Angela Opening Remarks:

Good morning everyone and welcome to Tripadvisor's first quarter 2024 financial results call. Joining me today are Matt Goldberg, President & CEO, and Mike Noonan, CFO.

This morning before the market open, we filed and made available our earnings release. In that release you will find reconciliations of non GAAP financial measures to the most comparable GAAP financial measures discussed on this call.

Before we begin, I'd like to remind you that this call may contain estimates and other forward looking statements that represent management's views as of today, May 8, 2024. Tripadvisor disclaims any obligation to update these statements to reflect future events or circumstances. Please refer to our earnings release, as well as our filings with the SEC for information concerning factors that could cause actual results to differ materially from these forward looking statements.

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

Matt Goldberg, CEO

Thanks Angela, and good morning to everyone joining us.

We were pleased with our first quarter results, which represented a solid start to the year across the board. Revenue was $395 million, reflecting year-over-year growth of 6%, and adjusted EBITDA was $47 million, or 12% of revenue.

Our results are a testament to our aligned strategy and the disciplined financial and operational execution of our teams. Later in the call, Mike will provide more financial details, but first, I'll cover the progress we've made operationally. As a reminder we are operating unique, but complementary strategies, across our segments:

- At **Brand Tripadvisor**, we are focusing on engagement and delivering world-class guidance products to diversify and fuel our monetization paths.
- At **Viator**, we are reinforcing our leadership position in experiences by investing in brand, enhanced products, and repeat bookings to drive LTV and improving unit economics.
- At **TheFork**, we are driving revenue growth with margin improvement by delivering value to both diners and restaurants as the leader in the European dining market.

Starting with **Brand Tripadvisor**, we delivered revenue of $240 million, a decline of 2%, and adjusted EBITDA of $78 million, or 33% of revenue. Our results reflect the mix of growth and profit profiles within our segment portfolio, as well the initiatives we are prioritizing to return to sustainable growth.

The foundation we've built so far and the work we're pursuing in 2024 are expected to deliver clear strategic outcomes: drive continued scale in our global audience; generate additional members who are more loyal, and come back to us more frequently through direct channels like the app; and deliver sustainable growth across our diverse monetization paths. These are the core elements to drive engagement-led opportunities across all our categories, and key to reducing our overall dependence on fly-by traffic and addressing the well-understood pressure on our legacy meta business.

We are measuring these outcomes across key metrics including our overall audience, active members and app users, and average revenue per user. For all of these, our year-over-year trends improved between Q4 of 2023 and Q1 of 2024 and we've seen positive trends emerge in monthly sequential changes over the last six months. While we still have work to do to continue transforming this business, we are well-positioned to accelerate our progress and exit 2024 with more momentum than we've had at any point in the past few years.

As I mentioned on the last call, our three top priorities for Brand Tripadvisor this year are:

1. **Differentiating the mobile app**
2. **Shifting our marketing to reinforce our engagement-led strategy, and**
3. **Leveraging the investments we've made in data and AI to deliver a more personalized experience for our users.**

Let me share a few of our accomplishments from Q1 across these three priorities - and the proof points we continue to see that underscore how we can create more engagement and convert it into increased monetization.

First, we scaled our Trips itinerary tool from web to app, where we incorporated learnings from the web-only launch last year. We continue to test and roll out new features, including the ability to book experiences through our Trips tool, and other commerce testing, as part of trip planning. One critical area we've been exploring is how to best layer in bookable experiences at every stage in the trip planning journey. For example, in our AI-powered trip planning flow, when we ask users to select overall interests for their trip, like "hidden gems" or "historical landmarks," we now dynamically add destination-specific themes tied to the most relevant bookable experiences. So, if you're using our AI feature to build an itinerary for Rome, you might see "Vatican skip the line tours" or "pasta-making classes" listed alongside the more general interests that apply across destinations. We are seeing that users who select one of these commerce-focused interests generate 50% higher average revenue than users who don't, which provides a fantastic signal of our ability to generate incremental demand and monetize as users move through the journey.

