvisor.com/>. The earnings release is also included as Exhibit 99.1 to our Current Report on Form 8-K as furnished to the SEC on February 15, 2017, which is available on the Investor Relations section of our website and the SEC's website at [www.sec.gov](http://www.sec.gov).

#### Forward-Looking Statements:

These prepared remarks contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. The following words, when used, are intended to identify forward-looking statements: "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "might," "plan," "project," "result" "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 U.S. Securities and Exchange Commission, or 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 include references to non-GAAP measures, such as adjusted EBITDA (including forecasted adjusted EBITDA), free cash flow, and constant currency measurements, such as, non-GAAP revenue before effects of foreign exchange, and adjusted EBITDA before effects of foreign exchange, which are considered non-GAAP financial measures as they are not



prepared in conformity with accounting principles generally accepted in the United States (“GAAP”). These non-GAAP financial measures are not prepared under a comprehensive set of accounting rules and, therefore, should only be reviewed alongside results reported under GAAP.

We urge you 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. The earning press release is available on the Investor Relations section of our website at <http://ir.tripadvisor.com/>. It is also included as Exhibit 99.1 to our Current Report on Form 8-K as furnished to the SEC on February 15, 2017, 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).