Second, to reinforce our engagement strategy and lean into one of our core differentiators we've been evaluating how free membership impacts a traveler's content contributions. In Q1, we began testing a new recognition program for members called *Achievements*, which is based on our research that tells us that our users are motivated to contribute reviews, photos, trips, and other guidance specifically to help other travelers. *Achievements* recognizes travelers for their contributions to the community with badges that showcase the things they are passionate about, along with a new dashboard to track their progress. Although it's early in testing, it has already delivered an increase of nearly 3x in content contributions per user. Importantly, this follows the strong growth we delivered last year, including approximately 20% growth across UGC contributors, review submissions, and photos. We believe we can continue to build on this momentum as we further expand *Achievements* and enhance our membership with additional incentives to reward engagement.

Finally on our last call I talked about the introduction of GenAI-driven hotel review summaries, and the early, but strong, positive indicators we've observed. We've continued to improve and expand this feature, measuring performance by the year-over-year change in revenue and engagement for hotels that have this feature vs. those that don't. For hotels with AI-driven summaries, the year-over-year change in click-based revenue is 3 percentage points better than those without. The underlying engagement is also healthier: review submissions are 3 percentage points better, photo submissions are 4 percentage points better, and saves are 8 percentage points better. We are continuing to expand the number of hotels with this feature, prioritizing recency and quality over quantity. .We're also excited about our plans to scale this feature to our experiences and restaurant categories over time.

I want to thank our teams for their relentless effort to transform Brand Tripadvisor. We are aligned on our strategy and focused on execution. We have a robust roadmap for 2024 that we have confidence will continue to provide travelers with indispensable products, increase customer lifetime value, and create even more opportunities for our partners.

Turning now to Viator. As we noted on the last call, this year we are focused on continuing to scale, balancing growth, profitability, and market share. Investments to date have driven scale in our customer base and value to our supplier base, reinforcing our leading position in experiences. Viator has the advantage of scaled demand from the hundreds of millions of visitors to the Tripadvisor site each month, including more than 100 million Tripadvisor users actively shopping for an experience. We continue to test and learn how best to capitalize on this relationship, given the cross-team talent, deep industry knowledge, and opportunities we have in our geographic and supply reach.

In Q1, Viator revenue grew 23% year-over-year, while gross booking value (or GBV) grew approximately 15%. In addition to top line results, we were very pleased with the year-over-year improvement in adjusted EBITDA margin, a function of our operating leverage in sales and marketing and our commitment to operational efficiency. Mike will hit on more details shortly, but this quarter was an example of the levers we manage in order to strike the right balance between growth and profitability, both near and long-term.

On the **traveler side**, we continue to work on building an experience that encourages repeat engagement and drives loyalty and lifetime value. This includes ongoing focus on every part of the journey. On acquisition, we're very pleased with our growth in brand health, with meaningful increases in aided and unaided awareness, as well as consideration. As we grow our customer base, we're making it easier for them to book more things, more often: we're matching travelers to products, expanding our rewards program, and making significant improvements to check-out pages. These changes are designed to provide more confidence in booking for our users, and they are also driving incremental lift in conversion and in revenue per visitor. Further, as we grow our audience and improve the experience, we're increasingly serving our customers through our most efficient channel, the app. In Q1, we saw record high app downloads, year-over-year growth in conversion, and a record high for app bookings, our most loyal, and highest repeat surface.

On the **supply side**, the value we are driving is clear as we continue to see low supplier churn, and growth in supplier GBV retention in each subsequent year on our platform. Viator has generated nearly $4 billion in sales for its tour operators over the last year, and we are proud to be helping our operator partners access global demand to grow their businesses. We also see the value we are driving for our tour operators reflected in our take rate, which reached an all-time high in March, driven by incremental benefit coming from our Accelerate program enhancements. With the largest supply base and set of products in the market, both of which continue to grow, we will remain focused on enhancing the value we add for our partners and expanding high quality supply offerings.

Finally, at TheFork, in 2024 we are prioritizing our efforts to drive value to our diners and restaurant owners as we transition to annual profitable growth. As the clear leader in European dining reservations, our hybrid model – revenue based on seated diners as well as ERB revenue – positions us to capture even more opportunities. Our Q1 results underscore that our past investment in technology and product, with complete solutions to restaurants, is paying off.

Revenue at TheFork grew 17%, driven by a combination of bookings and pricing growth, with meaningful margin improvement year-over-year. We also saw an opportunity during the quarter to balance the mix between brand, incentive marketing, and performance marketing dollars given favorable returns in performance marketing channels. We were pleased with the growth we delivered, and plan to continue to refine our marketing mix.

On the B2B side, in Q1, growth in our net restaurant count was over 4%, excluding Australia, where we've exited the market, driven by healthy growth across markets, with promising growth in new restaurant signatures. We believe that our updated sales approach and technology solutions are gaining more traction, thanks to changes in our go-to-market strategy including a more segmented approach and proactive outreach triggered by restaurant profile data.

The investments we have made in technology and product are enabling more opportunities, such as ERB-driven pricing solutions, promotions, and yield management, which we believe can drive higher restaurant ARPU. Revenue we derive from ERB solutions is a small portion of total revenue at TheFork. However, given our leading position in the marketplace, we are confident that the right balance between a strategic sales approach, onboarding, and management for these small business owners will help us capture more B2B share ahead.

Before I pass the call to Mike, I would like to reiterate the conviction we have about the long term opportunity in travel and the role we can play there. One thing that we have learned over the last few years is that travel and experiences remain a high priority to consumers around the world. To date, we haven't identified notable changes in our behavioral data to suggest otherwise – length of stay and share of hotels across star ratings have remained consistent, despite ongoing inflationary pressures and geopolitical tensions. Our traveler surveys indicate that consumers still have a tremendous appetite for travel – 80% of travelers expect to travel this summer, an increase from 76% last summer – and international travel interest remains high. We head into the high travel season pleased with the work we've done to strengthen our positioning in this dynamic industry.

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

Mike Noonan, CFO

Thanks Matt and good morning everyone. I will start with a recap of the quarter, and then provide some thoughts on near-term outlook and priorities for the remainder of the year. All growth rates are relative to the comparable period in 2023, unless noted otherwise.

We started the year with a solid quarter, with revenue of $395 million, reflecting growth of 6%. Adjusted EBITDA was $47 million, or 12% of revenue and 300 basis points higher than last year. While we saw a slow start to the year in January, trends improved as we progressed through February and March.

Turning to segment performance for the first quarter. **Brand Tripadvisor** delivered revenue of $240 million, which is a decline of 2%. **Branded hotel** revenue was $159 million, a decline of 5%, driven by similar declines in hotel meta and our B2B revenue.

Hotel meta performance was driven by sustained pricing strength across most of our geos in both free and paid channels, which was more than offset by lower click volumes. Our ROAS was slightly up year-over-year, which led to a marginally higher hotel meta contribution margin compared to last year. From a revenue perspective, hotel meta in the US declined slightly, rest-of-word declined modestly with APAC up slightly and EMEA declined in-line with prior quarters.

In B2B, revenue growth was impacted by decisions to de-emphasize less incremental advertising products, as well as flat performance in our subscription product as we began the transition to a self-service model that will serve our customers more effectively and efficiently going-forward.

Media and advertising revenue grew 10% to $33 million. Better than expected growth was a result of higher contribution from our off-platform or creative media spend, and by better than expected programmatic spend. We also saw some timing benefit from some campaigns realized this quarter that will negatively impact growth in Q2.

Experiences and dining revenue grew 9% to $36 million. Experiences grew 17% while dining revenue declined year-over-year in connection with transitioning B2B from a sales-led to a self-service approach.

Finally, **Other** revenue was $12 million, which was down 8% year-over-year. We continue to see growth in our cruise offering, which grew 6% this quarter, though declines in our de-emphasized offerings more than offset this growth.

Adjusted EBITDA in the **Brand Tripadvisor** segment was $78 million, or 33% of revenue. The 300 basis point expansion versus Q1 of last year was primarily due to increased contribution profit in experiences and lower people costs in sales & marketing and G&A, which more than offset year-over-year increases in tech and content headcount costs to support our strategy as well as higher cloud and licensing costs.

Now, turning to **Viator** where we delivered better than expected revenue growth of 23%, or $141 million with healthy growth across all points of sale. The timing of the Easter Holiday, as well as leap year, contributed approximately $4 million, or 3 points of growth in Q1. The majority of this benefit was related to Easter, which resulted in a pull-forward of revenue from the second quarter as compared to last year. Gross booking value, or GBV, grew 15% to approximately $1 billion, driven primarily by volume growth. The difference between revenue and GBV growth was partly due to holiday timing, which impacted revenue positively but GBV negatively in the quarter.

We continue to prudently balance growth with investment marketing spend. Performance marketing spend as a percent of GBV was flat year over year, as we leaned into opportunities to drive growth in the quarter. We continue to acquire new customers at scale while consistently growing our repeat customers faster than our new ones. We also see higher than average growth in bookings that come to us directly, including our app, and customers who book with us more than 3 times, who are our most loyal and profitable users. These trends reinforce our confidence in our customer acquisition strategy and our ability to drive long-term profitable growth as we build category leadership.

Adjusted EBITDA loss at **Viator** was $27 million, or -19% of revenue, an improvement versus last year's margin of -26%. While margin benefited by approximately 200 basis points from the timing of the holiday revenue in Q1, excluding this impact, we saw solid leverage in variable costs, including performance marketing costs, and fixed costs including people and brand costs.

At **TheFork,** revenue grew 17% as reported, and 16% in constant currency terms, to $41 million. Growth in bookings volume of approximately 10% and pricing growth drove this solid performance.

Adjusted EBITDA loss **at TheFork** of $4 million or -10% of revenue, was a significant improvement from last year's loss of $9 million, or -26% of revenue. The largest driver of this improvement was lower people and direct costs, which more than offset higher cost of sales relating to a contract renegotiation that reduced costs in Q1 of 2023.

Turning to **consolidated expenses** for the quarter. Cost of revenue increased by 100 basis points due to higher cloud and media production costs at Brand Tripadvisor and the de-leverage at TheFork as just mentioned.

Sales and marketing as a percent of revenue was lower by approximately 300 basis points due to lower direct marketing spend and lower people costs across all segments.

Technology and content costs as a percent of revenue were approximately 100 basis points higher primarily due to higher people costs, at Brand Tripadvisor and Viator.

G&A expense as a percent of revenue increased by approximately 100 basis points year-over-year due to the impact of a $10 million accrual related to a potential settlement of a regulatory matter with our vacation rentals business. Not including this impact, G&A was down by approximately 100 basis points year over year due to lower people costs at Brand Tripadvisor.

Now, to cash and liquidity. Operating cash flow was $139 million and free cash flow was $123 million, driven by the timing of working capital and also normal seasonal trends in deferred merchant payables at Viator. We ended the quarter with nearly $1.2 billion of cash and cash equivalents, an increase of $104 million from December 31, 2023.

As discussed on our last call, in Q1 we recorded an income tax expense related to the 2014-2016 IRS transfer pricing settlement, which totaled $46 million. We estimate the net cash outflow will be in the $110 million to $120 million range, and will be substantially settled in Q2. This concludes all open IRS Transfer pricing audits under the Mutual Agreement Procedure, or MAP.

Turning to thoughts on Q2. We started the quarter with some unevenness in April as we faced weaker demand trends, some of which, we believe, were due to the Q1-Q2 timing of the Easter holiday. We also witnessed a wide-reaching update to the travel SERP that extended for a more prolonged period of time than typical updates we have seen in the past. This update drove a noticeable impact to SEO rankings across categories. While we have progressed at mitigating these changes as we exited the month, we did see it impact April and early May results.

Incorporating these trends into our **Q2 outlook**, we expect **consolidated revenue growth** to be flat to up slightly year over year.

- At **Brand Tripadvisor**, we expect year over year declines of approximately high-single digits.
- At **Viator**, we expect revenue growth to step down a couple points below the GBV growth we saw in Q1. The impact of Easter revenue pull-forward into Q1 from Q2 is estimated to negatively impact Q2 revenue growth by approximately 100-200 basis points.
- At **TheFork**, we expect a step down in growth sequentially, to low-to mid-teens year over year growth due to Easter timing impacts between Q1 and Q2.

For Q2, we expect **consolidated adjusted EBITDA margins** to be close to 100 basis points down from last year's comparable period, with declining margins at Brand Tripadvisor offsetting improvement in margins for Viator and TheFork versus last year.

Turning to **expectations for the year**. Given expected Q2 trends, we're taking a more cautious view for the full year. We now expect **consolidated revenue** to grow in the low-to mid-single digits and **adjusted EBITDA** of flat to low single digit growth.

I'll take a moment to touch on what this means for each segment.

Starting with **Brand Tripadvisor**. With a little over 12 months behind us since the launch of our strategy, we are seeing momentum in our operational execution, and we are driving positive trends in our key metrics, which Matt referenced earlier. We maintain confidence in our transformation agenda that, we believe, will meaningfully impact important drivers of our financial profile as we exit 2024 and translate into improved financial performance in 2025.

We expect in the meantime that 2024 will continue to be a period of transition as we have previously indicated. As such, we expect revenue declines of mid-single digits. While we anticipate stable contribution margins, we expect adjusted EBITDA margins to step-back from 2023 levels given investment in people, marketing and technology as we execute on our strategic transformation work.

At Viator, we are prioritizing the balance between growth, profitability and market share gains. We continue to expect a step down in revenue growth for the year relative to where we exited 2023, which reflects; a tough growth comparable in 2023, our transition to full year profitability and incorporates our outlook for Q2 that we just provided.

Finally, **at TheFork**, we expect our profile to reflect our priorities for balanced growth and profitability. We continue to expect a step down in revenue growth from last year, but to achieve full year profitability this year.

We are excited about the year and the opportunities ahead of us. We are confident that we are making the right investments to drive sustainable profitable growth across all of our brands.

With that, I'd like to turn the call back to Matt.

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Matt Goldberg, CEO

Before we wrap up, I'd like to provide a brief update on the work our Board's Special Committee has been doing.

You will recall that on our last earnings call, we noted that Tripadvisor's Board of Directors had formed a Special Committee to evaluate proposals resulting from Liberty Tripadvisor Holdings' stated intention to engage in discussions with respect to a potential transaction, or other alternatives. The Special Committee has determined that at this time, there is no transaction with a third party that is in the best interests of the Company and its stockholders. The Special Committee will continue to evaluate proposed alternatives as appropriate. There can be no assurance that any transaction will result, and we appreciate your understanding that we will not take any questions on this topic today or provide further updates unless we have something definitive to share.

I want to emphasize that the management team and our Board of Directors are excited about the Company's business and prospects and the meaningful value that we can create through continued execution of our plan, as underscored by our solid first quarter results and the initiatives we've discussed today.

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

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<u>After Operator Q&A when call is passed back to Matt</u>

Thanks again to everyone for joining us today. We are looking forward to executing our 2024 plan, and continuing to drive our initiatives forward.

See you at the next update.